From Informality to Popular Economy: distinguishing realities and connecting approaches

Da Informalidade à Economia Popular: distinguindo realidades e conectando abordagens

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Abstract

Over the last decades, rather than decreasing, informality has grown and furthered debates and studies among academics, activists and policy-makers. Nevertheless, the heterogeneity of the phenomena commonly associated with the concept of informality and correlates, such as informal sector and popular economy, results in a lack of consensus within the current literature. This is partly due to some theoretical and conceptual choices which hinder the formulation of frameworks capable of distinguishing among the various aspects of informality. The first aim of this paper is to clarify some of these issues, such as the prevailing understanding of the various realities that intertwine under the mantle of informality only by contrasting them with the formal economy, the use of all-encompassing concepts of little discriminating value, and, still, the mainstream theories' lack of recognition of the plurality of logics underlying economic institutions and behaviors. Secondly, the paper puts forward a conceptual distinction between informal employment and informal economy, as well as a clearer understanding of the scope of concepts such as informal work and popular economy. In order to capture these nuances, a bottom-up perspective is adopted, allowing to apprehend the informal economy according to its specific features, such as its relational assets and the role fulfilled by the principle of domesticity. Finally, the article stresses the need to recognize the plurality of logics underlying the economy, in order to properly assess the meanings of the economic practices of the popular sectors and their role in development processes.

Key words: informal economy; popular economy; ILO.

Resumo

Nas últimas décadas, em vez de diminuir, a informalidade cresceu e impulsionou debates e estudos entre acadêmicos, ativistas e agentes públicos. No entanto, a heterogeneidade dos fenômenos comumente associados ao conceito de informalidade e correlatos, como setor informal e economia popular, tem resultado em uma falta de consenso na literatura atual. Em parte, isso se deve a algumas escolhas teóricas e conceituais que dificultam a formulação de esquemas de análise apropriados para distinguir os vários aspectos da informalidade. O primeiro objetivo deste artigo é esclarecer algumas dessas questões, tais como a compreensão prevalecente das várias realidades que se entrelaçam sob o manto da informalidade apenas contrastando-as com a economia formal, o uso de conceitos abrangentes de pouco valor discriminatório e, ainda, o desconhecimento da pluralidade de lógicas subjacentes às instituições e comportamentos econômicos. Em segundo lugar, o artigo apresenta uma distinção conceitual entre emprego informal e economia informal, bem como uma compreensão mais clara do alcance de conceitos como trabalho informal.
Introduction

Over the last decades, informality has remained a significant economic standard in many countries and several continents. Contrary to the expectations raised by some modernization theories that anticipated the progressive formalization of the economy and labor, there has been no waning of informality (ILO, 2013; Bromley and Wilson, 2018). New drivers, brought about by the regime of flexible accumulation, have fueled it in a number of ways, while the deregulation of labor relations, coupled with economic recessions, has favored its resurgence in different locations. Informality is not bound to disappear as long as the spread of the formal economy continues to run into persistent obstacles which, strictly speaking, sometimes keep it as a particular sector located in the midst of a predominantly informal economy. As a result, in broad areas of the globe we come across a hybrid “institution of the economy” (Polanyi, 1957), in which the enforcement of regulations and legal frameworks remains partial and restricted.

The history of informality is generally shortened to the last five decades, when populations of several countries in the so-called Third World migrated from the countryside to urban areas, as a result of rapid demographic growth. By escaping to the cities, waves of workers were faced with rejection by the formal labor market and were compelled to make ends meet in temporary occupations without legal rights. The landscape of cities was deeply affected by the expansion of peripheral neighborhoods, as urban poverty grew dramatically over vast regions of the planet. The ensuing social transformations, having the crisis of Fordism and of the welfare state as their epicenter, followed by the process of productive restructuring, have added new generations to the informal economy. In recent years, the phenomenon has been gradually reaching the Northern Hemisphere and the established centers of the global economy. Successive and increasingly intense disputes over urban land, arable land and natural reserves have accentuated this calamitous situation.

A plurality of views and a lack of consensus characterize the academic studies on informality, which has been viewed in several ways: as a phenomenon dependent on the capitalist economy, instrumental in preserving the reserve industrial army and attenuating extreme poverty; as an atypical phenomenon in the face of the capitalist economy, determined by contradictory factors and marked by notorious ambiguity; as a phenomenon that opposes the dominant economic logic, harboring anti-capitalist and even virtuous forms. There is no general mismatch between the theories underlying these approaches, provided that the universe of social practices or the aspects under analysis are clearly defined beforehand. Indeed, as will be explained later, the habitual use of all-encompassing concepts, in the absence of any prior evaluation of their explanatory and heuristic power, leads to metonymies. This has occurred in the studies on informality given the lack of categories discriminating the various realities that intersect and intertwine under the mantle of ‘informality’. The reiterated ambiguity of informality rests to a large extent on persistent inaccuracies in the conceptual plane.

That is why, in order to better understand informality, it is necessary to critically review current approaches to it and adopt appropriate theoretical perspectives and concepts. We must overcome unilateral positions, such as the thesis of dependence and functionality of the whole informal economy in relation to the capitalist one. Or the opposite thesis, which takes informality as a reflection of the excessive and unreasonable interference of the state, as it would hinder initiatives and oblige most micro-entrepreneurs to bypass the law in order to act freely in the market. In the same way, we must question approaches to the informal economy through its opposition to the formal one, whose starting point and background is the modern economy, identified by such analyses mostly with the capitalist market economy. From this point of view, informality uses to be seen merely as a defective form of economy, a reflection of the deficiencies and weaknesses of its economic agents or, according to a critical and opposite bias, as a result of the structural relations of subordination and exploitation to which such agents are subjected by the capitalist logic.

Another appropriate measure would be to discriminate terms and concepts often used interchangeably, such as informality, informal sector and informal economy. To identify that which is unique to each of these terms, or common among them, leads to differentiated treatments. In particular, the refusal to settle on any single notion will lead us along the text to a conceptual distinction between informal employment and informal economy, as well as to an improved understanding of the scope of concepts such as informal work and popular economy. In order to capture these nuances, it is advisable to adopt a bottom-up perspective, which will allow us to apprehend the informal economy from its own specific features.

Discerning the modus operandi introduced by the informal economy in the economic domain may reveal how it mobilizes...
specific social bonds, allowing us to visualize a conceptual gradient that relates it to similar forms endowed with other peculiarities. We can then distinguish more clearly the informal economy from the popular economy, calling attention especially to the fact that the differences between them are mainly of approach, of analytical perspectives. The differences and intersections among concepts related to the popular economy will be addressed later on in the article (section 4), before some final comments (section 5) and after discussion of the topics mentioned above: some general problems of the prevailing approaches on informality, particularly the predominant tendency to judge informality based on properties alien to its internal logic (section 2), and the need for concepts that are narrower and more discriminating (section 3).

This paper’s theoretical and conceptual foundations are built on various research fieldworks (Gaiger, 2011, 2017; Gaiger and Ferrarini, 2010) and on an eminently bibliographical examination of the literature on the subject. This has led to the conclusion that we need, as stated by Chen (2012: 20), “a new economic paradigm: a model of a hybrid economy that embraces the traditional and the modern, the small scale and the big scale, the informal and the formal”.

Inadequacies of the prevailing approaches

The multiple current analytical perspectives on informality reveal the controversies within this field of study and the lack of unity among its concepts and usual frameworks, a fact supported by recent reviews of this academic literature (e.g., Chen, 2012; Hillenkamp et al., 2013; Schoofs, 2015; Cardoso, 2016; Bromley and Wilson, 2018)1.

Until the 1980s, most works assumed that the escape from underdevelopment and low standards of living should be pursued through economic growth and modernization. Informality was considered a symptom of failure or insufficiency of such attempts (Hillenkamp et al., 2013). However, there were serious problems with these predictions:

"The problem with these pioneering studies about informal activities is that they followed the traditional model of full employment and a strong state, derived from the Fordist guidebook. Therefore, they were unsuitable to be applied to, for example, the emergence and strengthening of informal activities in developing countries, where the Fordist regime had never been completed. Those studies argued that, especially in underdeveloped countries, informality was a structural phenomenon, becoming a hindrance to the development of labor markets and the economy, keeping workers in those countries underemployed and in poverty" (Santos e Melo, 2011, p. 31).

Lautier (2005) points out that the perspective committed to formalizing informal businesses had no convincing effects, as can be clearly seen in Latin America and Brazil (Cardoso, 2016). The programs designed with this intent, in addition to being expensive, selective and restricted in their scope of action, attributed to self-employed workers and to small businesses an entrepreneurial predisposition and an accumulation-oriented behavior that, being neither endogenous nor consistent with their experiences, were neither assimilated nor practiced.

Nowadays, “informal employment can exist in both the informal and the formal sector of the economy. In most developing countries informal employment is a larger component of the workforce than formal employment” (ILO, 2013, p. 4). Moreover, it is evident that the growth of the economy itself produces, at least in some sectors, the upsurge of informality. Comparative studies between national realities, reported by Hillenkamp et al. (2013), indicate that there may be concomitant developments in economic growth and in informality. As a result of the formalization of business and work, there can be also a fall in the volume of sales, in the supply of jobs and in the level of subsistence. Reflecting the interests of capital, these effects are caused by outsourcing of activities and informal subcontracting of companies and services, in addition to the structural mechanism for keeping a reserve of surplus workers that is inherent to the law of supply and demand of the labor market. Going in the opposite direction of modern expectations of formalization and standardization of labor relations – whether it be in labor and social security aspects or in tax regime issues – deregulation of the economy, in practice, has brought formal work closer to informality. What is more, this process makes business and contracts less susceptible to public surveillance and control (Rosenfield, 2015).

The same can be said of the dissemination of home-based work, including its glamorous “home office” versions (Ourives, 2013), and the overlap between the world of work and the domestic sphere. In these cases, an acute ambiguity sets in between objective conditions of overexploitation of labor – due to the workers’ lower resilience, amongst other factors – and new subjective conditions of less direct dependence and of free movement, guided by the workers’ personal aspirations, including individual success. A “grey zone” of new drivers of subjective and objective resources emerges, as regards people’s inclusion in the labor market, but its outcome is nevertheless a “dual and paradoxical model: autonomy in subordination and submission in independence” (Rosenfield, 2015, p. 116).

The many different facets of informality, coupled with its endurance in recent decades, have led to a field of study with contrasting, and sometimes irreconcilable, theoretical approaches. On the one hand, those that associate the informal sector with the illegal underground economy have prevailed, seeing it as a

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1 As Schoofs (2015, p. 2) points out, “One phenomenon that illustrates this difficulty is the sheer number of adjectives that are regularly attached to the concept: hidden, parallel, clandestine, grey, underground, shadow, illicit, unregulated, subsistence, coping, non-monetized, alternative, illegal and so on”.

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reaction by economic agents to excessive and irrational interference from the state. From this perspective, bureaucratic obstacles would force small entrepreneurs to remain on the margins of the law in order to preserve their freedom, in face of legal constraints and incongruities (Pamplona, 2001). This first approach, a neoliberal one (Bromley and Wilson, 2018, p. 5), converges with the tenets of neoclassical economics; it focuses on the informal sector as a transitory phenomenon of the 20th century, which underscores the state’s inability to modernize the economy and regulate it properly. Even so, in some cases it presents a positive view of informality, considering it the starting point of an emerging entrepreneurship. In so doing, it is criticized for being out of touch with reality, a fact disguised by the apparent congruence between its premises and the everyday experience of small businesses – one of constant toil for efficiency and viability.

From the naturalization of individualism and the subsequent enthronement of the free market as a superior alternative to meet needs and aspirations, these approaches often result in a mystification of entrepreneurship: it is considered a natural predisposition of economic agents, which in the case of the popular economy needs to be coaxed and cajoled out of its latency. Social asymmetries, consolidated by power structures at the expense of popular agents, tend to be neglected to the extent that the multiple and complex motivations and strategies of such agents (Abramovay, 2004) are not taken into account.

On the other hand, Marxist approaches emphasize the informal sector’s dependence and functionality in relation to the capitalist economy, and for this reason often consider informality simply as a sign of archaism or social regression. These approaches, developed within the framework of historical and dialectical materialism, place informality in the context of capitalist accumulation and imposition of specific relations of production; thus, it would be established in order to guarantee, simultaneously, a workforce reserve and a pressure valve against unemployment (Costa, 2010). Therefore, informality would expand in accordance with the dynamics of capitalism and the evolution of its social classes (Jamil and Foster, 2016). This is the main angle adopted by recent Marxist studies about the effects of productive restructuring on labor relations and on the surge of a new informality, a fact that raises some conceptual issues, such as whether the “Precariat” should be considered a social condition or a “class” (Standing, 2011; Wright, 2015).

Inevitably, the capitalist economy directly organizes or ultimately determines informal activities, since the latter, even when acting on the fringes of the market, are connected to productive chains and to the circuit of capitalist accumulation (Bosi, 2008; Marello and Helwege, 2018). However, by limiting the analysis to the logic of capital, we ignore the presence of other logics and disregard the capacity for intellect and action of atypical economic agents, whose behavior muddles the thesis of massive proletarianization of workers and condemns its underlying teleology to anachronism. By disregarding the informal sector’s unique components, as well as its origins prior to the expansion of capitalism, these analyses restrict themselves to the problems caused by relative overpopulation and the reserve industrial army, thereby leaving the informal economic agents fastened to the functional seesaw where they oscillate between the proletariat and the lumpenproletariat.

In addition, there is a paucity of studies on the predispositions underlying economic behavior, including the normative orientations of the broad spectrum of informal initiatives, even though socio-cultural variables may have a profound effect on their rationale and functioning (Cieslik, 2016). There is a need to pay more attention to the multiple preferences and choices made in favor of informality given all the other alternatives objectively within reach of informal economic agents. By disregarding these aspects and giving analytical primacy to the market economy and capitalist enterprises leads us to accept an axiom according to which wage employment represents the naturally preferential option of all workers, a kind of collective destiny from which they could not and would not wish to escape, as Cardoso rightly warns (2016, p. 327). Therefore, informality is usually explained by the lack of opportunities in the market and not by its intrinsic characteristics, which may coincide with the informal workers’ predispositions and preferences.

As a counterpoint to this view, Pamplona and Romeiro (2002, p. 18) underscore that in the informal economy there are “big differences in income, occupational profile and working conditions. There are workers in the informal sector through choice, and workers in the informal sector for lack of a better option”. It should be pointed out that Keith Hart’s seminal and referential work on informality (Hart, 1973), carried out from a multidisciplinary perspective and focusing on people in their quest for economic opportunities, did address the often-careless habit of transposing other realities into Western categories – “terms that beggar analysis by assuming what has to be demonstrated” (Hart, 1973, p. 68). His study was conducted in Ghana and referred mainly to rural migration from the North to the urban regions of the South; in it, Hart advocated the importance of understanding facts from other points of view:

"The question to be answered is this: Does the ‘reserve army of urban unemployed and underemployed’ really constitute a passive, exploited majority in cities like Accra, or do their informal economic activities possess some autonomous capacity for generating growth in the incomes of the urban (and rural) poor?” (Hart, 1973, p. 61).

The path suggested by Hart highlights the unique traits of traditional and family economies located behind the scenes of informality; for example, the fact that they are based on relations of trust and cooperation, or that they are not earmarked for profit, but primarily for family support. From this point of view, the core of informality would lie in its internal logic, starting with the overlap between capital and labor, since direct producers are at the same time the owners of work instruments and, as a rule, also responsible for the management
of their enterprises. For Hart, businesses of self-employment constitute a structural component of the economy, not a sign of archaism. In relation to capitalist enterprises, they operate according to their own peculiar logic and, therefore, require appropriate institutional environments\(^4\) (Santos and Melo, 2011; Vasconcelos and Targino, 2015). That is why, according to a critical approach other than the Marxist one, more positive and proactive in relation to popular forms of economy, community bonds and solidarity should be highlighted as advantages of informality. Particular emphasis is put on these traits, with a view to preserve local life systems or social innovations directed at new forms of popular economy, capable of empowering the economic agents and strengthening their social environment (Coraggio, 1999; Nunes, 2001).

Even tough, the predominance of approaches that focus mainly, or even exclusively, on the contrast between the informal and the formal economy is another source of misunderstandings. In addition to the fact that this standard criterion is insufficient to cover heterogeneous realities, such a perspective presupposes taking the modern economy, basically identified with the capitalist economy, as its starting point and background. As mentioned before, the next step is to grant primacy to the market and, as a backdrop, to the economic sphere. Faced with the centrality of the economy and the performance demanded by the market, the informal economy - along with everything else related to the economy of popular sectors - is then seen merely as a by-product of the capitalist economy, in a position inevitably symptomatic of the former's needs and weaknesses. Informality thus remains a strange and fragile element, something like "little boats" sent adrift by the currents of the modern economy.

The various realities hidden behind the label of informality become indistinguishable, as a result of the attempt to classify under a single rubric anything that does not fit the neat and sharp classification criteria applied to formalized activities. In the face of the formal sector's limpid framework, the informal economy seems to be simply the residue of others, since it does not suit the existing legal frames, but encompasses instead a heteroclite and almost unintelligible set of situations.\(^5\)

At a more general level, these attitudes leave informality tied up to formal configurations. This is quite clear today regarding the new informality phenomenon, caused by labor's gradual loss of protection in the context of flexible accumulation and deregulation policies. Such processes are undeniable, but they do not exempt us from an internal analysis of informality itself, i.e. of the diverse reactions and strategies that its workers and agents develop. Furthermore, the contrast between formal economic activities and informal ones has imprecise and permeable boundaries: certain businesses are consented to or tolerated despite being outside the law; opportunistic manipulations of the law in order to conceal illegal acts or to exploit legal loopholes are commonplace in formal companies. The dividing lines are neither watertight nor static.

The distance between informality and formal institutions has also induced most analyses to equate informality with the illegal and criminal practices of the underground economy.\(^6\) Due to this background and to its "indiscipline", the informal economy is often confused with clandestine economic practices, even with their most delinquent and criminal variations. The key factor, however, is that informality suffers from the consequences of the fact that criminal activities inevitably operate outside the law. Under these circumstances, most economic crimes are informal, but obviously it does not mean that the inverse is true. Instead of being associated with informality, the illegal (transgressive, immoral, criminal, etc.) gradient of economic activities should be positioned transversally on the formal / informal axis: illegal activities can occur at the heart of the modern economy, taking advantage of the law; they may go so far as to constitute clandestine or formal enterprises for the systematic practice of crimes.

Therefore, on either side of the formal / informal dyad there are several realities and multiple levels of formalization as well (e.g., Williams et al., 2016). Economic activities are formalized according to the alternatives available and may happen for various reasons. Among them, the development of the non-profit economy, for instance, explains the history of the third sector and, more recently, the dissemination of social enterprises (Nyssens, 2006). To contrast this multifaceted formal reality with a single category - that of informality - is to forget that behind non-formalization there are also innumerable circumstances. Since the expectation that such circumstances would be gradually eliminated - and presumably followed by the complete formalization of the economy - did not materialize, the need for entering the world of informality remains constant, provided that the lenses through which we view the formal economy are disregarded.

This alternative way of thinking requires updating the current concepts, given the notorious difficulty of adequately con-

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\(^4\) Hart was mainly interested in self-employment. By breaking with the previous paradigm on informality, he inspired the International Labor Organization's initial vision (ILO, 1972), which defines the informal sector as a unique way of doing things, or as an efficient way of organizing small businesses by employing simple technologies and making use of little capital.

\(^5\) As Hart pointed out (1973: 69), the activities included by him as being part of the informal economy were illustrative and not exhaustive. Nevertheless, the ILO itself, in some of its studies (e.g., Fonteneau et al., 2011), did not break away from the habit of relegating to informality what was not easily apprehensible according to the criteria usually applied to formalized activities.

\(^6\) Without any doubt, the informal economy makes "artful transgressions" to resist the domination strategies that attempt to imprison it. It produces thereby some oscillating, fleeting, confusing and ambiguous realities that escape conventional methods of measurement and classification (Hillenkamp et al., 2013, p. 11).
ceptualizing informality, as seen in the three most consensual criteria (Lautier, 2005): size (what are its limits?), non-observance of fiscal and social legislation (also conditioned to criteria of social legitimacy), and a non-capitalist economic logic (since it is not a unitary block, and refers to different possibilities). The diversity of informal practices and their ramifications within the economy challenge totalizing visions and disallow categorizations such as that of a sole informal sector. Also, it is not a simple task to theorize from the relations of informality to the capitalist economy: informality can grow with the formal economy’s increase (e.g., by subcontracting, outsourcing) or with its decrease (i.e., as a refuge for the unemployed). Likewise, there are risks in theorizing from only one salient feature of informality.

For these reasons, we could claim that the ambiguity of informality prevents us from viewing it as a specific matrix for any kind of behavior or situation. Perhaps the problem is not empirical, but rather due to the use of concepts that mask an amalgam of closely interwoven, distinct and sometimes conflicting realities. Therefore, totalizing conceptual frameworks should be replaced by less comprehensive and more discriminat- ing designations.

The need for more discriminating concepts

One way to reduce the prevailing conceptual ambiguity is removing from the notion of informality those elements that are not intrinsic to it, such as the underground economy. However, the most crucial move is to discard all – encompassing concepts and to use different designations, related to fractions of, or to specific processes that are part of the universe of social facts included in informality. Simply to replace one all-encompassing concept with another, without refining them, has not provided the necessary clarification so far.

The semantic evolution of informality led by the International Labor Organization (ILO) is a good illustration of this (Figure 1). Within the scope of its World Employment Program, launched in 1969 and aimed at peripheral countries in particular, the ILO introduced the concept of informal sector (ILO, 1972). Set against this backdrop of countries with low levels of formalization and an increasing demographic concentration in urban areas, where countless occupations and businesses were expanding informally, the ILO’s concept included all productive activities not constituted as capitalist forms of production. It focused mainly on informal economic units having their own specific traits and their peculiar way of functioning. This first definition extolled characteristics previously discussed by Hart (1973), such as the family basis of these enterprises and the predominance of self-employment. At the same time, the ILO did not exclude from its concept the relations of informal employ- ment, largely induced by the modern and formal pole of the economy. Consequently, the concept embodied realities with distinct genesees and meanings, albeit situated within the same economic system and somehow overlapping each other, such as labor relations in informal enterprises, which, for the reasons already indicated, are usually informal too.

This dualism persisted even after the concept of informal economy was adopted by the ILO, in 2002. Since its 15th International Conference of Labor Statisticians (ICLS) in 1993, the ILO had been concerned with the development of statistics on informal- ality. The existence of informal economic units had not been forgotten, but the attention gradually shifted to informal employment relationships that, although typical of those units, began to spread within the labor market and gave way to a new informality of great magnitude, closely linked to global capitalist strategies (Chen, 2012; Peres, 2015). The new concept referred to all socially accepted activities, capitalist or not, provided they were not regulated by legal forms: informal workers were “workers who are not protected or recognized by law, who suffer from a high level of vulnerability and who lack security in terms of their work, qualification, income and representation” (Santos and Melo, 2011: 33–34). Again, situations of employment and self-employment were confused. Several labor rel- ations were judged to be similar despite their distinguishing char- acteristics and the peculiar logic of the companies or enterprises where they took place. The international standards on employment in the informal sector adopted in 1993 by the 15th Conference re- main in force, as well as the guidelines on informal employment adopted in 2003 by the 17th ICLS. Although recent ILO reference documents recognize the specificities of informal employment over informality as a whole, they do not present a clear distinction between the two concepts and the social situations they designate:

“Informal employment encompasses workers in all employment status categories: employers, employees, own-account workers, contributing (unpaid) family workers and members of producers’ cooperatives. Although the employment relationship of workers in informal employment is very heterogeneous, they share a ba- sic vulnerability, namely, their need to be self-supporting and to rely on ‘informal’ arrangements (ILO, 1991, pp. 5–6). For example, workers in informal employment lack access to modern capital markets, to formal training and to official social security systems. In addition, by definition, they receive little or no legal protection. It is these characteristics that are responsible for the low-quality and precarious nature of informal employment and for the fact that it remains outside the legal and institutional structures of the modern economy” (ILO, 2013, p. 4).

Also, this was drawn from the 1993 definition of the inform- al sector, “based on the characteristics of the production units in which the activities take place (the enterprise approach) rather than on the characteristics of the persons involved or of their jobs (the labor approach)” (ILO, 2013, p. 5). However, it recognizes that

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informal employment can also exist outside the informal sector's boundaries, so there is an intersection between one and the other: the informal sector, defined in that way, "did not capture the full extent of informal employment. In particular, it did not include non-standard, atypical, alternative, irregular or precarious types of employment in the formal sector" (ILO, 2013, p. 5). The solution to this has been to collect data about small and micro-enterprises pertaining to the informal sector, coupled with a comprehensive system of statistics on employment in the informal sector and outside it. However, "persons employed in production units outside the informal sector are excluded from the international definition of the informal sector, no matter how precarious their employment situation may be" (ILO, 2013, p. 15-16).

A distinction between the informal sector and informal employment has been created more recently: the former comprises informal production units and the people working in them, employees and employers; the latter refers to the labor activities performed by both, whenever legal regulations are not complied to. According to the ILO, "Employment in the informal sector' and 'informal employment' are concepts which refer to different aspects of the 'informalization' of employment and to different targets for policy-making (ILO, 2013, p. 33). And it notes that: "Statistics users tend to confuse the two, because they are unaware of the different observation units involved: enterprises on the one hand, and jobs on the other" (ILO, 2013, p. 33).

Beyond these misunderstandings, something is still missing. The main point to consider is that the economic logic of productive units operates on a different analytical plane than labor relations. The former corresponds to the totalities in which the latter make sense. From the point of view of complying with legal precepts, both may resemble or be distinct from each other; they may intertwine and intersect, but without exclusive juxtapositions. Therefore, what I would like to propose consists basically in separating these two orders of facts, bisecting them into two concepts - informal employment and informal economy - and leaving the terms informal and informality as generic and interchangeable references, as I have been doing so far:

- **Informal employment** encompasses the relationships contracted between people, or between people and companies, for the use of the workforce of third parties by the employer, through tacit agreements devoid of legal status or in disagreement with the law. There must be an employee and an employer; the focus of attention is on the relationships between them and on the reasons and consequences of their informal character, which vary according to the circumstances and the organizational totality in question. Informal employment relationships often occur in small informal enterprises, as well as in family-based productive units. However, they are also found in privately held or publicly traded capital companies, through disguised wages, subcontracting, etc. Their rationale and implications change from case to case.

Informal employment is everywhere outside the formal economy, but it is precisely in the latter that sophisticated strategies of precariousness and over-exploitation of labor can be found. Such strategies are implemented through hidden wages in temporary or unregistered contracts, or through schemes such...
as false self-employment. The modernizing gloss given to these new labor relations obscures such subterfuges and wrongly disassociates them from the non-observance of labor and tax obligations. Some clear examples are home-based work and the usual labor-for-hire scheme. In extreme cases, the gates are opened to situations of modern day slavery and degrading forms of labor emerge (Brito Filho, 2013).

No one employs themselves, in the meaning given to the term here. Situations of employment, formal or otherwise, imply a relationship between two parties. The so-called self-employment, in which one produces goods or offers services in the absence of an employer, leads to another universe: that of small-scale individual businesses, which requires an appropriate analytical framework. Therefore, it makes no sense to combine the occurrence of informal wage employment and of informal self-employment in the same set of statistics, without any further consideration, as is often done. In both cases there is informal work, but its meaning varies depending on whether there are employment relationships or not, and according to its specific structural circumstances. Family production, either in agricultural units or in urban businesses, shows that the inobservance of legal guidelines does not necessarily equate with the intent to derive additional labor surplus value, or to degrade and defraud the worker.

- Informal economy, in turn, concerns informal productive units. Analyses about them try to capture the peculiar logic of these enterprises, starting from the fact that certain people create their own occupations and sources of income without being employed, in a range of activities that extends from home-based services to work rendered in artistic activities. Government surveys of the informal economy have presumed the existence of a singular rationality typical of small enterprises. Therefore, sometimes they have also included registered companies of similar size and characteristics that follow legal guidelines, like in Brazil (IBGE, 2005). In order to avoid confusion, however, it is preferable to maintain the criterion of informality in labor relations when referring to the informal economy. In this case, the objective is to apply this criterion to the character of informal economic organizations, mostly individual and small, in which non-formalization reflects a state of things, not merely of scarcity.

The informal economy covers a large proportion of individual or self-owned businesses, family enterprises, and even collective organizations functioning as a solidarity-based economy. Their productive units are embodied and institute modes of economy, since they do not operate without rules: they self-regulate. The fact that they prefer to remain informal or resign themselves to it by renouncing the adaptive processes imposed by the long path of formalization, must be understood according to the internal conditions of these organizations, and the sui generis rationality of the informal economy. Mutatis mutandis, the informal component of labor relations (sometimes, of employment), which is legally unavoidable in informal business, and from this perspective does not need to be explained, must be included in the specific conditions of these micro-totalities where it is typical, but does not always have a single meaning or decisive weight. Moreover, according to Cardoso (2016, p. 336), informality is indeed a major trait of the social environment of these organizations, including local networks, access to urban services and assistance. The formal economy, in turn, remains a distant reality and is often represented by institutions without relevance to the daily life of urban peripheries. These institutions are often reproached and resisted due to their discriminatory conduct - as can be seen with regard to the security forces.

The informal economy is embedded in a mesh of relationships that, going beyond economics, sanctions aspirations and influences behaviors. If earning is quite often urgent and vital, it may not be the most important goal, especially for low-income, socially-disadvantaged groups with no compelling reasons to go to great lengths and sacrifice ties in the name of an unlikely economic mobility. The informal economy thus demands a holistic approach, without the usual primacy of efficiency and income generation, at least as these values are conceived of by the modern market economy. It is towards such beliefs that conventional programs for the promotion of micro-entrepreneurship tend to be skewed, without achieving durable results of scale (Gaiger, 2011). Moreover, as Kervyn de Lettenhove and Lemaitre point out (2018; see also Bauwens and Lemaitre, 2014), the entrepreneurial orientations of small businesses vary, and not always take on individualistic and possessive features to the detriment of communitarian ties and social networks.

It is known that informal activities are unfavorably positioned in the market. They subordinate themselves to it and sometimes function as a basic link in productive chains in which labor value is drained by the processes of capitalist accumulation. Nevertheless, it is important to differentiate between workers who have unexpectedly found themselves in a struggle for survival and are forced to manage all alone, from those who are dealing with forms of economy anchored in the grass-roots network, which serves as the mainstay of their resilience in the face of adversity:

8 "Informal economies are not ungoverned spaces. It would be a mistake to associate the informal economy with a lack of regulation. Indeed, informal economies manifest a considerable degree of governance, self-organization and structure. Informal regulation emanates from a variety of non-state actors and informal institutions that are rooted in identity-based and interest groups, kinship-based networks and complex webs of clientelistic relations or personal ties. Hence, the informal economy can be understood as an alternative mode of economic governance outside the state" (Schoofs, 2015, p. 6-7).
"An analysis of the evolution of the informal economy over a long period shows that dense and complex social ties in most developing countries have been able to preserve and reinvent themselves through associative and reciprocity mechanisms (...) Examining the capacity for resilience of the informal economy leads to a new vision of its actors, their logic and practices, their demands, their coordination mechanisms, and their all-important social ties which enable them to continuously rebuild and preserve the community-based structures of their everyday lives" (Hillenkamp et al., 2013, p. 10).

As a final remark, the considerations made in this section should be understood as placing the concepts of employment, self-employment and work on different planes. The use that a worker makes of their own labor force in order to guarantee an occupation and earn an income should not be classified as employment. In fact, this is a feature of most liberal professions and, on another spectrum, of the numerous forms of family production, notably in agriculture. It would be more prudent to consider self-employment as a separate category, without confusing it with employment. In turn, work is an activity omnipresent in these situations; it does not take place in a vacuum, but within vertical or horizontal relations, free or compulsory, formal or informal. From this angle, work can be seen as an analytical category linking informal employment and informal economy, as well as formal employment and formal economy. In each of these quadrants, according to the general logic previously proposed, work raises a subset of problems arising from the issues under consideration, be it the allocation of manpower or the management of productive units (Figure 2).

Extending the spectrum of the popular economy

As it has been previously said, to change our ways of perceiving things is a need. Leaving aside the lenses of modernization and formalization means addressing the informal economy on its own terms, considering its origins and antecedents without losing sight of the destructive effects exerted by the capitalist economy, mostly in the last decades. It means admitting that, due to these impacts, what we now have before our eyes are transmogrified, decayed forms of what would have once been the original forms of what today must meet the contemptuous designation of informality. It means enlarging our temporal horizons and our theoretical canons, to avoid the transfer to informality of the concepts, categories and precepts forged in and for the formal, western market economy.

Decolonizing our thought broadens our ability to question and understand realities. There is no shortage of examples, such as the studies on informal financial practices in the popular sectors (Cunha, 2017), which show that the social effects of integration and community cohesion prevail over the movement of goods and the pecuniary aspects. Initiatives with this strain demonstrate the vigor of the "ground floor" of civilization that, according to the historian Fernand Braudel (1995), fulfills the role of society’s stem cells, sowing new practices and acting as the roots of social experiences. It is in this direction, opportunely recalled by Peemans (2013, p. 278-279) as a way to understand economies from their deepest support pillars, that we should move forward.

Figure 2. The relationship between discriminating concepts. Source: Author’s preparation.
By adopting a long-term temporal perspective (Braudel, 1965), the first thing that becomes glaringly clear is that the informal economy precedes the others. From the point of view of work and employment relations, until the onset of Fordism the payments and benefits due to workers were agreed upon without legally prescribed contracts. Such informal practices were not considered illegal or illegitimate since informality was the rule (Santos and Melo, 2011, p. 29). Going back in time, economic relations based on custom and tacit agreements have predominated throughout history. No one could escape from that, since the economic sphere was surrounded by and dependent on social institutions, and therefore did not encourage any individualistic and anti-social behavior. The market economy has progressively changed this framework, beginning fewer than two centuries ago, formalizing and at the same time liberating economic practices from their social bonds. This process, thoroughly examined by historians, and by Karl Polanyi (1977, 2000) in particular, has caused a profound rupture in pre-market social systems, as well as a brutal disarticulation of their respective ways of life, making room for submission and exploitation of entire populations.

In this context, the reaction of those who managed to survive mainly thanks to their ability to work has taken more than one form. Some of them try to follow the path of entrepreneurship and social mobility; many others have resigned themselves to their new proletarian condition and have tried to negotiate the conditions of the sale of their labor power mostly through class struggles; finally, to maintain or create their own sources of labor, preserving them even at the cost of poverty and contempt, had been also an alternative. For the last two centuries, this third way has served to preserve non-capitalist systems of life, free from the twin syndromes of accumulation and competition. Such systems are based on a sociability rooted locally, or on "places of life" (Peemans, 2013, p. 281) in which they operate through interknowledge and social reciprocity (Gaiger, 2016).

The present-day popular economies, deprived of their socio-cultural structures of protection and left to the mercy of the market and the self-sufficiency of its laws, can no longer prevent their own demise nor ensure their survival, without accepting levels of debasement and indignity unthinkable until recently. Their abduction by an auto telic and inexorable economic logic, much more than their alleged intrinsic shortcomings, is what makes them such a sad sight in ever more numerous and unexpected places in the world. In addition, for better or for worse, informal activities are not always directly integrated with the productive organization of capitalist enterprises: sometimes, there is "an exploitation of pre-existing informal processes anchored in family ties, friendship and neighborliness, besides moral obligations, affective dimensions and the forms of reciprocity that surround them" (Cunha, 2006, p. 226).

Being informal is one of the trademarks of the economy in the popular sector, but it has become a problem mainly for exogenous reasons, which formalization by itself cannot solve. Therefore, the informal economy should be understood mostly from the popular economy, not from the formal economy.

The terms informal economy and popular economy cover the same myriad of economic practices to which low income individuals – those whose survival depends on their own business and labor force - dedicate themselves. Both terms refer to issues of social class, as they concern individuals from the lower working classes in particular. But although they usually refer to the same reality, their respective connotations guide the analyses to some specific aspects and give support to different interpretations (Figure 3). We have already seen the negative implications of informal as an attribute, and the inadequacy of considering it as a defining or exclusive trait. The analyses of the popular economy, in turn, are not restricted to urban activities; they draw attention to the various types of work organization, and to the management of popular productive units. They recognize the value of the family base and of relations of reciprocity, which sometimes evolve into community-based associations. In addition, since the concept commonly draws attention to "organizations gathering individuals who share the same situation" (Bauwens and Lemaitre, 2014, p. 69), the popular economy is seen as an inseparable element of the popular sectors’ class condition. The fact that it constitutes an alternative vis-à-vis wage work has a political meaning, placing it at the confluence of analyses that permeate social movements (Kraychete, 2000); depending on the circumstances, the popular economy should be recognized as being driven by development and transformative projects.

The differences are mainly a matter of approaches. Investigating activities of the popular sectors under the “popular economy” category does not remove from the scene the critical elements brought by the literature on informality. Nevertheless, it calls more attention to issues related to its role as a form of social resistance and to its place in development. There are some questions regarding the attempts to explain the popular economy from the point of view of the rationality of capital, and to seek in this sphere the preponderant factors for evaluating small popular ventures. Instead, the analysis should focus on the legacy of the experiences of the popular economic agents, on their practical sense and their expectations (e.g., Kervyn de Lettenhove and Lemaitre, 2018). From this perspective, some aspects of the popular economy should be highlighted:

On the one hand, individual or small popular ventures remain linked to their family base and to primary relationships, which function as the center of gravity of livelihood and several vital reproduction activities. It seems incongruous (and immoral) to separate and counteract economic action and the social, human aspects involved in this core of interpersonal relationships. In Polanyi's words (1977), the popular economy is embedded in social life, being averse and hostile to the structural cleavage between economy and society typical of modern times. According to Coraggio (1999), it is basically an economy of labor, oriented to the social reproduction of life, not capital. Therefore, it is ill-suited to achieve maximal exploitation of its productive factors, to be driven by the supremacy of accumulation, and to exhibit highly competitive performances. In other words, it moves through a material rationality in which evaluative pos-
tulates are a main point of reference (Weber, 2004, p. 52). In this aspect, after all, it looks like most of the known economies, except our own (Polanyi, 2000).

On the other hand, the popular economy tends objectively and subjectively to operate according to a system of social relations different from the market economy, even though it is compelled to assume strong contradictory directives due to the pressure exerted by the economic environment. In contexts where interpersonal ties have the primacy, relations of commensality prevail, as Razeto (1990, p. 65–66) points out: within a group with links beyond the economical, the flows of goods and services - in terms of producing, distributing, using and consuming - meet individual needs shared or sanctioned in common, in a context where the high degree of integration fuses individualities and dilutes particular interests.

With regard to the latent logics that organize each concrete form of economy in a peculiar way and confer unity and stability to it, Polanyi introduced the integration principles (1977, p. 35–43). Among them, the principle of domesticity, also referred to as householding, is characteristic of relatively closed groups and focuses on satisfying the needs of its members, producing and consuming goods and services according to established rules. Domesticity is an ancient trait, as the peasant societies clearly illustrate, but not something gradually abandoned because of the expansion of modern individualism. Domesticity has experienced a rise recently as a refuge in the face of labor and economic insecurity. Its vigor is also a sign of re-evaluation of the ties of closeness and the autonomy of small collectives, a sort of anonymous reaction against the supremacy of great capital and the depersonalizing tendencies of the market society (Gaiger, 2016, p. 98).

Another aspect that stands out is the systematic use of relational assets through kinship, neighborhood, or broader network ties, when community bonds or relationship circuits are sometimes boosted by social movements. To consider the popular economy as an expression and extension of domestic units relates to approaches of economic sociology that shift the focus from the individual to social relations. In this view, markets cannot be properly explained only through the action of individuals who allocate scarce resources to alternative ends in order to maximize utility; structural and cultural factors should also be analyzed. The role of the entrepreneur is redefined as being an articulator of networks, with power to mobilize partners and connect productive and human resources (Granovetter, 2009; Martinelli, 2009). Thus, entrepreneurial action would not be guided by utilitarian calculation in the strict sense, but by cultural standards that take into account the preservation of bonds that guarantee the necessary balance to economic transactions.

In its more virtuous developments, the popular economy intersects with the solidarity economy. Broadly speaking, in the context of underdeveloped or developing countries this concept points out to collective, associative and cooperative grass-root organizations - including many informal groups - driven mostly by individuals from the working classes (Singer and Souza, 2000; Fonteneau et al., 2011). As a rule, studies on the solidarity economy focus not on the legal aspects, but rather on the nature of the social relations of production. Indeed, while informal and formal labor coexist, the status of employment is weakened by the egalitarian and self-managing character of solidarity-based economy organizations, in which wage labor is no longer a standard of manpower regimentation. Cooperative work carries on among associate members - be it workers, users or consumers (Pinto, 2006; Anjos, 2012) - even though the desire to keep the solidarity organization as a business, and at the same time as a partnership between people is often exposed to distortions and to challenging contradictions (Lima, 2007).

Figure 3. Distinguishing between connected approaches. Source: Author's preparation.
Final comments

"Some years ago, the world embraced bio diversity — and still does. Today, the world needs to embrace economic diversity. Both are needed for sustainable and inclusive development" (Chen, 2012, p. 20).

This article has attempted to contribute the burgeoning literature on issues related to informality by addressing some theoretical and conceptual topics. One of its starting points has been the acknowledgment that many studies seek to understand why informal businesses do not evolve and join the formal economy, instead of questioning the failures and inadequacies of the latter. In addition, the problem is commonly seen as a matter of costs and benefits, evaluated on the basis of supposed utilitarian motivations (e.g., Nordman et al., 2016). Doing so, standard theories leave little room for the plurality of logics underlying the economy.

It is necessary to escape from market fundamentalism (Burawoy, 2013) and to consider the non-economic and immaterial dimensions of life as the pillars of society (Schoofs, 2015). In this sense, we have highlighted two points: firstly, the fact that the informal economy should be understood according to its own organizational principles, its sui generis rationalities. Secondly, that the theoretical primacy given to the market distances us from a plural conception of the economy, which nevertheless is a prerequisite for evaluating the performance of informal units set up for subsistence purposes, as well as for local development, among other things. The informal economy should be understood as a form of socially embedded economy, as per Polanyi’s formulation (1957, 2000).

From this perspective, we support the views expressed by authors who address the proactive role of the informal economy in development processes. For instance, the informal economy can encourage the sustainable use of goods, offering an alternative to the regulated market economy and thus helping to achieve the required shift in economic models (Ruzeck, 2015); or it can make positive contributions to the transition to a greener and more inclusive economy, if offering an alternative to the regulated market economy and thus helping to achieve the required shift in economic models (Ruzeck, 2015); or it can make positive contributions to the transition to a greener and more inclusive economy, if

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the weakening of social ties and the crisis of democracy.

To conclude, we insist once again that there are matters of fact and, above all, approach issues. The predominant approaches commonly adopt a deductive analysis perspective, going from the general to the particular and from top to bottom. Instead, our line of argumentation has gone from bottom to top, giving prominence to the creativity and capacity of self-organization and adaptation of the popular sectors.

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