Introduction

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Informal economic activity is as old as humankind and, today, is emerging in new places and new guises. Historically, all employment, businesses and economic activities were informal until policies and laws were introduced that created a divide between formal and informal, that is, between economic units that are registered with relevant administrative authorities and those that are not and between workers with employment-based social protection and those without.

In the early 1970s, the British anthropologist Keith Hart coined the term “informal sector” to refer to the economic activities of migrants from northern Ghana in the capital city Accra (Hart 1973); and the International Labour Organization’s Employment Mission to Kenya popularised the term to refer to what was earlier called the “traditional sector” (International Labour Organization 1972). Since then, the “informal sector” or “informal economy” has become a field of study in several disciplines. In economics, theory and research have tended to focus on what drives the informal economy and its predicted decline; whether and how it is linked to formal regulations and the state. In other disciplines, theory and research have focused on new and emerging forms of economic informality: how once-formal jobs are being informalised; how informal workers are being integrated into the global system of production and exchange; and how, otherwise, the informal economy is linked to modern capitalist development. Meanwhile, also since the 1970s, a parallel field in urban studies – on informal housing, settlements and land markets – has emerged (Roy and Al Sayyad 2004).

In today’s global economy, two billion people – more than 61 per cent of the world’s employed population – make their living in the informal economy (ILO 2018a). They are engaged in both traditional and modern economic activities and in most branches of industry, including traditional artisan and craft production; street vending and market trading; construction and transport; manufacturing, including industrial outwork; personal and information technology services; and work intermediated by digital platforms. Through their economic activities, informal workers contribute to households, societies and economies around the world: serving as the main source of income for hundreds of millions of households; helping to reduce hunger and poverty; contributing to the production of

goods and services for domestic and international markets; and contributing to the preservation of local culture and social life. And yet, informal workers, their livelihoods and their contributions are not well understood or valued but, rather, tend to be misunderstood, undervalued or often stigmatised.

Background to this volume

Since it was founded in 1997, the global network Women in Informal Employment: Globalizing and Organizing (WIEGO) has sought to improve statistics and research as well as conceptual and policy understanding of the informal economy. WIEGO has collaborated with the International Labour Organization (ILO), the International Expert Group on Informal Sector Statistics, and national statistical offices to improve statistics on the informal economy; and with researchers and research institutions in many countries to improve research and data analysis on the informal economy. Also, WIEGO has helped build a global movement of organisations of informal workers, including national, regional and international networks of domestic workers, home-based producers, street vendors and waste pickers.

In November 2017, as part of its 20th anniversary celebrations, the WIEGO Network invited three dozen well-known scholars on the informal economy to a research conference at Harvard University. Rather than presenting their latest research, the participants were asked to reflect on the evolution of theory and research about the informal economy in their own discipline and research and on a common set of questions for each session. Their reflections triggered exchanges between them and other participants in the conference: the result of which are reflected in this Introduction, the Conclusion and the individual chapters of this volume. It is rare to have had such a diverse group of thought leaders tackling related questions and conundrums about the informal economy.

Why focus on the informal economy?

First and foremost, well over half of all workers globally, 90 per cent in developing countries and 67 per cent in emerging economies, are informally employed. It is only in developed countries that most workers (82 per cent) are formally employed (ILO 2018a). As Jan Breman puts it, “formal conditions of earning a livelihood [have] become the economic status of only a small and privileged segment of labouring men and women” (Chapter 1). Yet how we think about labour, labour markets and labour regulations is predicated on the notion of formal wage employment with a recognised employer-employee relationship in formal places of work (firms, offices, factories). Also, how we think about enterprises, production and exchange is predicated on the notion of large formal enterprises, again in formal places of work, and the transactions between them. There is a clear need to rethink production and distribution, commerce and markets, employment and labour, self-employment and enterprises through the lens of informal workers and their economic units and activities.

Second, there is significant overlap between working informally and being poor: a higher percentage of informal workers than formal workers are from poor households; a higher percentage of all workers in poor households, than in non-poor households, are informally employed; and only 3 per cent of all informal workers are employers, the one segment of informal workers that, on average, are non-poor (Chen et al. 2005; ILO 2018a; Bonnet, Vanek and Chen 2019).

Third, there is also significant overlap between informal employment and non-income dimensions of inequality. The tripartite discussion on Decent Work and Informal Employment at the 2002 International Labour Conference concluded that informal workers face greater deficits than formal workers in regard to the four pillars of *decent work*: economic opportunities, labour rights, social protection and voice (ILO 2002a). Informal workers also face greater deficits in *decent living* compared to formal workers: on average, they have less access to adequate and affordable health, education, housing and basic infrastructure services as many live in underserved informal settlements, neighbourhoods or villages (Chen 2019). Despite these disadvantages, as the evidence cited in this volume will show, informal workers and their activities contribute to poverty reduction and economic growth.

Why now? Given transformations in the organisation of work and labour markets including new forms of informal employment, now is the appropriate time to take stock of the significant shifts in rethinking on the informal economy over the past two decades and explore emerging challenges related to it that will need policy and research attention going forward.

Unique features of this volume

This volume seeks to enhance our understanding of the informal economy by pulling together the perspectives and analyses of three dozen well-known scholars of the informal economy. Contributors to this volume represent several disciplinary perspectives: anthropology, development economics and labour economics, labour law and labour relations, political science, social policy, sociology, statistics, urban planning and design.¹ They address several cross-cutting areas of policy research – economic development, urban planning, social protection – and the role of the state and regulation. The volume is further anchored by a focus on three groups of informal workers, their livelihood activities and the impact of the policy and regulatory environment on these activities: (1) home-based workers; (2) street vendors; and (3) waste pickers. These are three large and important groups of informal workers who, in their everyday work lives, interface with more powerful economic actors and the state.

The contributors reflect on the past, present and future of the informal economy – and the theoretical, research and policy responses to the phenomenon within their disciplines. In so doing, they draw on their own research in around 20 countries, including: Argentina, Brazil, Bulgaria, China, Colombia, France, Ghana, India, Indonesia, Kenya, Mexico, Pakistan, Peru, South Africa, Tanzania, Thailand, Uruguay and Zimbabwe.² In sum, this volume provides an intellectual and

grounded view of recent advances in knowledge and thinking as well as future research and policy challenges regarding the informal economy.

This volume is not only cross-disciplinary and multi-regional in scope but also features reflections, looking back and forward, of leading scholars on key theoretical and policy debates on the informal economy. Rather than offering a collection of individual writings, or reports of findings from diverse, loosely related research projects, the book results from a combination of individual perspectives and collective engagement around shared concerns about informal workers and the scholarship on the informal economy.

The structure of the book

This Introduction summarises the recent rethinking on the informal economy by the chapter authors, starting with their analysis of how past perceptions and policies regarding the informal economy, dating back a century or more, are reflected in current perceptions and policies. Following this Introduction, the chapters in this volume are organised into parts by disciplines, themes and groups of informal workers: each part containing two to four chapters. Part I features the reflections of two prominent scholars on the informality of capital and the state in relation to the informality of labour. Part II features recent developments in statistics on the informal economy as well as research on the phenomenon by the global network WIEGO (Women in Informal Employment: Globalizing and Organizing), which convened the conference and prepared this volume.

The disciplinary parts cover statistics (Part II), economics (Part III), labour law (Part IV), social policy (Part IX) and urban planning and design (Part V). Political science and sociology, as well as each of these disciplines, are woven throughout. The informal worker parts feature homeworkers, street vendors and waste pickers. The Conclusion calls for a paradigm shift in future research and policy, drawing on the recommendations of the authors and their deliberations during the WIEGO 20th anniversary research conference.

Definitions of economic informality

Many unofficial definitions of the informal economy are used in the wider literature. It is important, therefore, to briefly introduce the official international statistical concept and definition of the informal economy and the related concepts and definitions of the informal sector and informal employment. The International Conference of Labour Statisticians (ICLS), convened every five years by the International Labour Office (ILO), has adopted two official international statistical terms and definitions related to the informal economy: *informal sector* refers to the production and employment that takes place in unincorporated or unregistered enterprises (1993 ICLS); and *informal employment* refers to employment without social protection through work – both inside and outside the informal sector (2003 ICLS). The *informal*

economy refers to all units, activities, and workers so defined and the output from them. Together, they form the broad base of the workforce and economy, both nationally and globally.³

It is also important to acknowledge that many observers criticise the concept of informality as being too fuzzy and the formal-informal dichotomy as being too binary. One aim of this volume is to share the conceptual clarity regarding the informal economy, and its component parts, that has emerged in recent years and is reflected in the international statistical definitions. Admittedly most workers and enterprises fall on a continuum between being fully formal or fully informal, but the formal-informal divide while “easy to criticize” is “useful” for policy and for “understanding the state”, as Barbara Harriss-White argues (p. 39, in this volume). Further, for statistical measurement purposes, it is necessary to establish boundaries between – and within – informal and formal employment.

Legacies of the past

Much of the literature on the informal economy, especially in economics, is ahistorical. Yet understanding informality in the past is key to understanding informality today and thinking about informality in the future. Many of the dynamics of informality in developing countries today played out 100 years or more ago in developed countries, as Lucía Fernández illustrates by comparing the situation of waste pickers in Paris, France, in the late 1800s with waste pickers in Montevideo, Uruguay, today (Chapter 23). It is important to understand what, historically, drove not only the informal economy but also the dominant theories and negative stereotypes about the phenomenon.

While the *term* “informal sector” can be traced back to the seminal 1973 article by Keith Hart on the economic activities of migrant workers in Accra, Ghana, the *concept* of a formal-informal divide dates back to earlier times. Jan Breman traces the antecedents of “the conceptual divide between formal and informal” in the domain of the economy and employment to the early twentieth century (Chapter 1). Kate Meagher traces differences in the size and dynamics of informal economies in Africa to differences in colonial economies (Chapter 31); Caroline Skinner and Vanessa Watson trace the antecedents of urban planning today to planning by the colonial state (Chapter 15); and Ravi Kanbur also traces the mindset that some phenomena are informal (thought to be illegal and undesirable) while other phenomena are formal (thought to be legal and desirable) back to the colonial state (Chapter 7).

In this Introduction, we summarise how the informal economy has been perceived historically in three domains of theory, research and policy: economic growth and industrial development; labour markets, labour rights and organising; and urban planning and design.⁴

Economic growth and industrial development

The process of economic growth and industrial development, as James Heintz details, has been associated in economics with “a transformation of the structure of employment”, notably, “the movement of labour out of agriculture and into industrial and service jobs”, and out of informal self-employment into formal wage employment (Chapter 8). This assumption is premised on the historical trajectory of today’s high-income countries: mainly in the Global North but also the East Asian Tigers. In the 1954 essay for which he received a Nobel Prize in Economics, W. Arthur Lewis cautioned that this structural transformation would take longer in developing countries with a surplus of labour but predicted that, in the long term even in developing countries, economic growth and industrial development would generate enough modern jobs to absorb surplus labour from the traditional economy: what is referred to even today as the “Lewis Turning Point” (Lewis 1954).

However, in low-income countries, especially those in which population growth has outstripped employment growth, traditional forms of informal employment have persisted. And, in recent years, new forms of informal employment have emerged across developing, emerging and developed economies. As Heintz notes, large formal firms are increasingly mobilising labour without entering into wage employment contracts, thanks in large part to new technologies (Chapter 8). Cases in point are the outsourcing of production through global value chains and the linking of demand and supply for goods and services through digital platforms. These trends call into question whether, as predicted, wage employment will rise and self-employment will decline with economic growth in today’s developing and emerging economies.

Clearly, traditional forms of informal employment, notably self-employment, have persisted in most developing countries and many emerging countries. And, around the world, once-formal jobs have been informalised – severing them from labour rights and social protection – and new forms of informal wage employment and contracted employment have emerged. The net result is that today, in emerging economies, 67 per cent of all workers are informally employed and 49 per cent are self-employed; and, in developing countries, 90 per cent of all workers are informally employed and 72 per cent are self-employed (ILO 2018a; Bonnet, Vanek and Chen 2019).

But global and regional averages mask significant differences in economic development and informal economies, even within regions, that must be taken into account in mapping out the implications for workers and policy. Kate Meagher draws on the pioneering work of Thandika Mkandawire (2010) to explain why some countries in Sub-Saharan Africa, notably in Southern Africa but also in East Africa, have smaller informal economies than countries in other parts of Africa, tracing the differences to the “differential capacities and economic objectives of colonial states” (Meagher, Chapter 31, p. 234). Former cash crop economies, concentrated in West Africa, “gave free reign to informal business networks”, while former labour reserve economies, predominantly in

Southern Africa, “smashed and criminalized” such networks to maintain a surplus pool of unemployed; and the former concession economies of Central Africa “fostered violent modes of informal labour organisation and control” (Meagher, n.d.: 6). These legacies have influenced postcolonial patterns which, in turn, have created new layers of variation.

Labour markets, labour rights and organising

Perhaps the most persistent misconception about labour markets is that all economies are on a path leading to the prevalence of wage employment, that is, dependent employment with “pay for time worked” (hourly/weekly/monthly). The labour markets of high-income countries have been dominated by wage employment for over a century; and the majority of informal workers in developed countries are wage-employed. Models of economic development, based on the experience of these economies, posit that all economies, including emerging and developing economies, will undergo a progressive integration of the bulk of the labour force into wage employment (see Heintz, Chapter 8 in this volume, for a review of this kind of argument).

In developing countries, however, the majority of all workers and, more so, of informal workers are self-employed, mainly as own-account workers or contributing family workers (see Chapter 6 by Chen and Chapter 3 by Vanek in this volume; ILO 2018a),⁵ with little evidence of a downward trend in self-employment across these countries. Another inappropriate – and detrimental – characterisation results from the association of self-employment in developing countries with the forms of self-employment which prevail in developed countries, namely, professionals and entrepreneurs. By contrast, many of the self-employed in developing countries are own-account workers who operate in single person or family units with unpaid contributing family workers. Very few own-account operators are professionals or entrepreneurs. Most seek to multiply household income sources as a hedge against economic risks and few are able to accumulate enough customers and profit to hire workers or expand their business.

An important consequence of the prevailing view that economic growth will inevitably result in a predominance of formal wage employment is that most models of the labour market focus almost exclusively on the characteristics and dynamics of formal wage employment. Such models are of limited usefulness when considering economies where the bulk of workers are not wage-employed. Furthermore, both labour law and the design of social protection are premised almost exclusively on wage employment. Developing countries have followed these models and approaches – having inherited and adhered to the perspective that the employer-employee relationship should be the main employment arrangement and at the core of protective regulations. What has come to be known as the “standard employment relationship” – full-time, year-round, employment with a single employer – was institutionalised from the late 1940s in high-income and some middle-income countries and, though becoming less

prevalent since the 1980s even in high-income countries, remains the foundation of most labour regulation and most models of labour markets. However, labour supply and demand operate differently in labour markets dominated by self-employment than in labour markets dominated by wage employment.

A correlate and concurrent aspect of the institutionalisation of wage employment as a norm is the presumption that informal workers are not “real” workers with a place in labour law⁶ and with shared concerns around which they can coalesce, mobilise and organise for collective action and bargaining with actors and institutions that impact on their activities. This perspective has led, in many countries, to significant “blindness” in employment standards and labour law, especially the law on representation rights.

Judy Fudge notes that the legal invisibility and exclusion of informal workers will continue as long as policies that “draw the boundaries of labour rights and standards by reference to the contract of (formal) employment” prevail (Chapter 12, p. 105). Pointing to the inadequacy of such a frame for workers for whom no entity that exercises “direct control over the worker’s performance” can be identified, Judy Fudge argues that this inadequacy does not preclude devising mechanisms for protecting such workers and regulating such employment relations. Both Adelle Blackett, writing in Chapter 13 about domestic work, and Judy Fudge, writing about homeworkers and other subcontracted workers, underscore that forms of labour in which women have been concentrated are especially excluded, even erased, from the sphere of worker rights. They both argue, moreover, that the dichotomy between work and non-work around which labour law has been built is not well suited to the activities of women who often combine (unpaid) family work with informal work, sometimes with more than one form of each. Blackett further highlights dimensions specific to domestic work, including the nexus of work in the private/domestic sphere and tasks integral to the historical gender-based division of labour in the household. She also highlights the perpetuation of racial hierarchies when domestic work is performed by subordinated racial-ethnic groups such as African-Americans in the USA and black Africans in South Africa, by rural-urban migrants, and by immigrants from the Global South to high-income countries (many of whom come from former colonies).

Michael Piore discusses the challenges of enforcing labour standards in global and domestic production chains due to unclear employer responsibilities for working conditions and calls for alternative *national* modes of enforcement that specifically address the fragmentation of work arrangements (Chapter 14). He notes country examples of systems better suited to such production settings, mostly “integrated” labour enforcement systems that draw regulatory attention to the causes of poor working conditions rather than focusing on single infractions. To govern home-based industrial outwork (called homework) in global supply chains, Marlese von Broembsen argues that national regulations and models of enforcement will need to be strengthened by *multi-jurisdiction* efforts to govern employment (Chapter 18).

The international and national labour movements tend to adhere to the notion that organised labour relations only pertain to workers in employer-employee

relationships. Until fairly recently, established unions have overlooked and sometimes explicitly excluded informal self-employed because “they have no boss” with whom to bargain; this has led them to assume that most informal workers have no need for collective representation and bargaining. The prevailing view that only employees are workers has also led to a mistrust of the informal self-employed who, without an employer, are assumed to be autonomous entrepreneurs with little interest in unionisation. The global movement of informal worker organisations that has emerged from the 1970s onward has challenged this perspective and demonstrated that informal workers, including the self-employed, can engage in collective action and bargaining (Gallin 2002, 2006; Bonner and Carré 2013; Eaton, Schurman and Chen 2017).⁷ The fact that in some sectors the majority of informal workers are women (who also are often not considered “workers”) plays a role in contributing to policies and union organising strategies that exclude informal workers, especially women. As a notable exception, the Self-Employed Women’s Association (SEWA) of India, which now has over 1.5 million women members, was started by Ela Bhatt, a labour lawyer working at the time with a local textile union (the Textile Labour Association) which supported her organising efforts with women informal workers (Bhatt 2006).

The notion that labour relations and collective bargaining are solely relevant for employees is historically inaccurate. In many countries, informal self-employed self-organised in guilds. In what are now developed economies, virtually all workers were once informal, either self-employed or working as domestics, vendors, teamsters, casual day labourers or as homeworkers in the manufacture “putting out” system without benefit of social protection or redress from abusive conditions. Labour organising and the formation of worker associations and unions were prime forces behind the recognition, spread and then formalisation of employer-employee relationship with employment-based social protection and labour rights. As Jan Breman notes, this “emergence of formalised politics and policies of employment” occurred alongside the expansion of modern industrial capitalist development (Breman, p. 31, in this volume). In other words, unions and other worker organisations were a main force behind formalisation, though by no means the only one.

Urban planning and design

In the colonial era in many countries, cities tended to be divided into two sectors: the planned formal city of colonial rulers and the unplanned informal city of the “native” population. Arguably, this divide took its most egregious form in colonial South Africa under Apartheid: when Black African townships and “Coloured” neighbourhoods were kept outside the white cities and towns of the colonial rulers, sometimes right outside the town as “dormitory” neighbourhoods to provide labour to the city or town.⁸ As Kanbur observes elsewhere, the negative mindset about informal economic activities stems from this divide as all informal activity by the native population was treated with suspicion and condemnation by the colonial state, as somehow tainted by illegality (Kanbur 2014).

As Caroline Skinner and Vanessa Watson explain, the colonial state not only shaped city landscapes but also shaped the profession and practices of urban planning (Chapter 15).

In sum, reflecting and driven by these legacies, historic patterns of inclusion and exclusion remain embedded in dominant models today of economic planning, labour organising and urban planning. Few economic policy-makers see informal workers as a legitimate target of economic policies. The international labour movement and trade unions of formal workers remain unsure what to do with (or for) the informal self-employed and, as Uma Rani details, are increasingly turning their attention to new forms of precarious and disguised wage employment, including workers in the gig or ‘on-demand’ economy facilitated by digital platforms (Chapter 9). Also, urban planners and city officials, in deciding what are legitimate uses of public space, still either overlook or ban outright street vendors; and, in modernising municipal solid waste management, often fail to integrate informal waste pickers. And, yet, the historically excluded have played – and continue to play – important roles in providing essential goods and services when cities fail to do so. In this volume, Skinner and Watson cite a 2009 survey across 11 cities in southern Africa which found that some 70 per cent of poor households normally sourced foods from informal traders or street vendors (Skinner and Watson, p. 127, citing Crush and Frayne 2011: 798). Also, as Lucía Fernandez, Jérémie Cavé and Melanie Samson detail, informal waste pickers have historically provided – and in many cities continue to provide – the essential service of collecting waste and reclaiming recyclables (Chapters 23, 24 and 25 in this volume).

Recent advances and rethinking

Over the past two decades, there has been significant rethinking about the informal economy – its size, composition, characteristics, and contribution; what drives it; its links to the formal economy and integration into the global economy; its relationship with the state and capital – thanks in no small measure to the authors in this volume, most of them scholars of the Global South and many of them from the Global South.

Statistical measurement of informal employment

The past two decades have witnessed significant advances in the measurement of informal employment; progress is evident in the statistics cited in this Introduction as well as specific data used in the chapters. This is significant because the integration of the measurement of informal sector and informal employment in official statistics is key to improving the visibility of informal workers and to informing advocacy and policy.

Joann Vanek underscores how much progress has been made during the 2000s in mainstreaming the informal economy in official statistics and disseminating data as they become available at the national and city levels (Chapter 3).

In so doing, she highlights the role that WIEGO, as an informed user of official statistics, has played in improving national and international statistics on informal employment. Working closely with the International Labour Organization and national statistical offices, WIEGO has contributed to three editions of *Women and Men in the Informal Economy: A Statistical Picture*; the first in 2002 presented cross-national statistics on informal employment from 25 countries using indirect and residual methods; the most recent in 2018 presented the first-ever global estimates of informal employment – inside and outside informal enterprises – in developing, emerging and developed countries, using microdata from over 100 countries. One sign of progress is that, thanks to the ILO and WIEGO, informal employment has been designated an indicator under Sustainable Development Goal 8 on Decent and Productive Work and Economic Growth (Indicator 8.3.1 *Share of non-agricultural informal employment in total employment*).

More recent progress includes the adoption in 2018 by the International Conference of Labour Statisticians of a revised Classification of Status in Employment (ICSE-18) which addresses several concerns of relevance to adequately measuring informal employment. Françoise Carré reviews, in particular, the new status category of “dependent contractors” for workers who, though presumed to be fully independent and, therefore, classified as self-employed, in fact, exert little autonomy in their work, in running their operation, and depend on another actor or entity in order to access the market for the product of their work (Chapter 4). This is a step towards better classifying industrial outworkers, (dependent) homeworkers, and the so-called “gig” workers in the on-demand economy. Crucial to measuring and understanding informal work, including home-based work, the ICSE-18 also introduces the “place of work” variable as key to classification.

Individual countries have made significant advances in measuring the size of the informal economy, its contribution to national income, and in detailing important sub-groups of informal workers. Analysing 2017–18 data for Mexico, where the statistical office (Institute of Statistics and Geography, INEGI) has been a pioneering leader in the development of official statistics on informal employment, Rodrigo Negrete reports that the informal workforce (which represented 57 per cent of employment) contributed nearly one-quarter (23 per cent) to the GDP of that country: with the contribution of informal workers *inside* the informal sector (i.e., informal enterprises) slightly lower (at 11.1 per cent) than the contribution of informal workers *outside* the informal sector (11.7 per cent) (Chapter 5). Also, INEGI has devised questions to measure the dependency of workers on other economic agents, helping to identify “dependent contractors” and illuminate the situation of other categories of informal workers.

Informality and economic growth

The share of informal employment in total employment is highest in developing countries (at 90 per cent) and lowest in developed countries (at 18 per cent) yet

quite significant in emerging countries (at 67 per cent) (ILO 2018a; Bonnet, Vanek and Chen 2019), suggesting that the structural transformation from a predominantly informal to a predominantly formal economy takes time. Moreover, within the different country income groupings, there is significant variation between countries in the size and composition of informal employment, depending on the level and nature of economic growth, including the degree of structural transformation.

Clearly, the predicted demise of the informal economy – the Lewis “turning point” – has not yet materialised in many emerging economies and most developing countries. In part, this is due to the level and nature of economic growth across countries. In part, this “was the result of a deliberate state policy (and not a reflection of the limits to state competence or of the residual or incipient nature of informal economic activity)” (Harriss-White, p. 13, in this volume). In part, this is due to the nature of the globalised economy in which work, as Meenu Tewari puts it, has become “splintered and distributed across the global through highly mobile value chains” (Chapter 19, p. 151). Through this and other processes, informality has rapidly become “the organising principle of the globalised economy” (Breman, p. 32, in this volume). In other words, informality is a structural feature of modern capitalist development, as the structuralist thinkers Manuel Castells and Alejandro Portes pointed out (Castells and Portes 1989).

Informality and economic policies

Elsewhere, Ravi Kanbur has argued that:

[T]he economic frameworks which dominate analytical and policy discourse ... are flawed. They take too aggregated a view of informality and as a result come up with inappropriate policy analysis and prescriptions. This aggregative lens also reflects a certain mindset towards informality, which views it as a mass or a lump, and indeed a problem to be addressed. A disaggregated perspective is not only a better description of reality; it helps to break clear from mindsets that date back at least to colonial times.

(2017: 2)

A key example of a flaw in the aggregated view of informality is that all informal workers are seen as targets of tax policies and tax reforms. Also elsewhere, Ravi Kanbur, with Michael Keen, makes the case that, while taxing the informal economy is still a priority for many governments and financial institutions, some segments of the informal economy already pay taxes of different kinds while other segments fall beneath the tax threshold for certain kinds of taxes (Kanbur and Keen 2014). Kanbur and Keen conclude that it is important, therefore, to disaggregate the informal economy when considering tax policy, regulations and other policies (*ibid.*).

Ravi Kanbur makes the case that in order to design appropriate policies, data for specific groups or segments of the informal economy is required. But, as

Marty Chen explains, WIEGO has found that while disaggregated data on different segments of informal employment – by status in employment, branch of industry, place of work and gender – is needed to inform policy, aggregate measures of the size and contribution of informal employment are needed to first attract the attention of policy-makers.

Kanbur offers a framework for defining and distinguishing between different types of informality in relation to taxation. The questions he poses apply equally well to the formal-informal divide in other areas of policy, namely, “Is formality the compliance with all policies and informality the non-compliance with any? ... Or is there an intermediate definition, and, if so, what?” Harriss-White frames the same question slightly differently – as a selective engagement with regulative law: “A firm may be registered and have (1–10) bank accounts, but flout the building regulations, the environmental laws as well as the labour laws, and evade tax” (Chapter 2),

Imraan Valodia and David Francis argue that using tax status, specifically not paying taxes, to define informality “is clearly inexact and is an inappropriate proxy” (Chapter 10). They illustrate the complex dynamics between the tax system and the informal economy with the case of how informal traders in South Africa experience the Value Added Tax (VAT) system. VAT is charged at each stage of the production process and each business registered as a VAT vendor collects the tax at time of sale and is entitled to claim back the VAT expended on inputs. In contrast, operators who are not registered VAT vendors, such as most informal operators, are unable to claim back the VAT on the inputs they purchase and have to absorb this cost or try to pass it on to their customers. This clearly limits the profitability and competitiveness of informal businesses. This example challenges the presumption that all informal workers operate informally in order to evade taxation.

Informality, labour markets and regulations

As noted earlier, most labour laws and most labour market models are premised on the notion of formal wage employment under a recognised employer-employee relationship in formal places of work. James Heintz points out that the neo-classical economic model of supply and demand for labour premised on wage employment is inappropriate for markets dominated by self-employment: as the self-employed supply their own labour (and capital) and the demand for their labour is a derived demand for the goods and services they produce (Chapter 8). The neo-classical model of the labour market also does not fit labour markets in which a large share of wage employment is not formal but, rather, informal, disguised or contracted.

Further, the neo-classical economics notion of the informal self-employed as an entrepreneurial class, who choose to operate informally in order to avoid regulations and taxations (Maloney 2004), does not match the reality of most informal self-employed, especially in developing countries. Very few informal workers are employers who hire others: 3 per cent globally, 2 per cent in developing countries,

3 per cent in emerging countries and 6 per cent in developed countries (ILO 2018a; Bonnet, Vanek and Chen 2019). A large percentage of informal workers are own-account operators in single-person and family units: 45 per cent globally, 54 per cent in developing countries, 44 per cent in emerging countries and 28 per cent in developed countries. And a not-insignificant percentage of informal workers are contributing family workers in family units: 16 per cent globally, 22 per cent in developing countries, 16 per cent in emerging countries and 6 per cent in developed countries (*ibid.*). Among these three groups of self-employed, only the employers could be considered an entrepreneurial class.

The persistence of informal employment has been attributed, by many mainstream economists, to excessive regulations by the state, notably labour regulations, which create incentives for firms to operate informally outside the purview of regulations (Maloney 2004). To test this assumption, Urmila Chatterjee and Ravi Kanbur studied the impact of India's Factories Act of 2011, which requires manufacturing firms of a certain size to register and comply with regulations. They found that the category of firms that are not affected by the Act given their small size (which they call Outsiders) far exceeds (at 97 per cent of all manufacturing firms) all the other categories of firms (which they call Compliers, Evaders and Avoiders) put together (Chatterjee and Kanbur 2015). Harriss-White notes that earlier industrial regulations in India, including the Madras Non-Power Factories Act 1947, the Madras Shops and Establishments Act 1942 and the Industrial Disputes Act 1947, were not devised to regulate informal modes of production and employment (Chapter 2).

Another important issue addressed in this volume is self-employment, both how it is understood conceptually as well as how it is treated in policies and laws. As Harriss-White observes: "This is a field of bitter debates. Is self-employment capital, labour or neither?" (Chapter 2, p. 41). In India, the National Commission for Enterprise in the Unorganised Sector (NCEUS), "clearly saw self-employment as 'Janus-faced' (on the one hand disguised wage work and on the other micro-capitalist activity)" (NCEUS 2007a, 2007b). As noted earlier, most informal self-employed are own-account or contributing family workers who put more labour than capital into their livelihood activities; and some are dependent contractors or disguised wage workers misclassified as self-employed.⁹ Under labour law in India, employers of up to five hired workers (accounting for over 95 per cent of all Indian firms) are classified as labour, not capital "on the grounds of their small scale compared with the corporate sector and their lack of access to social safety nets" (Harriss-White, Chapter 2, p. 41). Yet court cases filed to provide legal rights or social protection to informal self-employed are usually struck down unless an individual employer can be identified (*ibid.*). For this reason, Kamala Sankaran has concluded elsewhere that "self-employed workers are both declassified and disenfranchised" (Sankaran 2008).

Marty Chen presents the well-known WIEGO model of segmentation within the informal economy by status in employment and by sex, including the average earnings and poverty risk of each segment (Chapter 6). In brief, average earnings

go down and the risk of poverty goes up across the following hierarchy of informal employment statuses: employers, employees, own-account workers, casual day labourers, industrial outworkers and contributing family workers. Among these segments, men are over-represented among employers and women are over-represented among industrial outworkers, especially those who produce goods in or around their own homes (called homeworkers), and among contributing family workers. The ILO successfully recommended “own account workers and contributing family workers” as an indicator of vulnerable employment under Millennium Development Goal 1 (Eradicate Extreme Poverty and Hunger).¹⁰ With the ILO, WIEGO has promoted the first-ever global estimates of informal employment, which show that own-account workers and contributing family workers, together, constitute 61 per cent of informal employment and 42 per cent of total employment globally (ILO 2018a; Bonnet, Vanek and Chen 2019).

To sum up, most economic and urban planners, as well as mainstream trade unions, do not know what to think or do about informal self-employment. As Breman notes, some observers glorify “the self-reliance associated with it” (p. 34 in this volume) and call for unleashing the untapped entrepreneurial spirit and productivity of the informal self-employed. Other observers assert that informal self-employed represent unfair competition to formal enterprises by avoiding regulations, taxes and rents or are a “drag on the economy” due to their low productivity (Levy 2008). And still other observers see the informal self-employed as mainly low-end survivalists. Through its statistical analysis and field research, as Marty Chen details, WIEGO has found that informal employers have the highest average earnings among all informal workers; and that both own-account workers and contributing family workers tend to invest more labour (than capital) into their economic activities and face numerous costs and risks due to the stigmatisation and penalisation of the informal economy. The first-ever global estimates of informal employment, summarised by Joann Vanek, indicate that the informal self-employed who hire workers, and might therefore be considered an entrepreneurial class, represent only 3 per cent of all informal workers globally: 3 per cent of men informal workers and 1 per cent of women informal workers (Chapter 3). The vast majority of informal self-employed, and the majority of all informal workers, are own-account workers and (especially among women informal workers) contributing family workers (ILO 2018a; Bonnet, Vanek and Chen 2019). In sum, the majority of the self-employed are not entrepreneurs but rather working poor persons who operate in single-person or family units.

Informality, labour rights and organising

Progress has been made in thinking of alternative ways to provide rights and protection to informal workers in countries across the Global South and the Global North. Judy Fudge proposes alternative ways of approaching regulation to provide standards in working conditions and protection from risks (Chapter

12). She proposes a conception of work as a relationship that extends beyond the normative employment “contract” and even beyond relationships to encompass the context and physical environment in which all types of work take place. She argues that, in order to stand in for employer-employee relationships, policy must look for “functional equivalents to the institutional role that the employer played in the standard employment relationship” (p. 106, in this volume). Implementing a principle of functional equivalency requires a significant shift in the role of the state and the balance of bargaining power away from employers and corporations. Countries where the state triggers tripartite policy negotiations and is not captive to powerful interests likely stand a better chance of moving in this direction. Given the organisation of domestic work across borders, Adelle Blackett, drawing on selected countries’ experience with formalising domestic work, analyses the necessary alternative of a *transnational* framework to regulate it, that is “rooted in equality” – gender and racial-ethnic equality – and that challenges the boundaries of labour law, integrating migration law in particular (Chapter 13).

Michael Piore proposes alternative national administrative models for the enforcement of labour standards for production units in developing countries which are engaged in international or domestic sourcing (Chapter 14). He points to the lessons from “generalist” enforcement systems, such as those of France, Spain, the Dominican Republic and other countries that have followed a generalist model of labour inspectorates with a broad mandate to enforce labour standards as a whole. This model holds promise for developing countries because their inspection systems often lack the administrative and personnel resources to effectively enforce regulations one firm and one violation at a time, which is what specialist enforcement systems do. A generalist approach to labour inspections compels the attention of enforcement agents to the causes of standards violation – often located within the organisation of production sites and chains, according to Piore. The generalist enforcement model shifts enforcement resources to changing the factors in production and industry organisation that create risks for workers and holds the potential to be more effective than levying fines for individual violations which, in practice, depletes the efforts of under-resourced enforcement agencies (also Piore and Schrank 2018). Piore raises caveats about policies that treat the informal sector as monolithic whereas it is highly heterogeneous in terms of enterprises and operators; and the tendency of governments to focus more on the regulation of enterprises and less on the regulation of employment conditions and the social protection of workers (Chapter 14).

Alternative approaches to establishing and maintaining some labour standards (e.g., minimum wages) in garment production chains that include both factory and home-based workers are featured by Meenu Tewari (Chapter 19). These experimental approaches combine action or negotiation “at the top” with leading brands and retailers along with engaging workers producing for the brand – as well as other workers – in their geographic community, where they live, through a mix of social services delivered in collaboration with public administrations,

and production and marketing community enterprises or networks. These approaches are distinctive in two ways. First, they use collaborations with a broad range of actors beyond unions or worker organisations, such as NGOs, universities, buyers, and governments. Second, the locus for worker mobilisation is the community of residence rather than the workplace of the specific factory issuing work orders.

Finally, progress has also been made in the realm of collective mobilisation by informal workers in spite of their near invisibility in labour rights law. In fact, organising informal workers has a long history, mirroring the evolution of work arrangements. At the dawn of the industrial age in the eighteenth century, “all workers were informal” as Dan Gallin highlights in his historical overview of organising informal workers (Gallin 2011). As they organised into unions, fought and won rights, the situation of workers started to become formalised. However, many workers, especially in developing countries and particularly women and minorities, were left out of this process and remained in what became known as the informal sector or informal economy (*ibid.*).

More recent organising among informal workers can be traced back to the founding of SEWA in India in 1972. In 1983, SEWA was recognised as a trade union and accepted as an affiliate by the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers (the IUF). During the 1980s, domestic workers’ organisations in Latin America formed a regional alliance, CONLACTRAHO. During the 1990s, home-based workers began to organise and to engage in a campaign for the ILO Convention on Homework (C177) which was adopted by the International Labour Conference in 1996. Recognising the important role that data on the significance of home-based work played in the campaign for the convention, SEWA and its allies founded WIEGO in 1997 to provide research, statistical, technical and advocacy support to organisations of informal workers and to help build sector-specific networks of these organisations (Chen 2000, 2013). Since then, WIEGO and SEWA, together with the IUF and other organisations, have helped build a global movement of organisations of informal workers, including the International Domestic Workers Federation, four regional networks of home-based workers (called HomeNets), StreetNet International and a global alliance of waste picker organisations (Bonner et al. 2018). Between them, as of mid-2019, these sector-specific networks had more than 500 affiliated organisations in 90 countries with a combined total membership of around 5 million informal workers.

A growing field of scholarship, well represented by contributors to this volume and others,¹¹ has focused on the roots of mobilisation, forms of organisation, types of negotiation among informal workers and the alliances of organisations of informal workers with the international labour, cooperative and women’s movements. Of particular interest is the fact that informal worker organisations engage in negotiations with a variety of actors, private and public.

The state has turned out to be a significant actor at all levels – municipal, regional/state, national – because many informal workers operate in public space

and because housing, infrastructure, social protection, urban and economic policies directly affect their economic activities. Most importantly, because informal work takes place with little recognition or protection from the state, but within the punitive arm of the state which imposes constraints or barriers to informal workers, the state often is the key dominant actor from whom informal workers need recourse (Chen 2014a).¹²

Several contributors (Rina Agarwala, Adelle Blackett, Sonia Dias, Lucía Fernandez, Sally Roever, Melanie Samson, Chris Tilly) analyse how informal wage workers and (especially) the informal self-employed, make claims on local, regional and national governments, pointing to similar strategies across worker groups. They seek to negotiate or bargain with the state to be included in economic policies, in urban planning and in social protection systems; to gain access to public space, public services and public procurement; or to seek protection – or recourse – from adverse incorporation into local markets or global value chains. For example, street vendors (Sally Roever) and waste pickers negotiate or bargain with the state (often local government) for access to public space, access to waste and the right to bid for solid waste management contracts (Sonia Dias, Lucía Fernandez, Melanie Samson). In sum, the state is the main interlocutor for many informal workers seeking the right to work as well as access to public space as the workplace, to other public goods and to social justice.

However, the state does not prove any more receptive as a bargaining counterpart for the informal self-employed than corporations do for informal wage and contract workers. There is an extensive track record of “fits and starts” in bargaining between organisations of informal workers and representatives of local, regional and national governments. Hurdles thrown in the way may be institutional, such as not recognising organisations of informal workers as representing workers or as a bargaining partner; or tactical, such as the repeal of standing agreements or changes in legislation and policy (e.g., cancelling ordinances regulating access to vending areas); or simply the cancellation or postponement of bargaining processes. In spite of such hurdles, several chapters in this volume underscore the value of collective mobilisation of the informal self-employed and the strategies and conditions that make the achievement of gains possible.

Informal livelihoods and cities

A major impetus for recent rethinking on the informal economy among urban planners, designers and scholars is the fact that urban planning laws and land use zoning have remained largely unchanged since the colonial era in most developing countries. Caroline Skinner and Vanessa Watson advocate challenging specific notions associated with this colonial legacy, including the notions that homes and public space serve only a single function or use; that informally prepared and distributed foods are a threat to consumer health; and that informal workers do not contribute to the economy or to urban service delivery (Chapter

15). Another impetus is the fact that non-compliance with urban planning laws and land use zoning is not confined to the poor but also involves non-compliance by the elite, corporations and the state itself (Roy 2005): see the final section of this Introduction.

Other contributors to this volume call for critical urban theory, based on critical urban practice, *from* the Global South. Gautam Bhan calls for an alternative vision of informal settlements that addresses the intersectionality of informal settlements and informal livelihoods and an alternative approach to building settlements together with the urban informal poor to meet both their residential and livelihood needs (Chapter 17). Amin Kamete critiques dominant urban planning theories and approaches which espouse ideal standards of perfection, adopt scientific methods and prescribe universal, technical, de-politicised solutions to urban problems and calls for rethinking, politicising and contextualising urban planning with a mandate to reconcile the aspirations of different strata of urban society (Chapter 20). Rahul Mehrotra criticises current approaches to urban design as being too focused on architecture – and the ideal of permanence (Chapter 16). Highlighting that cities are in a state of flux, due to economic and political uncertainty, as well as to climate change, Rahul Mehrotra calls for a new approach to urban design which focuses on this state of flux – and the impermanence it implies – and embeds the possibility of adaptation and transitions across time and space into the design of the built environment.

The chapters in this volume on street vendors and waste pickers describe cases of critical urban practice: the provision of design, shelter and legal services to street vendors in Durban, South Africa, and the integration of waste pickers into solid waste management in Belo Horizonte, Brazil, and Johannesburg, South Africa. Being involved in these alternative urban practices has informed the critical urban theory-building of the authors. For instance, the activist academics Sally Roever and Caroline Skinner, who have supported organisations of street vendors in their struggles for more inclusive city approaches to informal trading, have promoted the twin concepts of “the abuse of authority” by city officials and police towards street vendors and the “costs of informality” to the street vendors resulting from this abuse. Sally Roever further illustrates how urban regulatory regimes (licensing, permitting) as well as taxation, and the enforcement thereof, often operate adversely for street vendors (Chapter 22). Also, the activist academics Sonia Dias, Lucía Fernandez and Melanie Samson, who have supported organisations of waste pickers in their struggles to be integrated into municipal solid waste management systems, have promoted the twin concepts that waste pickers should have “the right to waste” and that waste should be seen as an “urban public good” – or as Jérémie Cavé argues – as a commons.

Informality and social policy

As Rodrigo Negrete underscores, “the concepts of the informal sector and informal employment broadly encompass those forms of labour market arrangements where risks are personal and not buffered by any institutional protection”

(Chapter 5, p. 61, in this volume). Francie Lund traces the evolution of approaches to social protection and informal workers, including the role of the WIEGO Social Protection programme in drawing attention to the social protection needs of informal workers across the life-cycle and especially for women, including: health care, occupational safety and health, childcare and care in old age (Chapter 26). There is growing recognition that informal workers represent more than half of all workers globally and that, at the core of working informally, is exclusion from employment-based social protection. This recognition is one impetus for the call for universal social protection on social justice grounds. But there is also a call for universal social protection on efficiency grounds: many economists who call for universal social protection do so because they assume that regulating labour markets creates distortions and, more specifically, that social protection schemes targeted at informal workers create perverse incentives for firms and workers to remain or become informal (Maloney 2004; Levy 2008).

In brief, there are two cases being made for universal social protection: one on social justice grounds, the other on efficiency grounds. Committed to social justice, contributors to this volume examine the potential benefits and risks for informal workers of universal approaches to social protection based on citizenship rather than work status. Laura Alfery and Silke Staab both point out that universal social protection has been reduced in some countries to social assistance in the form of cash transfers, often contingent cash transfers; or in other countries to health insurance for hospitalisation accompanied by a reduced focus on public health services, especially preventive health (Chapters 27 and 28). Both call for moving beyond the binary debate whether to link or de-link social protection from work status and call for promoting fundamental reforms to social protection. Laura Alfery proposes that work status and citizenship should be considered in relation to each other; and recommends addressing the risks informal workers face *as workers* through exclusion from – or adverse inclusion in – other spheres of policy. Silke Staab also calls for moving beyond isolated transfer schemes to integrate social assistance with social insurance.

Sarah Cook shows how, in the case of China, the rights of informal workers to social security are inextricably associated with migrant status (Chapter 29). While contributory (formal employment-based) social insurance and non-contributory (largely residence-based) social assistance schemes have dramatically expanded in coverage over the past decade in China, the context of institutionalised “urban-rural dualism” means that informality of employment is largely associated with migrant workers who consequently have limited claims to benefits either through employment or residence. Rina Agarwala and Kamala Sankaran describe welfare funds in India for workers in specific industries, raised through a tax on output of firms in those industries, as a promising approach to social protection for informal workers, which retains a focus on the responsibility and liability of employers but which is being undermined by the recent consolidation of the tax system in India (Chapters 30 and 32).

Informality, poverty and growth

Not all informal workers are poor and some owners of informal firms profit from exploiting their employees. But, given the lack of social (and legal) protection and the costs and risks faced by informal workers, there is significant overlap between working informally and being poor (Chen et al. 2005). Despite the disadvantages they face, informal workers contribute to poverty reduction and to economic growth through their economic activities. However, the contribution of the earnings of informal workers to household income remain underestimated and undervalued. Michael Rogan and Paul Cichello present findings from South Africa on the income effect of the earnings of informal workers (Chapter 11). Applying an econometric model to national data, they found that informal workers in South Africa, particularly informal wage workers but also informal self-employed, contribute to reducing the poverty level of their household. They estimate that “eliminating 100 informal self-employment activities, as some government policies have sought to do in order to discourage ‘illegal trading’, would drive as many individuals into extreme poverty as eliminating 63 formal jobs” and that “Informal employees and domestic workers have a ‘per job’ impact on poverty reduction which is even closer to a formal job” (p. 101, in this volume).

Over the years, attempts have been made to measure the GDP contribution of the informal economy (ILO 2013a). But these estimates have been confined to the GDP contribution of the informal sector (i.e., informal enterprises) and do not include the contribution of informal workers outside the informal sector who work for formal firms or households. Mexico is an exception. As reported earlier, in Mexico in 2017, the contribution of informal workers *inside* the informal sector (i.e., informal enterprises) to the country’s GDP was slightly lower (at 11.1 per cent) than the contribution of informal workers *outside* the informal sector (at 11.7 per cent) (Chapter 5 in this volume).

Finally, it is important to note that several global norms recently adopted by the international community reflect the recent rethinking about the informal economy, thanks in no small measure to the research of contributors to this volume and the joint advocacy of WIEGO with SEWA and other organisations of informal workers. In 2015, the global community renewed its commitment to “a more peaceful, prosperous and just world” by adopting the Sustainable Development Agenda (known as the 2030 Agenda) which includes two new stand-alone goals which are of critical importance to the working poor in the informal economy: Goal 8 on inclusive sustainable economic growth and decent and productive employment; and Goal 11 on inclusive, safe, resilient and sustainable cities. Also in 2015, the ILO adopted ILO Recommendation 204 on the formalisation of the informal economy which recognises that most informal workers are from poor households trying to earn a living against great odds and need protection and promotion in return for regulation and taxation; and that regulated use of public space (in cities) and natural resources (in rural areas) is essential to the livelihoods of informal workers. Reaffirming these earlier commitments, the New Urban Agenda, adopted at the 2016 Habitat III Summit, recognises the contribution of the working

poor, especially women, in the informal economy and calls for enhancing their livelihoods, their legal and social protection, their access to support services as well as their voice and representation (Habitat III 2016: paragraph 59).

Current challenges

Today, the global economy, the world of work, and cities are all in flux. This flux and the changes associated with it are reshaping the informal economy and bringing new opportunities as well as new costs and risks to informal workers. These changes underscore why the enhanced, grounded and nuanced understanding of the informal economy reflected in this volume is of immediate concern. The Conclusion to this volume will summarise the future research, policies and regulations recommended by the contributors to monitor and address the impact of these changes on informal workers and their livelihood activities.

Economic growth and industrial development

Several patterns of current economic growth and industrial development are impacting the size, composition and earnings of the informal workforce. To varying degrees, depending on the country, the *structural shift* of employment – and economic output – is from agriculture to manufacturing¹³ or to services, both high-end and low-end. Globally, among all informal workers, 38 per cent are in agriculture, 18 per cent in manufacturing and 44 per cent in services (ILO 2018a; Bonnet, Vanek and Chen 2019). The *share of trade that is international*, and the associated *expansion of global value chains* (GVCs), are at unprecedented levels (World Bank 2018). The lead firms in many GVCs download risks and costs to informal workers at the bottom of their chains while paying them below the minimum wage: see Marliese von Broembsen in Chapter 18 in this volume and Chen (2014a). The *informalisation of once-formal* wage jobs, especially in the Global North, continues. And the numbers of workers accessing work via *digital platforms in the on-demand economy* are growing fast and largely under informal arrangements without labour rights or employer contributions to social protection.

Meanwhile, new emerging technologies such as robotics and artificial intelligence are shaping the quantum and nature of work. Also, the recent expansion in the scope, size and power of finance is shaping the nature of the economy. Traditionally, the financial sector provided funds to finance production. Today, the finance sector trades in goods and services, often on speculation. While the financialised economy threatens to dominate and destabilise the productive economy (Sundaram and Hui 2019), robotics and artificial intelligence, and other dimensions of what has been termed the Fourth Industrial Revolution, threaten to undermine and destabilise employment and work opportunities.

Cross-border and rural-urban migration

The UN estimates that globally, in 2015–16, there were 740 million internal migrants (i.e., those who migrate within their country of birth) (IOM World Migration Report 2018); 244 million international migrants (up from an estimated 155 million in 2000) (ibid.); and 25.9 million refugees or asylum seekers (UN International Migration Report 2017): representing around 7 per cent of the world's population. Most international and internal migrants, refugees and asylum seekers end up working informally, at least for some time, to earn a living. As Cook highlights, “Migration and urbanisation are intrinsically associated with informality – of employment, but also of housing, rights to urban ‘space’, status and security and entitlements or access to services” (Chapter 29, p. 221).

Urbanisation and urban planning

Around the world, cities are not only growing but also changing. In an attempt to achieve World Class or Modern City status, many cities are undertaking major infrastructure and real estate development projects: building boulevards, roads and mass transit systems as well as malls, business centres and convention centres. In the process, a big new player has entered many cities for the first time: multinational real estate developers. This has changed the political economy of many cities. Caroline Skinner and Vanessa Watson report an increase in Africa of urban land grabs by developers since the 2008 financial crisis, resulting on increased pressures on the resource base and workplaces of urban informal workers (Chapter 15, p. 125). Gautam Bhan reports that, in India, city governments which used to “turn a blind eye” to urban informal settlements and urban informal economic activities are now increasingly evicting, or otherwise regulating previously accessible space: motivated by the increased competition for and value of urban public land and public space and often in collusion with real estate developers (Chapter 17). Further, he points out, new forms of urbanism – such as peri-urban development, corridors, special economic zones, enclaved residential space – do not leave much space for informal workers to live and work. Finally, the impacts of climate change are driving migration to cities and threatening to put more pressure on the already-overcrowded settlements and livelihoods of the urban poor (Ghosh 2017).

Meanwhile, many cities around the world are de-industrialising, contributing to a loss of formal jobs and increased competition for informal employment opportunities. Also, the common policy response to informality by city governments has been eviction and relocation of informal settlements, informal markets and the urban poor to the periphery of cities. Under the name of market development, street vendors are evicted – with or without relocation – on a daily basis: and relocation, when it happens, is often to built markets at some distance from the city centre far from where potential customers are concentrated. Similarly, under the name of slum redevelopment, “vertical, multi-storey small apartment

blocks are being built ... at scale in the city's peripheries where land is available cheaply" (Chapter 17, p. 137). Neither form of relocation, of informal markets or of informal settlements, is viable for the urban poor, given the distance (and the cost of transport) to their work, their suppliers and customers. In response, Gautam Bhan, with others, has called for making housing not only adequate and affordable but also viable in terms of livelihood opportunities (Bhan, Harish and Anand 2014).

In sum, recent trends are associated with increased fragmentation and segmentation in production and distribution through global value chains, as detailed by Meenu Tewari, and in the economic and social fabric of cities (Chapter 19). This fragmentation and segmentation have led to what Rahul Mehrotra, in the urban context, calls "a condition of flux"; and have created new – and intensified old – costs and risks for the working poor in the informal economy (Chapter 16). This reality is reflected in the fact that, in 2018, "more than one quarter of workers in low- and middle-income countries were living in extreme or moderate poverty" (ILO 2019, Executive Summary: 2). As Jan Breman highlights, there is simply "not sufficient waged employment for the globalised workforce" so that many persons seeking work will continue to resort to self-employment in the informal economy where they face being stigmatised, penalised or even criminalised, making it difficult, if not impossible, to earn a decent living (Chapter 2).

Informality, capital and the state

In addition to debunking many of the dominant (largely negative) myths or stereotypes about the informal economy, several authors in this volume underscore that informality is associated with the state and with capital, not just with work and labour. Most prominently, Jan Breman critiques the persistent focus on the informality of one factor of production – i.e., labour – and the complete disregard of how informality pervades the other factor of production – i.e., capital – and the state (Chapter 1); and Barbara Harriss-White observes that "Informal activity is not confined to the economy, it pervades the state ... and policy process" (Chapter 2, p. 42). In other words, as Rodrigo Negrete aptly observes: "Informality is a phenomenon or set of practices that in principle is widespread throughout the economy rather than in only a part of it" (Chapter 5, p. 61).

Informality as state policy

There is a widespread notion that informality flourishes when states are fragile or weak, or otherwise lack competence. But several contributors to this volume highlight that informality is often driven by deliberate state policy. The state, they point out, decides which aspects of the informal economy to turn a blind eye to, which to tolerate or which to get rid of; and which aspects of the informal economy to support or promote. As Kate Meagher concludes from her analysis of informal economies in Africa: "informal economies are not something that

emerges purely outside the state”: rather, “the state plays a role in the different size and character of informal economies” (Chapter 31, p. 234).

Historically, most governments have treated the informal economy as a problem to be dealt with, as being non-productive, illegal or even criminal. The result, as noted earlier, is that most existing policy and legal frameworks are inappropriate for, biased against or outright hostile towards informal workers, their enterprises and activities. The result, more fundamentally, is that the working poor in the informal economy tend to be excluded from public goods – such as public space, public services and public procurement – which, in turn, tend to be privatised to – or otherwise appropriated by – the rich and powerful. In the nineteenth century, as Jérémie Cavé reminds us, Karl Marx famously pointed out that peasants were no longer allowed to collect firewood from the estates of landowners once profitable uses for land developed (e.g., for mining or sheep rearing) (Chapter 24). About the same time in Paris, as Lucia Fernandez reports, traditional informal waste pickers – called *chiffonniers* – were being denied the right to collect waste (Chapter 23). Today, as cities around the world modernise, informal waste pickers are being denied the right to collect and recycle waste and informal street vendors are being evicted from public spaces: yet both waste and public space, as Jérémie Cavé and others in this volume argue, should be considered public goods, like the urban commons.

In effect, many state policies are exclusionary by design. Moreover, some states ignore, overlook or under-value informal workers and their livelihood activities. For example, home-based workers are overlooked as both workers and as residents, with the result that they are not seen as a target of labour regulations and often do not receive basic infrastructure services for their homes which double as workplaces. Also, street vendors and market traders are not recognised as taxpayers who contribute to city revenue: by paying operating fees and market rents and by paying VAT and other sales taxes on the inputs they purchase; or as contributors to food security and the well-being of (especially) the poor by selling goods and services at affordable prices and (if not evicted) in convenient locations. And waste pickers are not recognised for their contributions to the city by collecting waste and to the environment, by reclaiming recyclables that would otherwise end up in landfills or incinerators.

Informality of capital

Several contributors to this volume question the supposition, as Jan Breman puts it, “that capital firmly belongs to the domain of formality” (Chapter 1, p. 33). Both Jan Breman and Barbara Harriss-White characterise the informality of capital – and of the state – as structures of privilege and power for whom formal rules do not apply. Barbara Harriss-White highlights the different forms or degrees of informality that capital can take.

Indeed, there are many actors who operate informally, outside the formal rules of the state. A forthcoming edited volume entitled *The Wild East?: Criminal Political Economies across South Asia*, edited by Lucia Michelutti and

Barbara Harriss-White, documents how (among other cases) money launderers operate globally and the mafia is proliferating in countries like India, acting as intermediaries between the state, capital and the informal economy.

Informality, state and capital

Finally, several contributors to this volume highlight the frequent collusion of the state and capital: more specifically, the collusion of different levels of government with “organised lobbies” (Barbara Harriss-White) or “big businesses” (Jan Breman) to identify or create loopholes in – or simply bypass – existing rules and regulations to serve their mutual interests. They highlight the operation of informality at the tip, not just the base, of the economic pyramid, especially in cities. At the tip, informality is associated with the state and with the owners of capital: specifically, the ways in which governments set the legal rules of the economic (or urban) game but then, often in collusion with big business (notably real estate developers in cities), take advantage of loopholes in existing regulations or make exceptions to these regulations to serve their own interests and those of the rich and powerful classes.

In urban theory and research, as Veronica Crossa points out:

[T]hese first approaches to informality in general, and also to street vending specifically, rarely explored street vending in relation to the formal institutions of the state or as a product of the existing fissures within the state. The state was never called into question.

(Chapter 21, p. 168)

But a current strand of critical urban theory does. Veronica Crossa cites Ananya Roy who, in her study of urban planning in India, contrasts the collusion of city governments with housing authorities and real estate developers in the appropriation of public land for private housing (“elite informality”) with the criminalisation by city governments of the appropriation of public land by the urban poor for their settlements (“subaltern informality”). Ananya Roy concludes:

The planning and legal apparatus of the state has the power to determine ... what is informal and what is not, and to determine which forms of informality will thrive and which will disappear ... to construct and reconstruct categories of legitimacy and illegitimacy.

(2005: 149)

This raises the question of why informality at the base of the economic pyramid – the working poor trying to operate in the gaps in public space and public rules – tends to be penalised, while informality at the tip of the pyramid – the rich and powerful colluding with the state to bend formal rules – tends to be rewarded. Put another way, who decides which informality – at the tip or at the base – is

good or bad? To quote Shakespeare's Hamlet: "There is nothing either good or bad – but thinking makes it so."

Notes

- 1 This volume and the conference that gave rise to it did not include scholars from the management sciences. There are important strands of research and theory on the informal economy in the management sciences, focusing on informal enterprises and entrepreneurs, including notably the distinction between the legality (under formal rules and regulations) and legitimacy (under informal rules and norms) applied to the ends and means of informal enterprises drawn by Justin Webb and others (Webb et al. 2009).
- 2 The informal economy in Arab countries is not specifically addressed in this volume. The International Labour Organisation, the Economic and Social Commission of West Asia and the WIEGO network have begun a collaborative initiative to improve statistics on the informal economy building on the first-ever report on the informal economy in the region (Aita 2017).
- 3 The operationalising of these international statistical definitions is left to national statistical offices and hinges on the institutional framework and politics of each country.
- 4 For a review of three early schools of thought on the informal economy – dualist (ILO 1972), structuralist (Castells and Portes 1989) and legalist (de Soto 1989) – as well as a more recent school of thought – the voluntarist (Maloney 2004), see Chen (2014a).
- 5 Contributing family workers are considered self-employed by the statistical and regulatory system of most countries. Following the 2018 revision of the international classification of status in employment, they will be distinguished from independent self-employed workers (ICLS 2018).
- 6 The USA splits labour and employment law, whereas usually in other countries labour law incorporates employment law.
- 7 See Gallin (2002). Also Gallin and Horn (2006).
- 8 A notable exception in British and other colonies were the cantonments, permanent military establishments, where often both (mainly colonial) officers and (mainly "native") soldiers lived and trained.
- 9 The increase in disguised wage employment in new and old forms, and of some forms of dependency among nominally self-employed workers, is one of the factors that prompted the 2018 20th International Conference of Labour Statisticians to develop and adopt a new status in employment sub-category, namely, "dependent contractors".
- 10 Significantly, in 2018, "360 million people were contributing family workers and 1.1 billion worked on their own account, often in subsistence activities that are pursued because of an absence of job opportunities in the formal sector and/or the lack of a social protection system" (ILO 2019: 2).
- 11 For example, Agarwala, Bonner, Carré, Chen, Chun, Dias, Lindell (2011), Rojas and Tilly (2019), Webster et al. (2017).
- 12 During the 2018 and 2019 International Labour Conferences, an active delegation of informal workers, supported by WIEGO, SEWA and the International Domestic Worker Federation, successfully negotiated for the inclusion of a clause on violence by state authorities in the Violence and Harassment Convention, adopted in 2019.
- 13 Some countries also have experienced rapid employment growth in construction.

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