

A painting of a woman with dark hair, wearing a green and brown dress, holding a large bouquet of white calla lilies. The background is filled with more flowers, including pink and red ones. The overall style is somewhat expressionistic with visible brushstrokes.

# **CONFERENCE ON THE INFORMAL ECONOMY**

**Country Panel: MEXICO**

Cape Town, South Africa  
March 24-26, 2011

# Introduction

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- A problem on respect any conceptualization of informality has been that most often than not the concept chosen is tailored in a way so to fit to the favorite analyst's explanation of the phenomenon. So ad-hoc notions or concepts abound in the literature almost as many authors on the subject.
- A less theoretical ambitious approach is a descriptive one focused on a common characteristic or problem pertaining to a set of individuals. These kinds of approaches tend to unveil a phenomenon broader in its dimension that it looks at first.

# Introduction

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- The ILO-Delhi group approach I'm going to speak about and illustrated with data from Mexico belongs to the second type of approach. The common denominator it finds -rather than sheer poverty or marginality- is that those individuals earn their everyday sustenance without a back up of a nation legal-institutional frame that is with a higher level of risk than anybody else in the labor force. This level of risk may render both gain and doom.

# Introduction

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- This approach offers a map of the phenomena; the traditional parts of it and the emergent one. In the case of Mexico it makes a lot of sense because it allows understanding which components are more connected with some inertia and which others obeys to modalities of a the facto flexibility of the labor market: one in particular not necessarily linked to productivity in Mexico, so reinforcing a vicious circle of low quality of employment, low productivity, low wages. In any case it is an approach where one component is not subsumed-reduced-confounded with/to the other one.

# Introduction

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- It may allow as well distinguishing better the incidence of phenomena such as exit or exclusion and, who knows, maybe even challenge these polarities. It may allow as well to make testable some thesis on perverse incentives and the effects of some public policy measures if an statistic is produced consistently for a period of time that at least encompasses a decade of observations. It may –I have used the term repeatedly- because this approach has not to concede the reason to anybody. It is more a field for a contest of argumentations than itself an argumentation.

# Sources

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- The data this presentation shows were obtained from Mexico's LFS known as ENOE. The questionnaire was modified in 2005 so to cover in one approach all the components of informality under the conceptual frame of ILO-Delhi Group approach. ENOE also has a special module on micro businesses called ENAMIN directed to those conducted economic activities in this scale of operation.
- As a Household Survey, ENOE consists on a quarterly sample of 120 thousand dwellings out of a total of 28 million dwellings in a country of 110 million inhabitants, 46 m. in the labor force and 43.6 of them employed following the ILO definition.

# Sources

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- The survey period yielding data aligned with this frame might be it is not long enough yet, however considering that from 2005-2010 many phases of the economic cycle took place within it is nevertheless and interest one for analysis.
- So let's take a look first on the conceptual map and then see the main figures for Mexico. A lot in this presentation is devoted to the structure of the phenomena so to have a correct dimension of each of its components.

# THE MAP

## Labour Rights Perspective

Economic unit perspective	Type of economic unit	Status in Employment						
		Own account workers	Unpaid workers contributing family members/ apprentices	Employers	Paid dependent workers			
					Salary workers		Paid workers without fixed remunerations (pseudo independent)	
					Informal	Formal	Informal	Formal
Institutions, corporations and other formal businesses	I	9	II	10	III	11	IV	
Informal Sector	1	2	3	4		5		
Peasant Agriculture	6	7						
Other Households consuming labour services (paid domestic workers)				8	V			

**Classified looking at labour conditions**



# The main components of informality

- Employment in the Informal Sector:
  - » In activities conducted by own account workers.
    - Own account workers
    - Unpaid workers (contributing family members)
  - » In activities conducted by employers.
    - Employers
    - Unpaid workers (contributing family members)
    - Paid dependent workers
- Informal Employment operating outside the Informal Sector:
  - » Own account workers in subsistence (peasant) agriculture.
  - » Non paid workers operating outside the Informal Sector.
  - » Paid domestic workers.
  - » Salary workers with not protected jobs operating outside the Informal Sector.
  - » Paid dependent workers with no fixed remunerations and not protected jobs (pseudo independent workers)

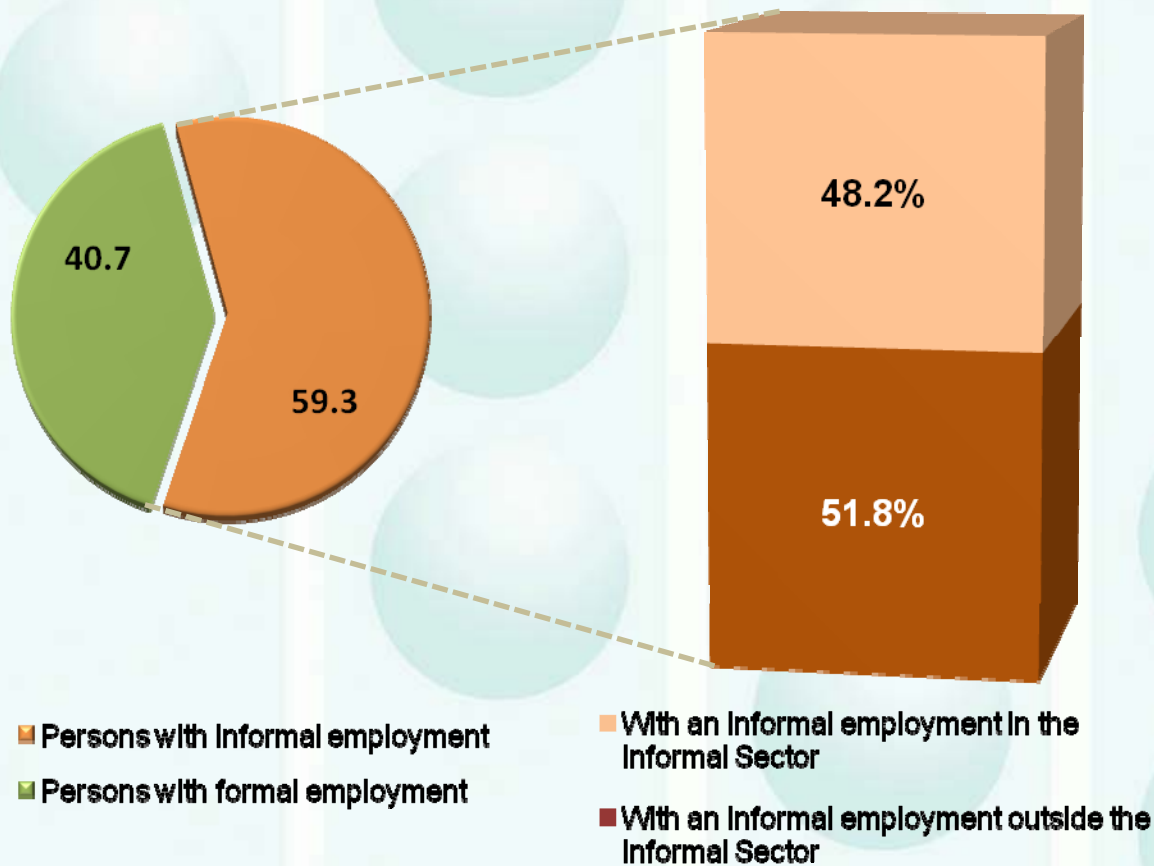
# What those cases have in common?

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- I. No way to make effective the legal-institutional frame in their favor. No contracts to guarantee either transactions or labour rights.
- II. High exposure to economic contingency
- III. Risk in terms of patrimony loss is an everyday possibility
- IV. Vulnerability trap. Difficulties to develop and mature either as economic unit or as labour resources (the latter by making improbable an increasing of an individual's human capital linked to a labour trajectory).

# Informality head count

Graph 1: Persons with informal employment

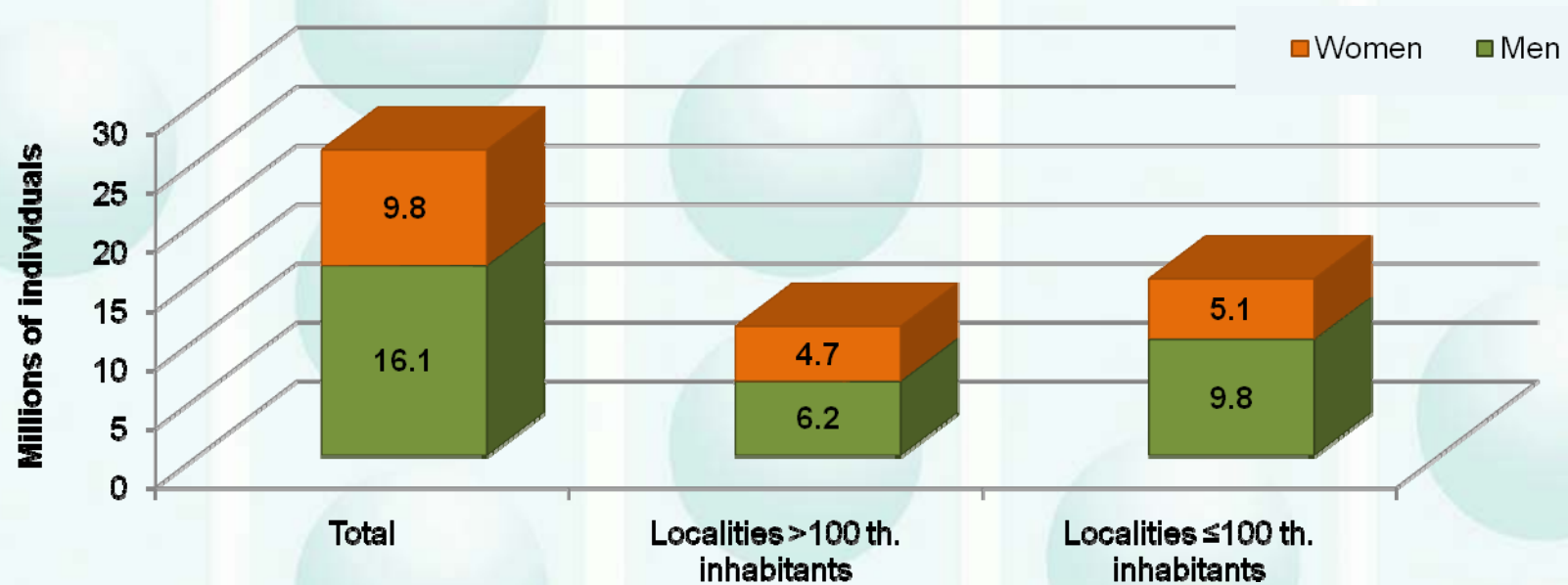


	Millions of persons
Total employment	43.6
Informal employment	25.9
<i>In the Informal Sector</i>	12.5
<i>Outside the Informal Sector</i>	13.4

Source: INEGI, Encuesta Nacional de Ocupación y Empleo (ENOE), first quarter 2010.

# Informality head count

Graph 2: Structure by gender and population density areas

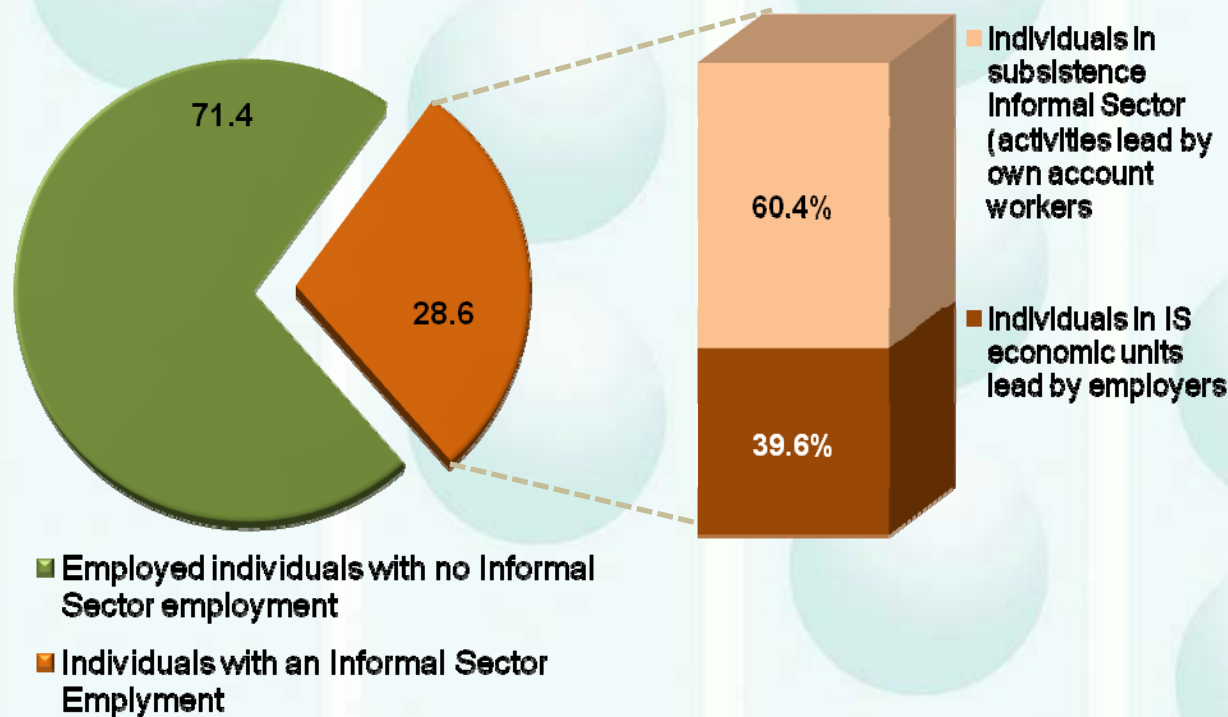


Localities' size	Men's shares	Women's shares
Total	62.0	38.0
Localities >100 th. inhabitnants	57.2	42.8
Localities ≤100 th. inhabitnants	65.6	34.4

Source: INEGI, Encuesta Nacional de Ocupación y Empleo (ENOE), first quarter 2010.

# Informality head count

Graph 3: Informal Sector shares and composition

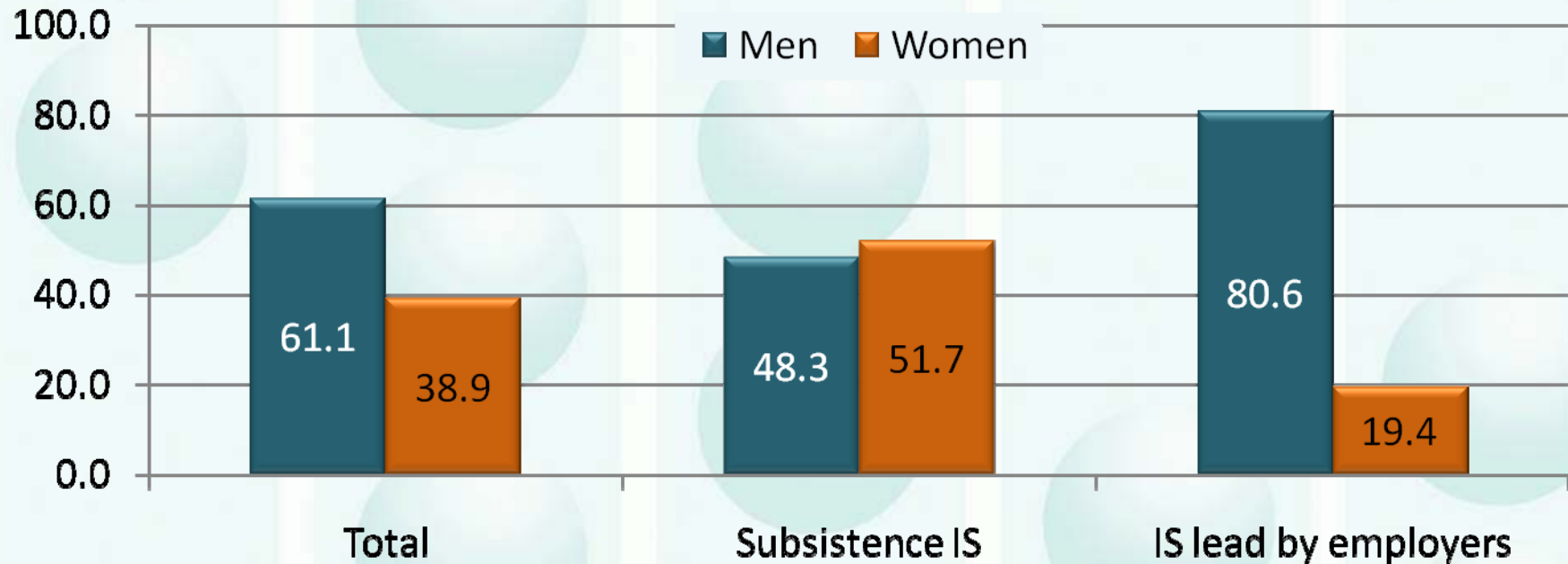


	Millions of persons
Total employment	43.6
Persons with an Informal Sector employment	12.5
<i>Employment in economic units lead by employers</i>	4.9
<i>Employment in economic units lead by own account workers</i>	7.6

Source: INEGI, Encuesta Nacional de Ocupación y Empleo (ENOE), first quarter 2010.

# Informal Sector

Graph 4: Gender shares by modality



	Total	Subsistence IS (lead by own account workers)	IS lead by employers
Men	7 620 621	3 637 364	3 983 257
Women	4 849 355	3 890 527	958 828
Total	12 469 976	7 527 891	4 942 085

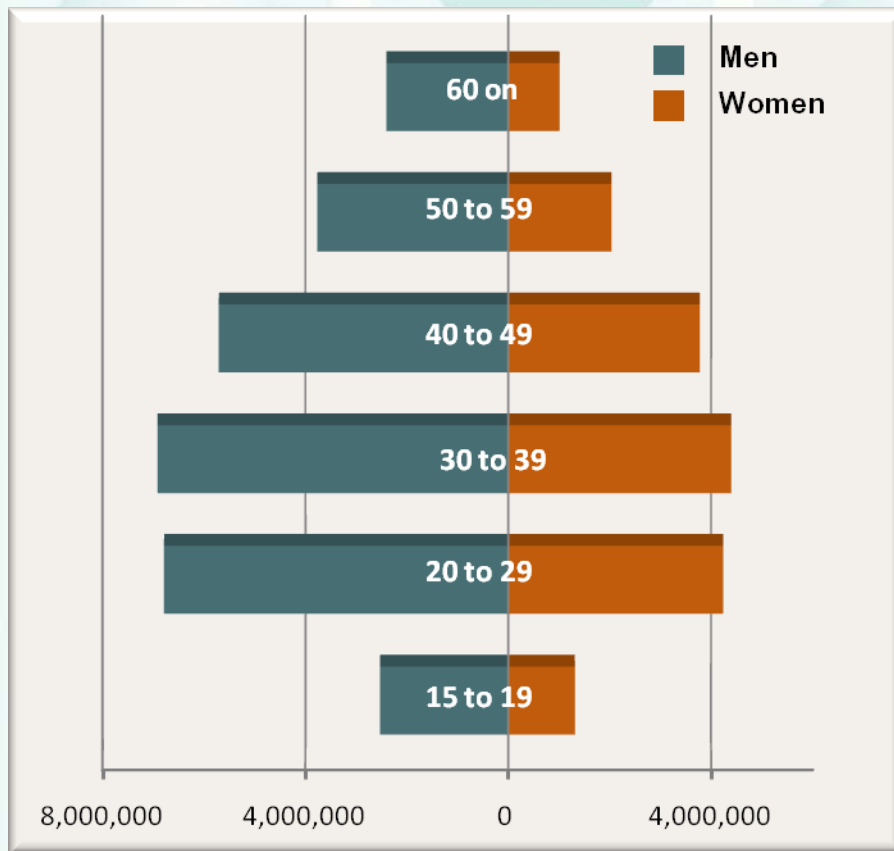
Source: INEGI, Encuesta Nacional de Ocupación y Empleo (ENOE), first quarter 2010.

# Informal Sector

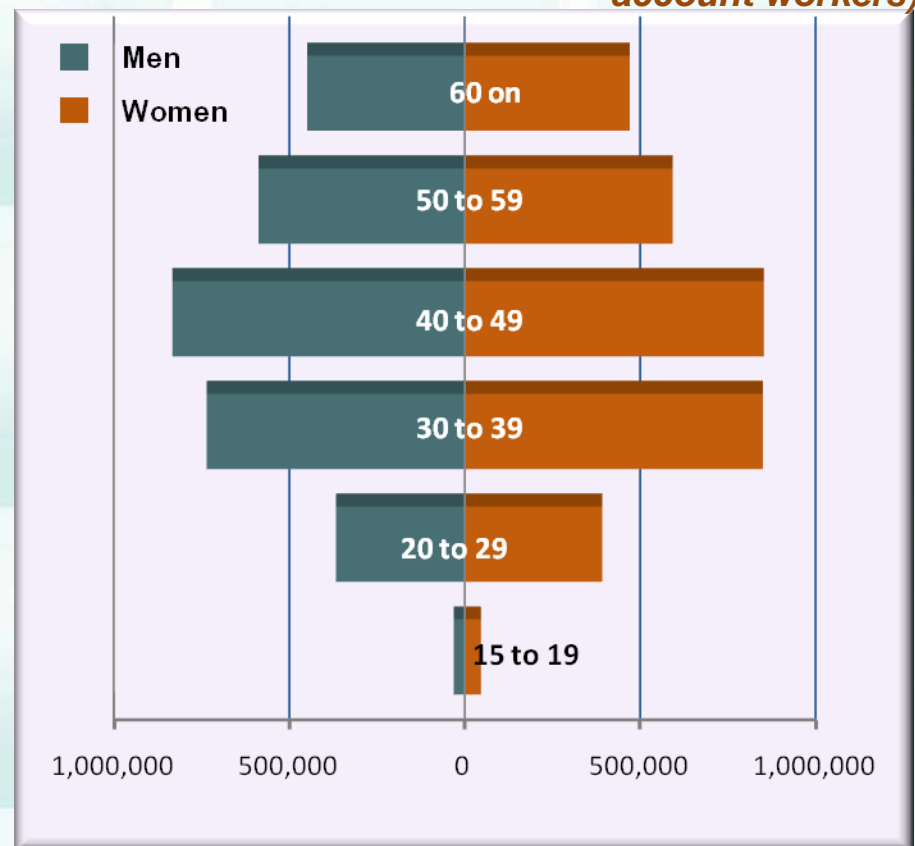
Graph 5

Labour force and Informal Sector businesses owners: comparative age and gender distribution

*Labour Force*



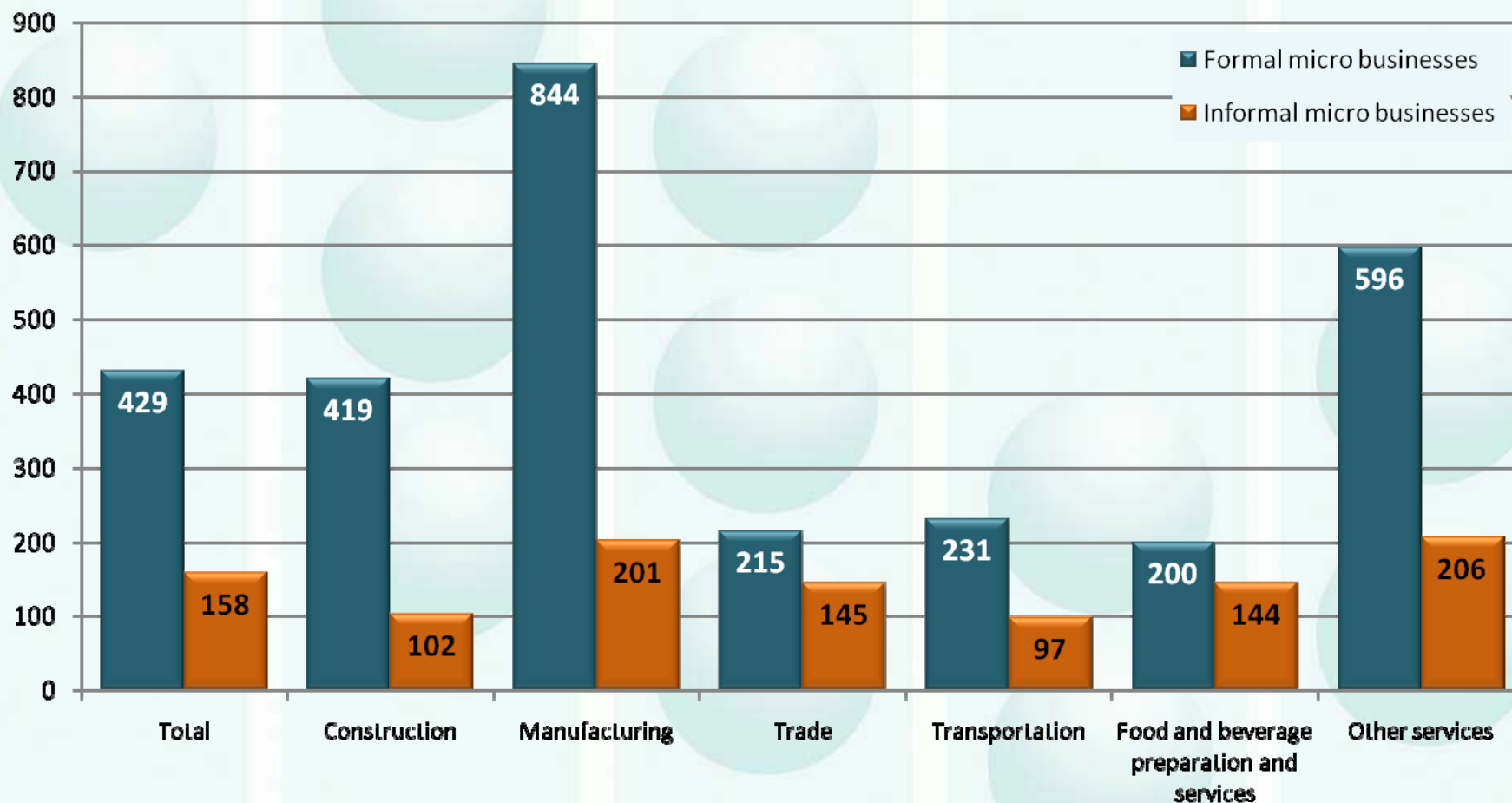
*Informal Sector owners (employers and own account workers)*



Source: INEGI. Encuesta Nacional de Micronegocios (ENAMIN), 2008.

# Informal Sector

Graph 6: Formal and informal sector micro businesses: value added<sup>1</sup> per capita



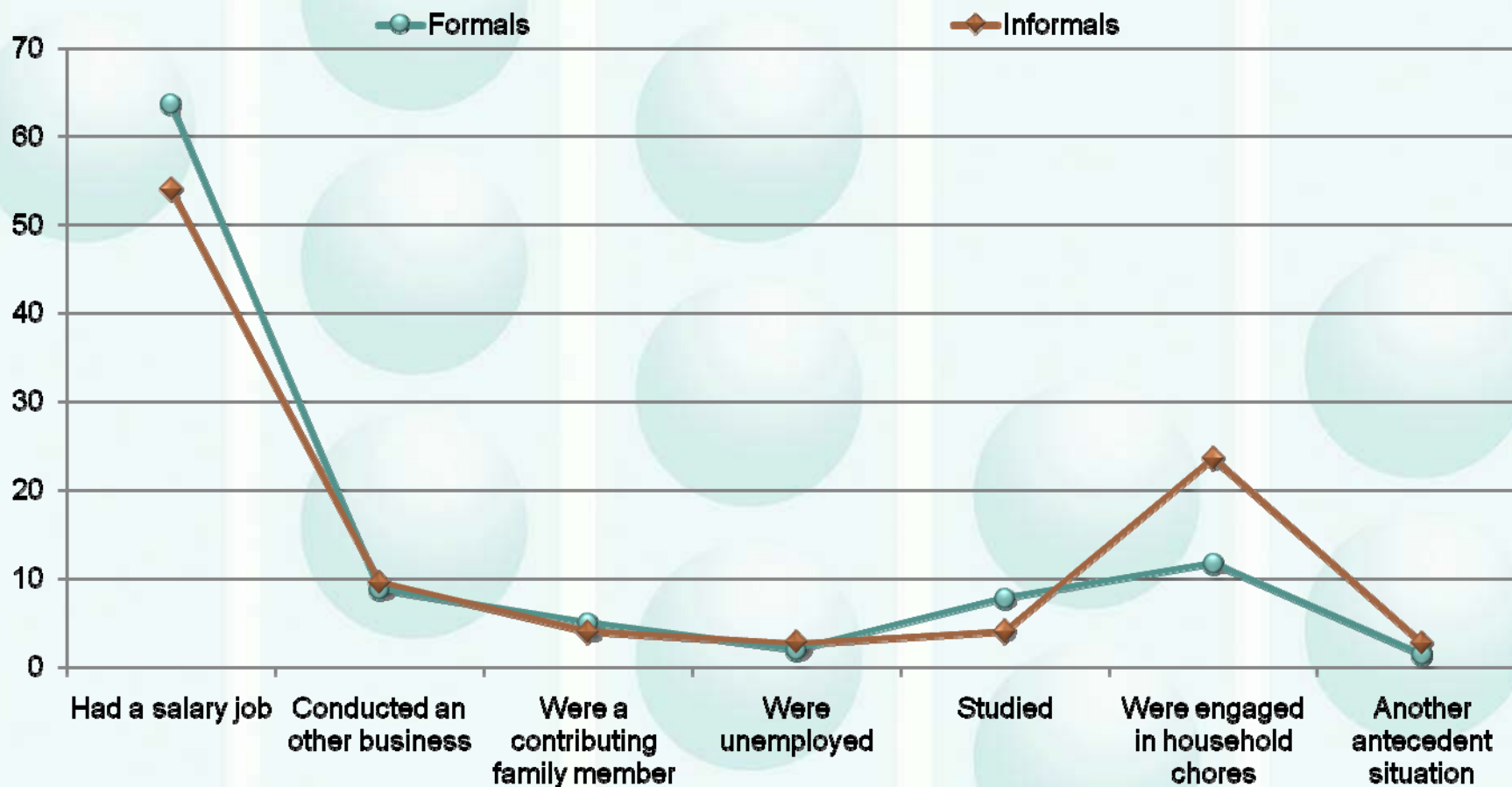
<sup>1</sup>Annual quantities: thousands of Mexican pesos.

Source: INEGI. Encuesta Nacional de Micronegocios (ENAMIN), 2008.



# Informal Sector

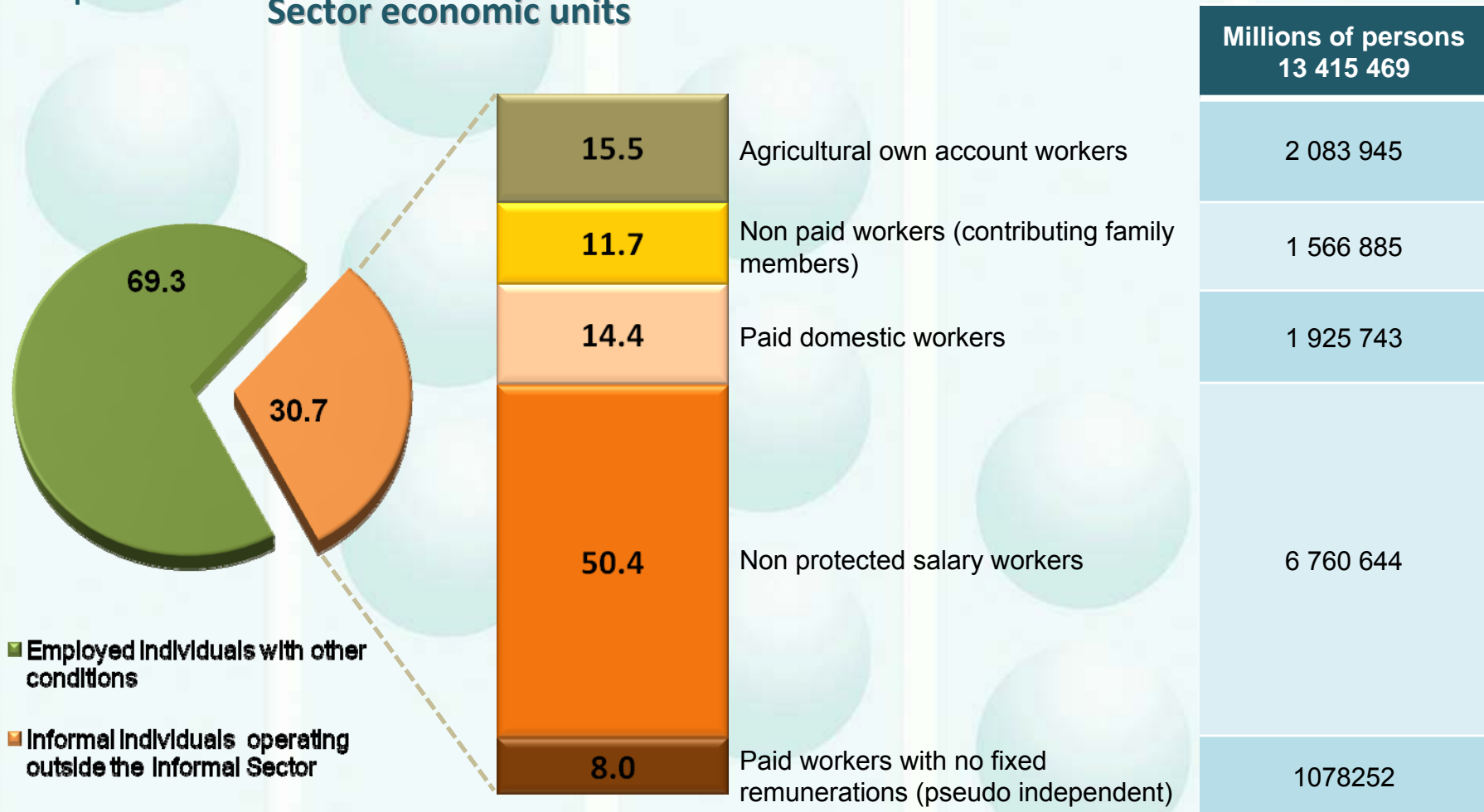
Graph 7: Situation of micro businesses owners before conducting their current activity



Source: INEGI. Encuesta Nacional de Micronegocios (ENAMIN), 2008.

# Informality conditions outside the Informal Sector

Graph 8: Individuals working under informal labour conditions for non Informal Sector economic units



Source: INEGI, Encuesta Nacional de Ocupación y Empleo (ENOE), first quarter 2010.

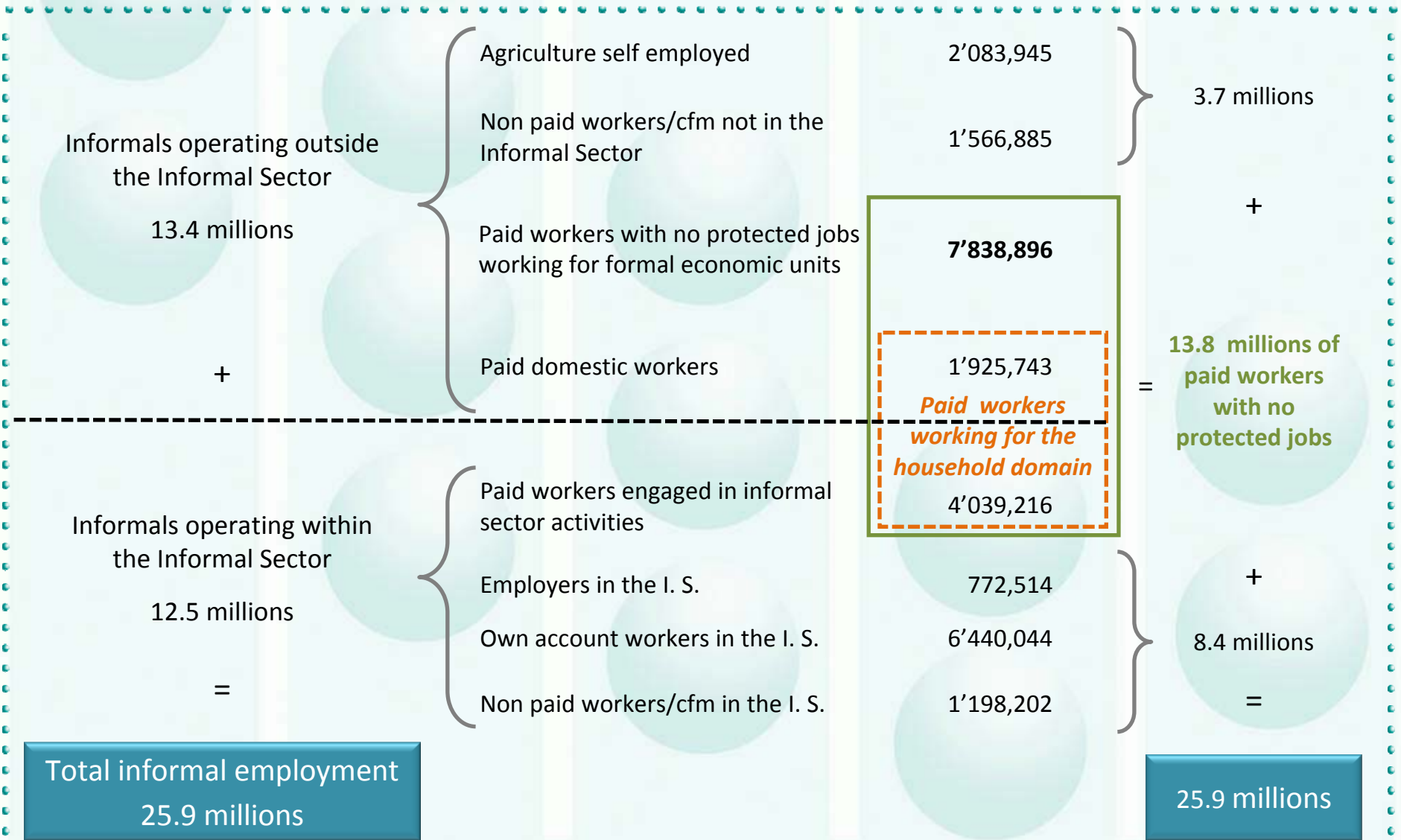
# Informality conditions outside the Informal Sector

Graph 9: Gender shares by modality



Source: INEGI. Encuesta Nacional de Micronegocios (ENAMIN), 2008.

# Paid dependent workers within the broad frame of Informality

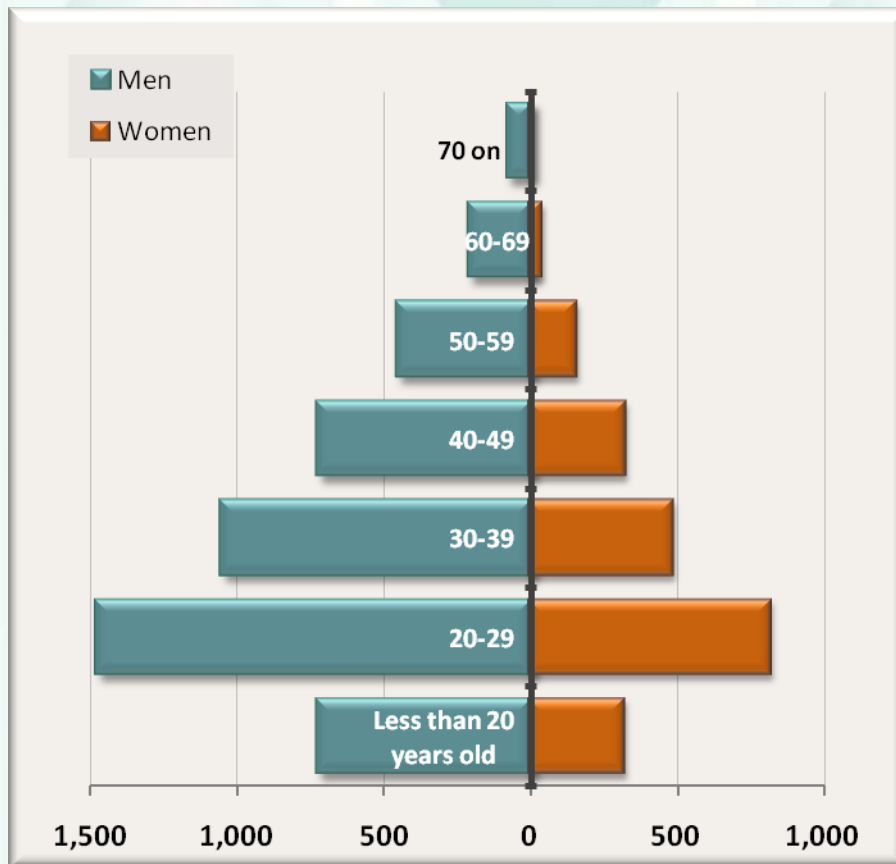


Source: INEGI, Encuesta Nacional de Ocupación y Empleo (ENOE), first quarter 2010.

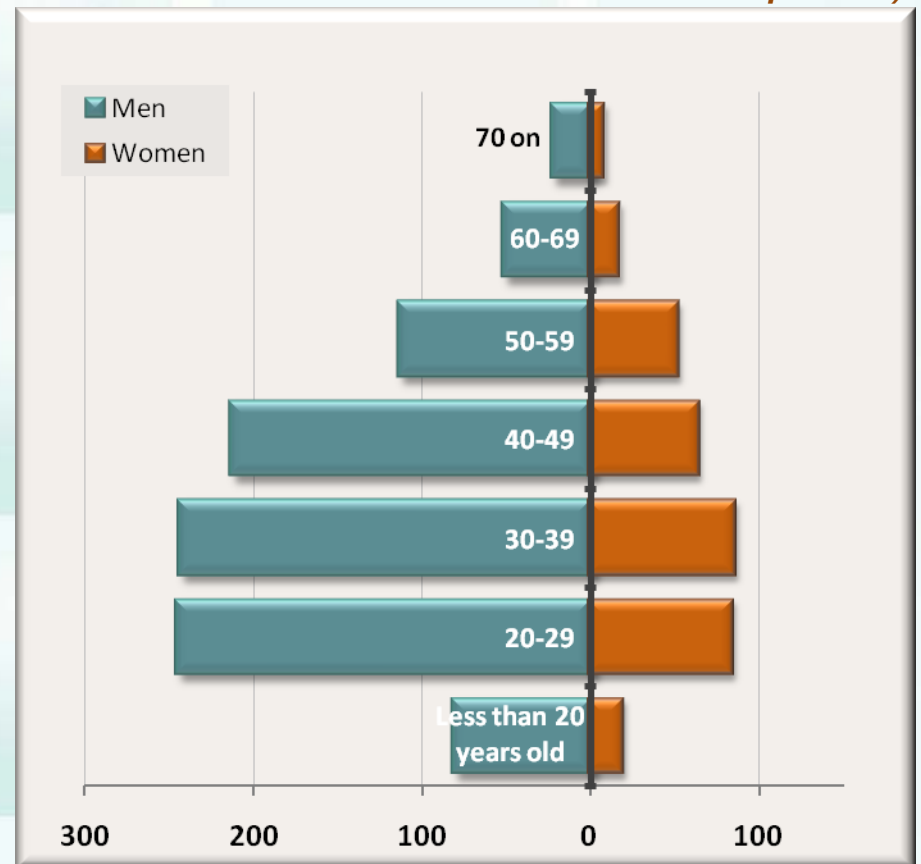
# Paid workers with no protected jobs working for formal economic units

Graph 10: Age and gender distribution

*Non protected salary workers*



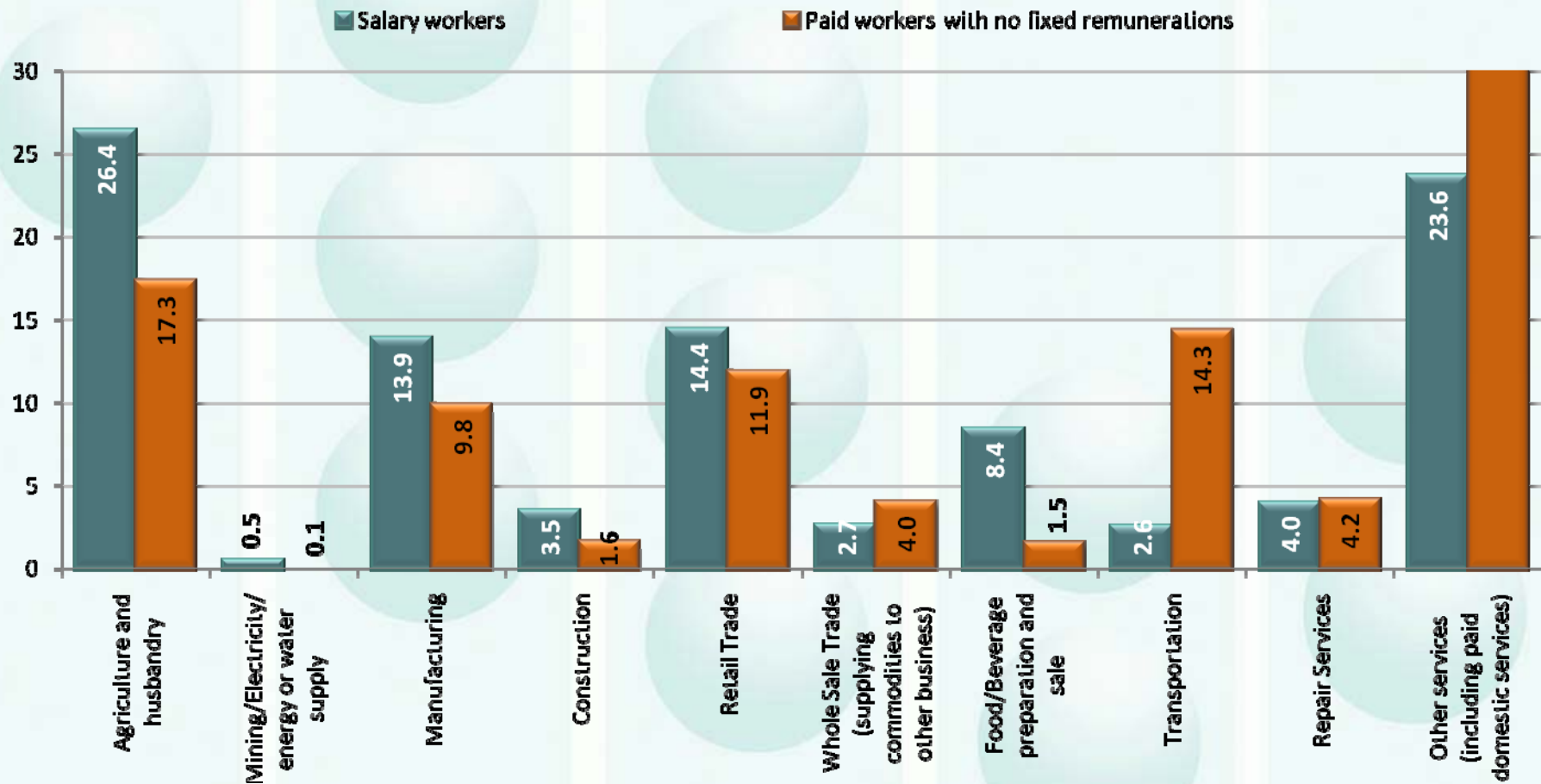
*Paid workers with no fixed remunerations (pseudo independent)*



Source: INEGI. Encuesta Nacional de Micronegocios (ENAMIN), 2008.

# Paid workers with no protected jobs working for formal economic units

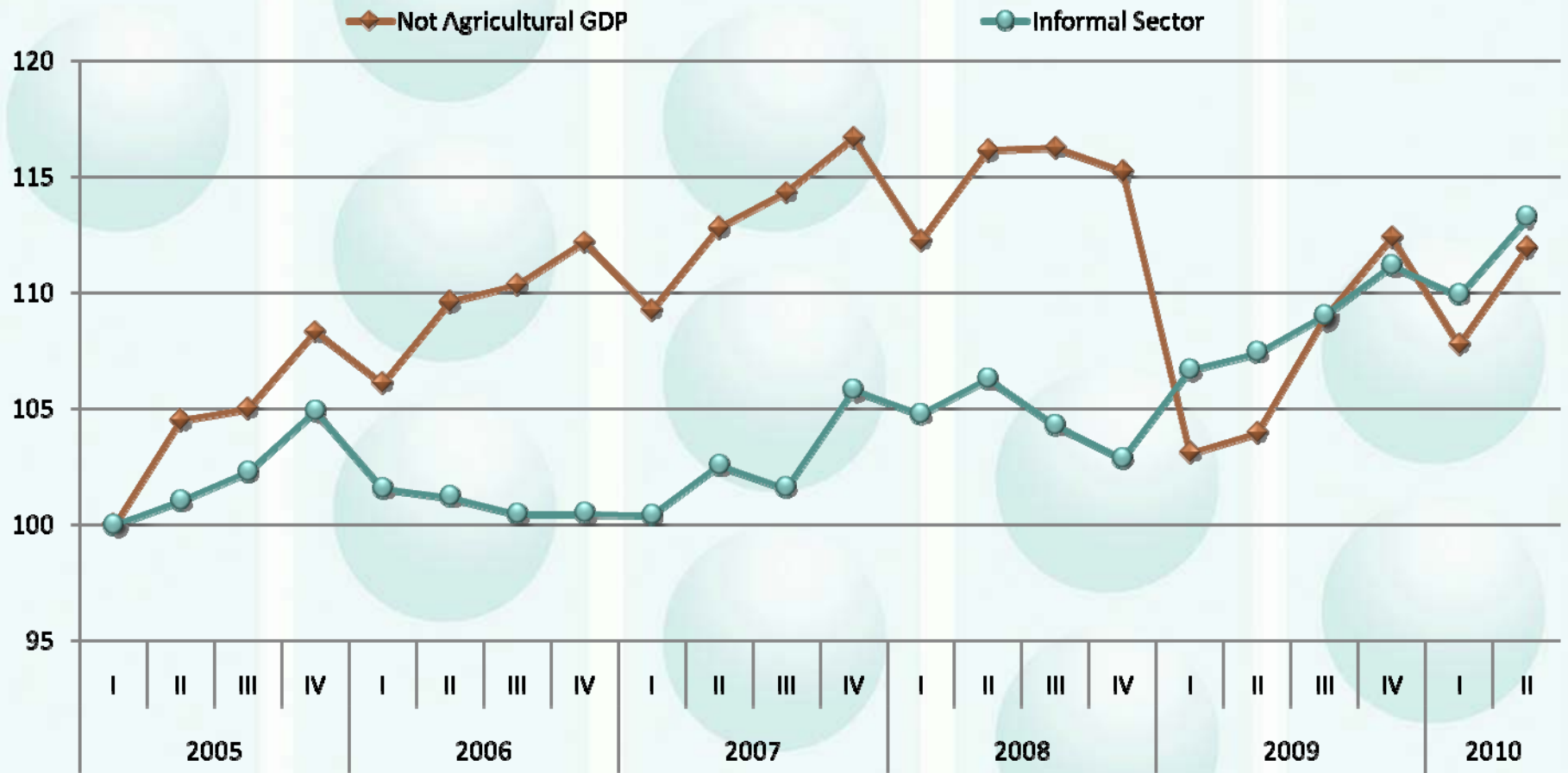
Graph 11: Distribution by industry



Source: INEGI. Encuesta Nacional de Ocupación y Empleo (ENOE) and Encuesta Nacional de Micronegocios (ENAMIN), 2008.

# Trends

Graph 12: Indexes of Informal Sector employment and Non Agricultural GDP



Source: INEGI. Encuesta Nacional de Ocupación y Empleo (ENOE) and Sistema de Cuentas Nacionales de México, GDP in constant prices 2003.

# Trends

Graph 13: Indexes of salary workers with no protected jobs working for formal economic units and GDP

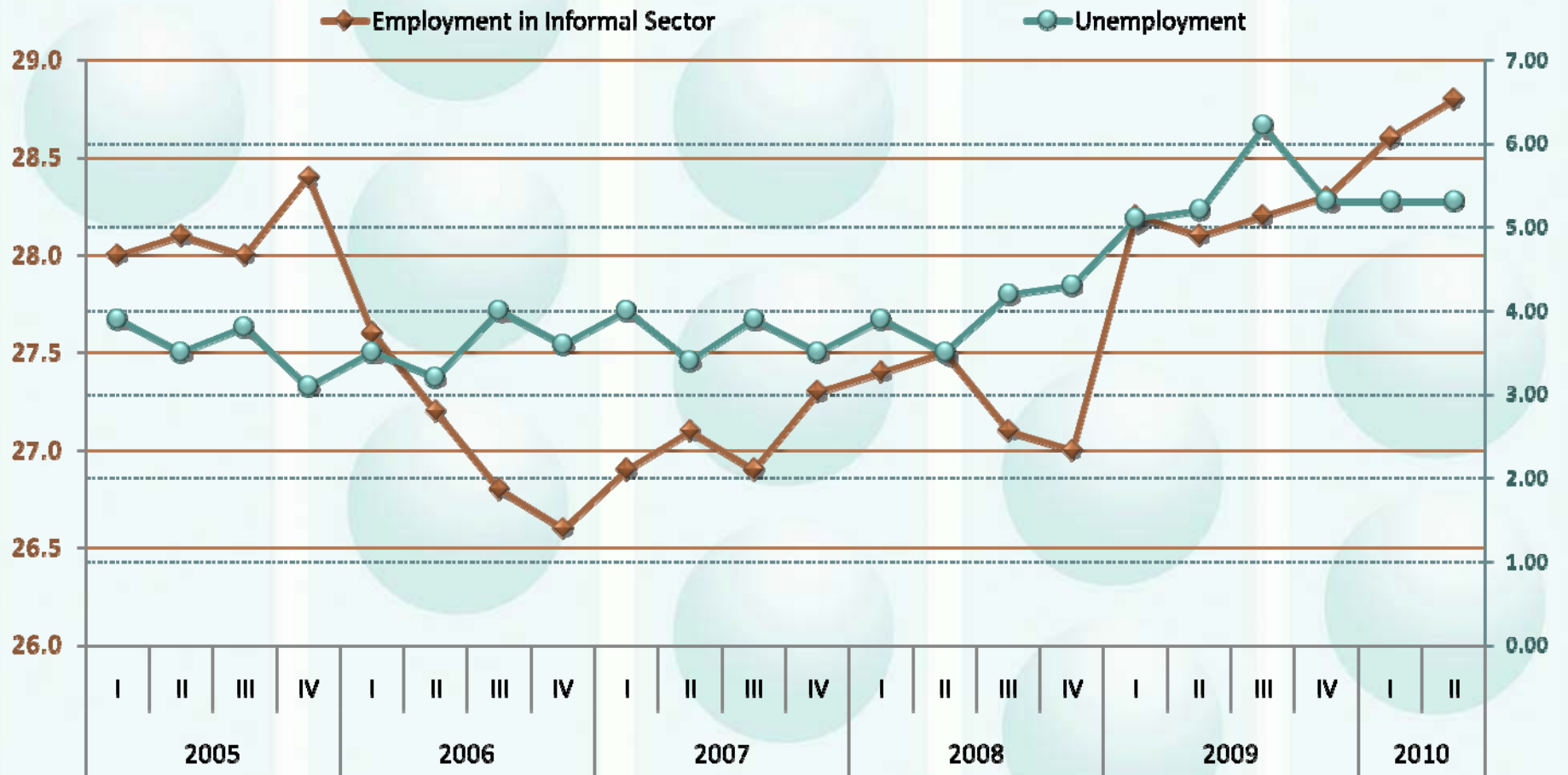


Source: INEGI. Encuesta Nacional de Ocupación y Empleo (ENOE) and Sistema de Cuentas Nacionales de México, GDP in constant prices 2003.



# Trends

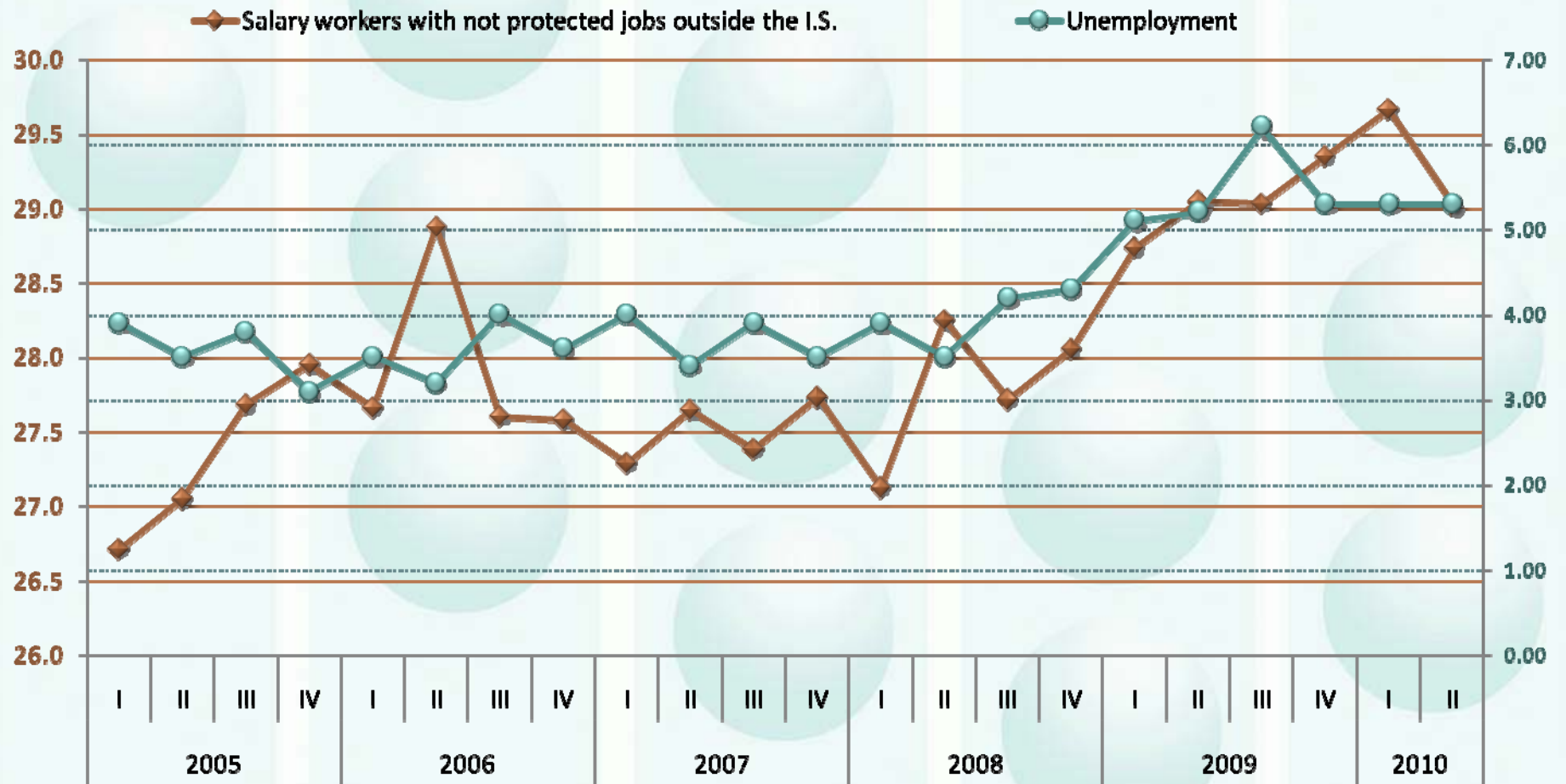
Graph 14: Unemployment and employment in the Informal Sector rates



Source: INEGI. Encuesta Nacional de Ocupación y Empleo (ENOE).

# Trends

Graph 15: Unemployment and salary workers rates with no protected jobs operating outside the Informal Sector



Source: INEGI. Encuesta Nacional de Ocupación y Empleo (ENOE).

# GDP, formal salary workers and salary workers with not protected jobs operating outside the Informal Sector: variations, geometric means and elasticity coefficients 2005-2010

Period	Variable	Variation (%)	Quarterly geometric mean
<b>From I-05 to III-08</b>	GDP in constant prices	15.68	1.05
	Formal salary workers	13.49	0.91
	Salary workers with not protected jobs operating outside the I. S.	13.63	0.92
	Formal salary workers / GDP Elasticity	0.86	0.87
	Salary workers with not protected jobs operating outside the I. S. / GDP Elasticity	0.87	0.88
<b>From III-08 to III-09</b>	GDP in constant prices	-6.07	-1.55
	Formal salary workers	-4.11	-1.04
	Salary workers with not protected jobs operating outside the I. S.	4.38	1.08
	Formal salary workers / GDP Elasticity	0.68	0.67
	Salary workers with not protected jobs operating outside the I. S. / GDP Elasticity	-0.72	-0.69
<b>From I-05 to II-10</b>	GDP in constant prices	12.58	0.57
	Formal salary workers	12.91	0.58
	Salary workers with not protected jobs operating outside the I. S.	21.59	0.94
	Formal salary workers / GDP Elasticity	1.03	1.02
	Salary workers with not protected jobs operating outside the I. S. / GDP Elasticity	1.72	1.65

Source: INEGI. Encuesta Nacional de Ocupación y Empleo (ENOE); Sistema de Cuentas Nacionales de México. And Instituto Mexicano del Seguro Social.

## Correlation coefficients between categories and variables. Comparison from those obtained from 2005-2008 with those from 2005-2010

Concepts and variables	GDP		Non Agriculture GDP		Formal paid dependent workers		Unemployment rate		Informal Sector rate	
	105-308	105-210	105-308	105-210	105-308	105-210	105-308	105-210	105-308	105-210
Informal Sector (IS)			0.609	0.148	0.568	0.479				
Informal Sector rate							-0.385	0.531		
Salary dependent workers with not protected jobs operating outside the IS	0.912	0.414			0.852	0.742				
Rate of salary dependent workers with not protected jobs operating outside the IS							-0.550	0.688	-0.124	0.540
Paid dependent workers with no fixed remunerations operating outside the IS	-0.632	-0.471			-0.578	-0.637				
Rate of paid dependent workers with no fixed remunerations operating outside the IS							-0.153	-0.519	0.388	-0.090

Source: INEGI. Encuesta Nacional de Ocupación y Empleo (ENOE); Sistema de Cuentas Nacionales de México, GDP in constant prices 2003. And Instituto Mexicano del Seguro Social.

# Summary and conclusions

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1. Informal employment in Mexico is almost 60% of total employment. However the specific component within it that is the Informal Sector it is not (any longer) the dominant part of it.
2. Women participation in the Informal Sector is bigger than in the rest of the informal employment and particularly it is in the survival segment of the Informal Sector (activities conducted by own account workers).
3. On respect the component operating outside the Informal Sector the segment corresponding to the informalization of labour relationships, signifies more than a half of it.

# Summary and conclusions

4. There are striking differences in both gender and age composition between those conducting Informal Sector activities and those working with not protected jobs under informal labour relationships. This may account in turn of two different behaviors/two different survival strategies.
5. During the economy's phases previous to a recession and "exit" tendency from formal dependent paid work to informal dependent paid work it is not apparent. The elasticity on respect GDP is quite similar in both cases. However during a recession it is clear observed an exit movement. So insofar this substitution of one type of paid work for the other is not systematic, there are still not observed unintended consequences of social policy (Levy, 2008) creating additional incentives to push the phenomena to the point of changing the existent pattern of demand of formal paid employment during "normal" times.

# Summary and conclusions

6. On respect the Informal Sector Employment the correlation with the GDP evolution is weaker than those working under informal labour relationships during stages previous to a recession, turning in a stronger negative correlation once the latter begins. So crisis seems to be essential in feeding Informal Sector employment in recent times. In any case before the crisis began IS gave signals of becoming less dynamic tending to a stagnant phase.
7. However and despite its counter cyclical behavior it is also worth to note that the Informal Sector's buffer effect on the level of the Unemployment Rate in Mexico is weaker than the one it seems to have the modern part of the informality (paid dependent workers operating outside the I.S.) so suggesting that the population segment in the Informal Sector is not quite the same on respect the one prone to manifest a typical unemployed behavior (active job seekers) in the labour market.

**Thanks for  
your  
attention**

