



# What do we talk about when we talk about informality?

- The term ‘informality’ is used in conflicting theoretical frameworks: structuralist, Marxist, institutionalist, neoclassical, and neoliberal
- It lacks a single, precise meaning – it is not a unified concept
- Key distinctions:
  - Informal economy ≠ informal sector
  - informal employment
- This ambiguity is not only ideological – it affects how we analyze, measure, and address



# Three meanings of informality: sector, economy, employment



## INFORMAL SECTOR

productive units outside the regulatory framework



## SHADOW ECONOMY

economic activities that evade taxation



## INFORMAL EMPLOYMENT

labor relationships without protection or recognized rights





## Informality in the Babel Tower: A Predicate Seeking Its Subject

- Informality is not an established empirical category, but a contested theoretical construct.
- Used to describe distinct phenomena: sectors, firms, workers, labor relations, behaviors.
- Three epistemological dimensions:
  1. Units of analysis
  2. Theoretical frameworks
  3. Ethical-political implications



# Epistemological Questions

## 1. Units of Analysis

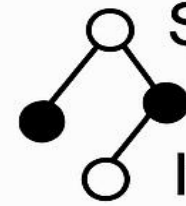
- “Informality” refers to diverse objects:
  - Economies, sectors, productive units
  - workers, and labor relations
- *What is the actual object of analysis?*

## 3. Ethical-Political Implications

- Should informality be:
  - A dysfunction to eradicate?
  - A structural trait to transform?

*Is informality a failure of capitalism — or a condition for its functioning?*

## 2. Theoretical Frameworks



Structuralist – Productive inequality & labor market

Institutionalist – Weak state capacity

Neoliberal – Overregulation & rational evasion



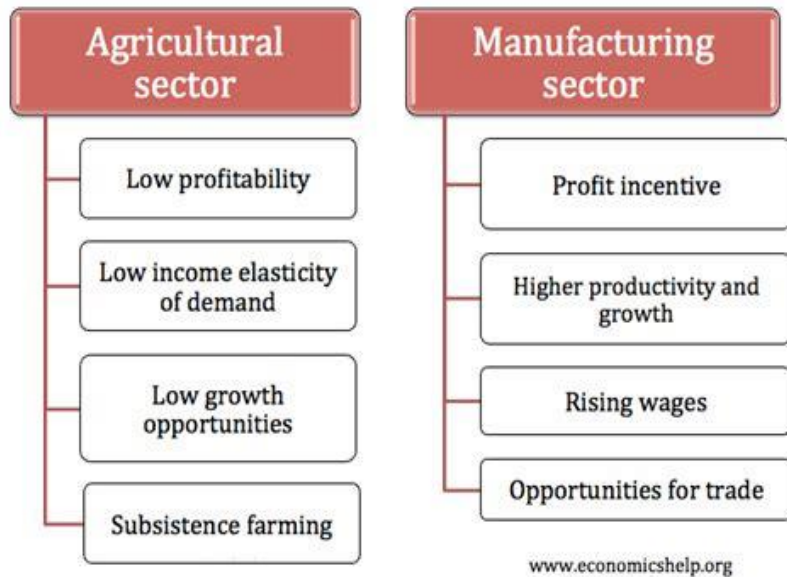


# One Predicate, Multiple Referents

- Informal Economy: Unregulated productive units, outside fiscal/state control.
- Informal Sector: Low-productivity, small-scale survival units.
- Informal Employment: Unregulated, non-contributive labor relations.
- Labor Precariousness: Instability, low wages, underemployment— even within formal jobs.
- Interpretations vary across theories: ILO (institutionalist), neoclassical, structuralist.



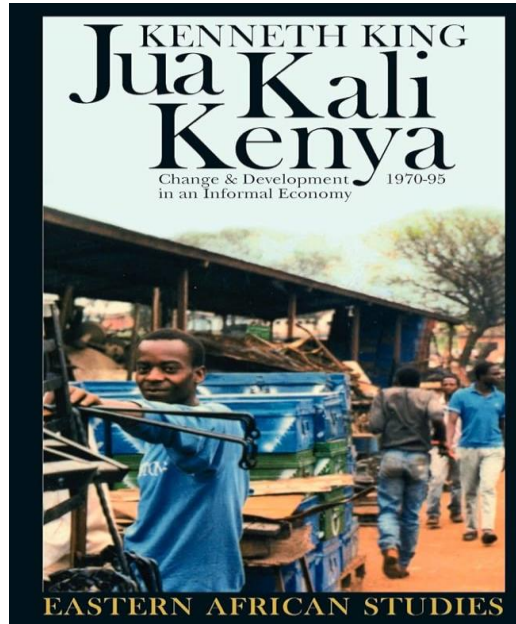
## Dual economy



www.economicshelp.org

## Conceptual Shifts and Historical Conflicts (I)

1. Dualist Origins (Arthur Lewis, 1954): Formal vs informal sectors.
2. Structuralist Critique (ECLAC): Informality as structural product of underdevelopment.
3. ILO Kenya Report (1972): Segmentational framework; deeper than productivity.
4. Marxist View (Portes & Castells): Informality as functional to capital.



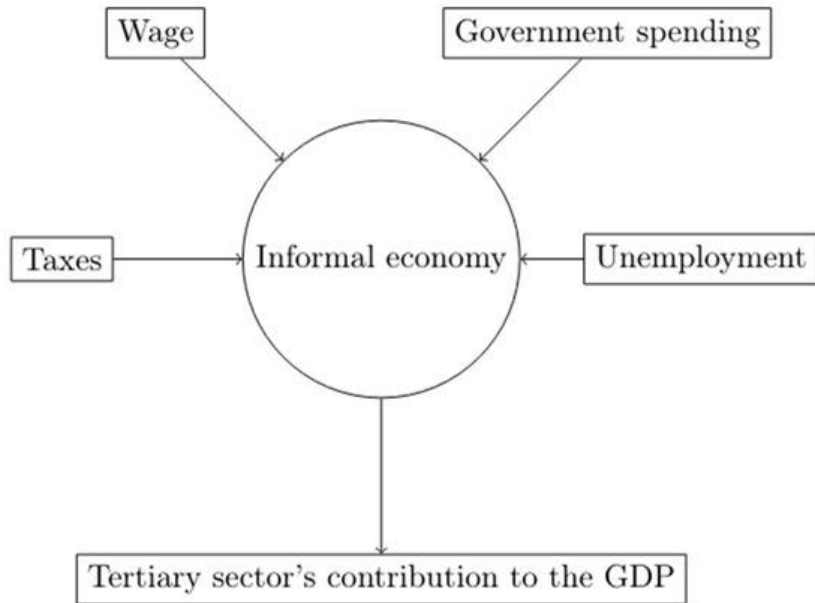
10/04/2025



INSEAI 2023 PRESENTATION/XIV EDaSS



7



## Conceptual Shifts and Historical Conflicts (II)

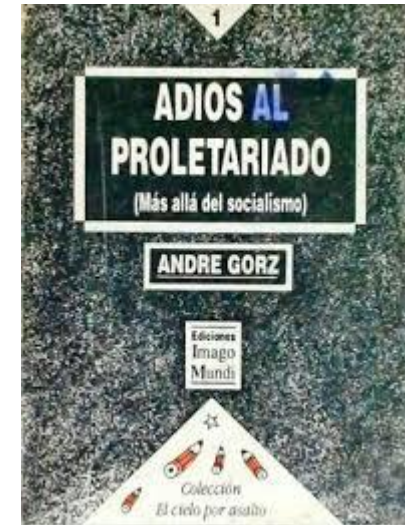
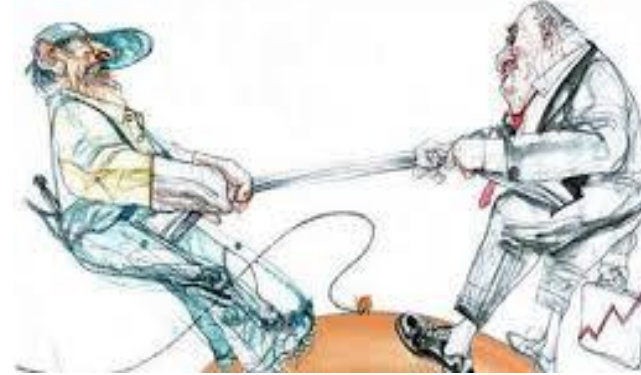
5. Neoliberal Critique (De Soto): Rational escape from overregulation. Gutmann (1977) and Feige (1989) *shadow economy*

6. Institutionalist View: Weak unions, dismantled welfare, rise of 'precariat'.

7. ILO Conceptual Shift (2002): From 'informal sector' to 'informal economy' and 'informal employment'.

## Informality: A Field of Theoretical Disputes

- Competing paradigms:
  - Institutionalist → weak state capacity
  - Neoliberal → cost-based rational choice
  - Structuralist → structural inequality in capitalist development
- **Informality = theoretical and political battlefield**





**SOCIAL  
SECURITY**

- **Policy Response: The Institutionalist Approach**

- Focus: strengthening state regulation, labor inspection, and social protection.
- Sees informality as failure of enforcement.
- Policy tools:
  - Universal social protection
  - Progressive formalization
  - Inclusive labor rights for excluded groups

## Policy Response: The Neoliberal Approach

- Focus: institutional cost of formality.
- Informality as adaptive efficiency.
- Policy tools:
  - Simplified tax regimes
  - Digital labor registration platforms
  - Flexible contracts
- Risk: 'tolerated informality' through fragile formalization.





- **Policy Response: The Structuralist Approach**
- Informality reflects unequal productive structures.
- Structural component of peripheral capitalism.
- Policy tools:
  - Productive transformation
  - Industrial diversification
  - Wage policy & infrastructure investment





## • Policy Response: The Multidimensional Strategy (ECLAC & ILO)

- Informality as a transversal condition.
- Requires contextual, sector-specific solutions.
- Policy mix:
  - Formalization + productivity
  - Care systems + public investment
  - Territorial policies + institutional capacity



## • Final Reflections

- The debate on informality is political: it reflects competing visions of society, the state, and labor rights.
- "Informality" is not neutral—it carries theoretical assumptions and policy consequences.
- It is a polysemic concept: its meaning depends on the framework that defines it.
- Academic and policy use demands clear definitions and explicit normative positions.
- Understanding informality requires structural analysis, not just technical fixes.
- The debate remains open—this presentation aims to deepen that conversation.

