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# The informal sector *and poverty* in Latin America

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Informal economic activities are an important source of jobs in the region. The question as to how this phenomenon should be interpreted and the nature of its implications are, however, a subject of controversy. Some analysts regard the existence of the informal economy as a consequence of insufficient economic growth; they contend that it represents a survival strategy and, as such, an involuntary refuge for the poor. Others argue that it is the result of changes in the labour market brought about by government regulation and see it as offering attractive job alternatives that may yield a higher income than many wage-earning positions. The aim of this article is to set forth information that will help determine whether poverty really is associated entirely with the informal sector or whether the wage-labour sector also contributes to poverty in the region and, if so, to what extent. An effort is also made to ascertain what proportion of informal workers are in fact poor. For purposes of this analysis, members of the informal sector are defined here as own-account workers and unpaid family workers, workers in microenterprises (defined as production units that employ no more than five people), and people who perform domestic work. One of the main conclusions presented in the article is that while most poor people belong to the informal sector of the economy, this does not mean that all informal workers are poor.

# I

## Introduction

Analysis of the employment situation is a key element in describing the broader social situation. The relationships between labour supply and demand and between the level of productive employment versus spurious employment influence the social situation either directly, by affecting living standards, or indirectly, by triggering other social problems. Open unemployment and underemployment can therefore be identified as determinants of poverty, of its physical manifestations (urban marginality) and of greater social inequality. These problems also affect other spheres of social development because they influence the range of possible forms of participation and have a decisive impact on the country's political stability and, ultimately, the workings of the democratic system.

The relationship between employment, poverty and social integration is not the same throughout the region. The severity and urgency of these problems in the different countries vary depending on the extent of poverty, the relative proportion of the population excluded from the labour force, the coverage of social services, educational levels, organizational capabilities, and the availability of State or private aid (in the form of resources and technical assistance) to help the jobless take the initiative in seeking out occupational opportunities.

The informal sector—defined as that segment of the labour force that performs low-productivity jobs lacking in stability—accounts for a sizeable percentage of total employment. This fact, together with the persistence of the phenomenon (which has long been a part of the economies of the region), is sufficient reason to try to find out the ways in which this sector is linked to poverty. Assuming that the features attributed to it are in fact accurate, the informal sector could serve as a suitable indicator of underemployment; as yet, however, there is not enough empirical evidence to support this assumption. Indeed, some experts question this view of the informal sector, arguing that, in some economies, the informal sector

generates the majority of the gross domestic product (GDP).

The only explanation for the existence of such diametrically opposed views is that perhaps the same word is being used to refer to different phenomena. It is a fact that a number of very different activities are grouped together under the label “informal”. They range all the way from survival strategies to small production units and certain forms of commerce and services, which in some cases generate higher incomes than many wage-earners receive. We therefore need a working definition that will draw more accurate boundaries between what is and what is not “informal” and that will identify who belongs to that sector and the types of activities they perform within it. Here we have adopted the convention, used in a number of other studies, of confining the informal sector to three types of activities: own-account work and that performed by unpaid family members; microenterprises, defined as production units in which no more than five people work; and domestic service.

In order to place the informal sector within the context of the economic development of the region, we need to identify the degree and form of development as well as the economic dynamics of the countries concerned. Our thesis is that these factors influence both employment trends and the number and living conditions of people excluded from formal employment. The value of this approach, which is by no means new, is that it provides an empirical measurement of these categories of development in the region that permits us to: i) show the differences that exist in terms of the size of excluded groups according to the level of development; ii) identify the forms of development that lead to the greatest degree of exclusion; iii) ascertain in what economic contexts—in terms of the level and form of development—exclusion or incorporation at low wage levels are the main causes of poverty; and iv) substantiate or refute the assumption that membership of the informal sector is synonymous with poverty.

## II

### Differing approaches to the subject of informal labour

The various interpretations of the phenomenon of informal labour are not only based on different theoretical views; some of them also use a frame of reference formed by economic and social conditions foreign to the region, or use this same term to refer to different types of phenomena (such as the "black" (extralegal) economy). A brief outline will therefore be given here of the various approaches taken to the analysis of this subject; it may be noted in this respect that this article can properly be identified with the structuralist school of thought.

#### 1. The structuralist approach

Numerous Latin American researchers, including Raúl Prebisch, Aníbal Pinto and those who have taken part in the wide-ranging efforts of the Regional Employment Programme for Latin America and the Caribbean (PREALC), have helped to enrich this school of thought. The baseline analyses set forth in many of the studies that use this approach look to employment patterns for an explanation for the emergence and growth of the informal sector. The thesis here, very briefly, is that the production process in the region incorporates imported technology whose design conforms to the constellation of resources available in its countries of origin. Accordingly, the technology being used in Latin America reflects the relative scarcities of factors of production prevailing in developed countries and the changes being made in the products consumed in those countries, with the demand for such products spreading to the region via imitative consumption patterns.

The absorption of this technology in the region takes place in a different structural context having two particularly important features: a highly unequal pattern of income distribution and a swiftly growing labour force. As a result, not enough jobs are created to absorb this rapidly expanding workforce and the price structure is inelastic in relation to changes in the economic process brought about by the absorption of new technology. This state of affairs is due to

the fact that the prevailing market structures do not permit the increased income generated by productivity growth to be passed on to consumers.

#### 2. The neoliberal approach

In simplified terms, this approach can be summed up as the school of thought that attributes the emergence of the informal sector to government intervention in the economy in general and, in particular, to government regulation of the labour market, which is accused of giving rise to rigidities in hiring and wage levels that alter the free interplay of supply and demand, discourage business expansion and hiring and, in many cases, lead to the establishment of businesses that evade legal controls and requirements.

The definition of the informal economy used by this school is quite confusing, in that it mixes together a wide range of very different types of activities, such as itinerant vendors, cottage industries in the fields of manufacturing and services, small subcontracting service companies, truckers, illegal commerce of all sorts (including smuggling and drug traffic), etc. Adherents of this approach in all countries have called for measures to make the labour market more flexible and, in particular, for an end to government intervention in economic activities.

#### 3. The approach based on new forms of labour organization

This school of thought originated in the developed countries and contends that a new division of labour has arisen in response to a worldwide crisis whose chief consequences have been declining productivity and unstable demand. Against the background of the restructuring of the world's economic system, businesses have sought to reduce their overheads—particularly wages—by finding new forms of labour organization and personnel management (Piore and Sabel, 1984). New technologies have made it possible to replace mass production with diversified

production, thanks to multi-purpose machinery that facilitates the decentralization of production processes. These changes have gone hand in hand with the formation of networks of small businesses that maintain highly fluid subcontracting arrangements with other firms. In such cases, the subcontractors are informal economic agents who serve as highly productive distributors or input processors.

Labour subcontracting also occurs in Latin America, but under very different conditions, and it

would therefore be a mistake to suppose that the two processes are similar or have the same causes. Although in both cases informal employment arises out of a lack of economic growth attributable to periodic crises in the international economic system, because of the more protracted effects of the phenomenon in the periphery and the different levels of development involved, own-account workers and unpaid family labour have a very different connotation from that existing in developed countries.

### III

## Economic development as a determinant of informal economic activity

This article propounds the thesis that a country's level of development, economic modality and economic dynamics have a strong impact on the employment situation and, consequently, influence the size of the informal sector and the living standards of its members. We will therefore start with a brief general description of the role these factors play in defining the issue.

Some degree of correspondence exists between a country's stage of economic development, on the one hand, and its employment levels and the stage of development attained by its social forces, on the other. This statement, which will be substantiated later on, is an essential element in any characterization of the status of members of the informal sector. By this we mean that the more developed a country is, the smaller the informal labour force as a percentage of the total workforce will be and the greater the percentage of the population that has been integrated into society via education or access to basic services.

These phenomena can be attributed to the urbanization and industrialization processes, which took place in the region in the 1950s and 1960s. The industrialization process, which served as the foundation for the economic growth of a large number of countries in that period, had a variety of economic and social consequences.

At the economic level, the prevailing modality during that period—industrialization—functioned by generating a wide-ranging network of linkages with other sectors of economic activity, thereby boosting

the creation of productive jobs. The effects of these linkages were dampened to some extent, however, by the presence of a large labour supply due to the countries' high population growth rates during that time, and the consequences of this were high employment growth rates coupled with persistent underemployment.

At the social level, this modality played an important role in strengthening the labour union movement and grassroots political parties, which made a major contribution to the enactment of labour laws and the definition of social policy. Another factor—this time associated with the urbanization process—that helped move events in the same direction was the pressure brought to bear on decision-makers by local organizations made up of the inhabitants of squatters' settlements, among whom own-account and unpaid family workers constituted the dominant group.

An economic modality is the form of expression assumed by the development process within a given time period: in other words, it bears a relation to the way in which an economy works as it defines the scope of the structure that generates its growth and, hence, the types of investments that will be made. All this, in turn, influences employment patterns, since the shorter an investment's lead time and the greater its multiplier effect, the swifter and more positive its impact on employment will be. In line with this fact, the economic modality also defines different degrees of integration through employment. The level of

wage-earning employment that it generates is one of various attributes that must be taken into consideration in assessing the situation of persons excluded from such employment and in determining what part they play in the poverty existing in a given country. The other relevant features have to do with the levels of development reached by the production structure and social forces, since these determine the employment configuration and the degree of heterogeneity characterizing production units. The more pronounced this last trait is, the greater will be the differences observed in the wage levels of paid employment, the coverage of social services, the progressiveness of labour laws and the degree of social organization, including the modernization of the State apparatus and the development of political parties and trade union organizations, which together determine the nature of opportunities for participation and institutional channels for the expression of social demands.

Hence, a modality that generates less wage-earning employment will not necessarily be a more influential factor in terms of the extent of poverty, since this will be determined by the level of development at which the modality in question is operating. A given economic modality is a dynamic element which has only a temporary effect on the overall structure by accentuating or modifying its features (depending, in this last case, on how long and how intensively it acts upon that structure). Thus, in the final analysis, both the level of development and the

economic modality are factors that need to be considered in assessing the status of the informal sector.

Growth rates may have different significations in terms of employment and social issues. Movements in such rates are the result of a simultaneous combination of different situations. On the one hand, there is the influence exerted by the economic modality itself, which defines the area of growth according to the type of economic activity on which it is based. The broader this area, the broader the range of dynamic activities will be and the greater their social impact in terms of job creation.

Other decisive elements in determining the behaviour of growth rates have to do with the source of growth: in the case of external demand, these elements are the countries' degree of competitiveness and the phase of the cycle in which the international economy is situated at the time, while in the case of domestic demand, the relevant factors are the size of the market and income distribution (the more even that distribution is, the greater effective demand will be). If the market is large enough, however, it is also possible that a highly unequal distribution of income may be coupled with high economic growth rates. This is because, under such conditions, even though effective demand is generated by a minority of the population, it may still be great enough, in absolute terms, to bolster economic growth. The growth that takes place in these two types of situations will have different social implications, since the sharper income inequalities are, the greater the social pressure and the more severe the problems of governance will be.

## IV

### Country classification

In order to try to clarify the situation with regard to the informal sector, it was necessary to identify the development scenarios in which that sector operated, and a typology of development styles was therefore used for this purpose (ECLAC, 1990).

This typology is based on two main elements: the development of the production structure and the openness of the economy. As a function of these attributes, two indexes were devised. The first and most important of the two ranks the countries according to the level of development reached by their production structure. The financial and agricultural

sectors have a strong, but opposing, influence on this ranking. Thus, the financial sector is associated with highly developed production structures, while the importance of the agricultural sector increases as the level of development of the economic structures decreases.

The second index ranks the countries according to their market linkages and draws a distinction between those exhibiting a greater export bias and those having a greater propensity to rely on the domestic market. This makes it possible to identify the sources of the greatest economic growth.

The countries are then classified according to the combined results of both indexes. In using this procedure, another important element is the index averages, which serve not only to determine the mean value of the attribute being measured, but also to identify the countries whose level of development is close to the regional average.

The ranking of the countries according to the development of their production structures is the more important of the two because it serves as a basis

for identifying their development modalities. The categories defined as a function of this attribute were the following: i) countries exhibiting a level of development above the regional mean; ii) countries situated at a level close to the mean; and iii) countries falling below the mean. If we then look at their market linkages, these groups can be further divided into two subgroups each, giving a total of six country groupings (see table 1).

TABLE 1

**Latin America: Typology based on level of development of national production structures and economic linkages**

Level of development of production structure	Market linkage	Countries
I. Level of development above regional mean; influence of financial activities	Growth driven by external market Growth driven by domestic market	Panama, Venezuela, Chile Argentina, Brazil, Mexico, Uruguay
II. Level of development close to regional mean	Growth driven by external market Growth driven by domestic market	Costa Rica, Ecuador, Dominican Republic, Bolivia, Colombia, Peru
III. Level of development below regional mean; influence of agricultural activities	Growth driven by external market Growth driven by domestic market	Honduras, El Salvador, Guatemala, Paraguay

By looking at the groups at the two extremes, which reflect two very different situations (a high level of development associated with the financial sector and a low level of development associated with the agricultural sector), we can determine which countries are using financial and agricultural modalities. In order to distinguish different development modalities, we must understand their different rationales as regards the way the economy functions, as well as those rationales' social implications. This makes it possible to identify different scenarios in the light of the extent to which investment criteria, the creation of productive jobs, the spread of modernity,

the skill levels of human resources, the definition and scope of social policies and the size and living conditions of the informal sector are a consequence of both structural economic and cyclical socio-political factors. On the basis of these elements, hypotheses have been formulated regarding the development styles found in agricultural societies and in those where the financial system is the main determinant of economic activity. As a first step, we will outline prototypes of the financial and agricultural modalities, which, although they may not exactly reflect the particular situation in each country, do constitute a valid basis for analysing actual conditions.



# V

## The financial modality of development

According to the above classification, the most highly developed countries in which the financial sector was found to be the most influential were Argentina, Brazil, Chile, Mexico, Panama, Uruguay and Venezuela. The overview of this modality given below will therefore refer to those countries.

### 1. The social context

Urbanization and industrialization began much earlier in the countries of the Southern Cone than in the rest of Latin America. This paved the way for the emergence of organized social movements which voiced their demands and brought pressure to bear in that regard on the State as well as on the business community. The demands presented by these groups were met to different extents depending on the social forces' level of development and the nature of the State. The important point here, however, is that, starting very early on, a social policy took shape in those countries which was highly favourable to urban areas, where most of the population lived. As a result, the presence of informal labour appears to be a phenomenon relatively dissociated from educational levels, health conditions and other characteristics that define the level of social development.

In Brazil and Mexico, the industrialization process also began quite early on, and the modernization process has penetrated deep into strategic areas, such as the production of capital goods. In these countries, however, urbanization has accompanied economic development only in the more rapidly developing geographic areas. This has led to great regional disparities: areas where a high level of economic and social activity has spread to significant segments of the population stand out in sharp contrast to the situation in economically and socially disadvantaged areas, whose social backwardness is manifested in low living standards and shortages of basic services. In short, the social make-up and demographic features of the informal sector in these countries are quite heterogeneous.

In Venezuela, the advent of industrialization and urbanization came somewhat later. Once it had begun, however, the latter process was so intense that, in a

much shorter period than in the Southern Cone, Venezuela became one of the most heavily urbanized countries in the region. This process was associated with a rapid expansion of the manufacturing sector, where the growth rate of wage-earning employment (5.1%) outstripped that of the economically active population (4.6%) in the period 1950-1980. Moreover, because the State controlled the economy's main resource (petroleum), it was able to implement social policies that benefited vast sectors of the urban population.

Panama's economy is based on commerce and services, with the latter including the financial sector. Exports are a key factor in the workings of its economy, which is highly sensitive to international market fluctuations. Because of the particular nature of its economic base, there is a striking contrast between the country's metropolitan area, which contains virtually the entire modern sector of the economy, and the rest of the country, which is much more backward and is associated with traditional agriculture. As in the other cases mentioned, this duality is manifested in differences in social service coverage in the metropolitan area versus the rest of the country, although the decline seen in infant mortality rates during recent decades indicates that the coverage of health care services is more comprehensive than in the past.

### 2. Characteristics of the financial modality of development

This modality reflects a diversified economic structure in which financial capital has taken on a dominant role, influencing the orientation of production and fostering concentration of resources. Its chief characteristics include the formation of conglomerates which engage in a variety of economic activities and have a bank or finance company as their centerpiece. This gives them easier access to credit on better terms than other production units, and is thus conducive to concentration of resources; in fact, in many cases such situations generate monopolistic market conditions. Investment decisions are taken on the basis of a financial rationale and thus give preference to activities regarded as profitable from a

financial standpoint (i.e., activities that ensure rapid capital turnover and higher levels of liquidity). Under certain circumstances, this leads economic agents to engage in speculative activities.

### 3. The origins of the informal sector

Under such circumstances, the size of the informal sector is accounted for by the following factors: i) the inability of the modern sector to absorb the entire labour supply, which becomes even more marked during times of crisis, when not only is this absorption capacity weakened but previously employed workers also lose their jobs in this sector as well; ii) the high degree of job instability found in some of the activities promoted by this development modality; and iii) the existence of areas of economic activity that have not been encompassed by the modernization process and offer conditions conducive to the pursuit of own-account activities which may even be more advantageous than those existing for many wage-earning jobs.

#### a) *The absorption of manpower in the modern sector*

The extent of economic growth generated by the domestic market will depend on the size of that market and the distribution of income; the more evenly distributed income is, the greater effective demand and the more rapid job creation will be. Generally speaking, however, the countries of the region exhibit highly uneven patterns of income distribution, and this inequality affects capital formation in that it promotes the formation of non-reproductive capital (i.e., capital directed towards increasing the diversification and complexity of consumption patterns) at the expense of reproductive capital formation. Prebisch said that the difference between the two forms of capital formation was that the formation of reproductive capital permitted the attainment of productivity growth in tandem with increased employment. To this end, the increases in productivity made possible by technical progress should be directed away from the imitative consumption of luxury goods and reinvested in production activities that will continue to bring about a rapid increase in labour productivity: the more rapid this increase, the more rapid the formation process ought to be, thus providing an ongoing stimulus for job creation (Di Filippo, 1988). If we now take a closer look at the concept of capital

formation, we may well conclude that the creation of technology is, by definition, the same thing as the formation of reproductive capital. Technological development is a process fuelled by the flow of knowledge (inputs), and through it the final goods –i.e., technological innovations– can be progressively refined, thereby generating a self-sustaining dynamic of job creation.

The conditions generated by the financial modality of development are not conducive to this type of capital formation; on the contrary, the greater concentration of income polarizes demand and accentuates its imitative character. The combined effects of the financial rationale plus consumerism are manifested in the channeling of domestic investments in such a way as to create a supply structure that revolves around sophisticated products or items dictated by fashions brought in from developed societies. In this type of situation, imports take on special importance, to the detriment of locally-produced items, but even the latter are oriented towards high-income sectors.

The role of financial intermediation is not confined to the sphere of production, but plays a part in consumption as well, since banks and finance companies stimulate consumption through the credit they provide; thus, they participate in both phases of the economic process (production and consumption), thereby further increasing their earnings. Large-scale capital investment projects extend beyond the time horizon of the financial rationale, in which the quickest possible capital turnover and the highest degree of liquidity are the parameters that guide investment. Thus, resources are siphoned off for the consumption of sophisticated products rather than being used to lay the most suitable economic foundations for a sustained increase in employment.

#### b) *Job instability*

Job instability is caused by the irregular trends characterizing certain activities, such as agriculture and construction, and by the short lives of many medium-sized and small businesses that are sensitive to the financial changes (interest rates, credit) associated with this modality. Job instability is not the only cause of informal economic activity, however. The cuts made to varying degrees in government payrolls by the countries of the region have also helped to swell the ranks of own-account workers as public-sector employment ceases to perform its erstwhile

role as a buffer for unemployment. Another phenomenon that has led to further lay-offs is the conversion of production units that once served the domestic market to an external-market orientation; this is because the prime concern in this process has been to make the production activity in question more efficient and more competitive, and to this end new technology has been brought in and manning tables have been reorganized in ways that have led to reductions in staff.

Employment in the agricultural sector exhibits sharp fluctuations owing to the seasonal nature of crops and ups and downs in external demand. Apart from these cyclical factors, increases in agricultural employment are associated with expansion of the area under cultivation, and since the agricultural frontier has been pushed out as far as it can go in most of the countries, further increases in the amount of farmland have been achieved by changing the property structure, which in many cases has led to the impoverishment of the peasant community.

The modernization of the agricultural sector in some countries has led to changes in the types of crops being grown, along with a transition from labour-intensive practices to highly mechanized modes of production, all of which has boosted rural unemployment and spurred migration. In other countries, however, agribusinesses have been founded that have created new jobs whose wage levels have helped to raise the living standards of some segments of the population in rural areas.

It is difficult to determine what the end result of these processes will be. We cannot state categorically that the living conditions of rural sectors have improved or deteriorated. We can say, however, that these activities, which account for the majority of the surplus, have not displayed increases in employment in proportion to the increases in productivity that they produce.

c) *Areas conducive to the pursuit of own-account activities*

Progress in the modernization of the economy generates a dynamic that extends only to certain areas of activity, leaving open other areas in which smaller production units and even own-account workers can earn a living. Thus, job opportunities are created by the expansion of consumption on the part of middle- and high-income sectors; for example, the increased use of motor vehicles and home appliances generates a need for repair shops and other services. Another significant consideration is that the demand

originating in lower-income sectors is expressed in different markets from those patronized by higher-income groups, thereby supporting an array of lesser production activities of various sorts.

Although it may seem surprising, there is empirical evidence that small businesses and microenterprises may, in the short term, play a countercyclical role during economic slumps. PREALC (1987, pp. 4, 10 and 11, tables 2 and 6) notes, for example, that between 1980 and 1983 employment in large-scale businesses fell sharply in Venezuela, Brazil and Mexico, but rose in small businesses. A plausible explanation for this might be that, as demand fell, the reaction of large companies was to cut their payrolls by a greater amount than the decrease in demand, thereby maintaining or even boosting their productivity, whereas this was not the case in small production units. A variety of factors may have contributed to the continued growth of these smaller units, such as the transfer of some portion of the production or service activities of large firms to smaller units as a cost-cutting measure; changes in consumption patterns whereby some clients of large firms or users of luxury services change over to smaller units as a way of adapting their budgets to these new conditions; the revitalization of demand for the services of home appliance repair shops, since during hard economic times people tend to refrain from buying new appliances; and, finally, in the case of microenterprises, the fact that, as in the case of peasant farmers, a portion of such businesses' overheads corresponds to family workers.

The number of microenterprises (defined here as units of production in which no more than 10 people work) is strikingly high in these countries, especially Mexico (1975), Argentina (1984) and Panama (1974), where they account for an estimated 54%, 44% and 43%, respectively, of total employment in manufacturing (ECLAC, 1988, p. 8, table 3). This type of employment, however, accounts for only around 26% of the total in Uruguay (1978) and 38% in Brazil (1980).

These production units play a significant role in terms of job creation, and their output of goods and services fills the needs of a substantial portion of the population, yet their production activities cover only a minor part of effective demand, absorb very little investment and generate no exports at all. This strengthens the hypothesis that the great majority of informal workers are marginalized and are in that sector as a result of the way in which the economy works.

## VI

### The agricultural modality

In line with the classification described earlier, the countries exhibiting the lowest levels of development and the most dominant agricultural sectors were El Salvador, Guatemala, Honduras and Paraguay. The overview of this modality given below will therefore refer to these countries.

#### 1. The social context

In this modality, employment opportunities, job quality and labour skills are all far below the levels found in countries where the financial modality is in effect. The reason for this lies in the course followed by their modernization processes, which have encompassed certain areas of the economy while cutting off large sectors and excluding them from that process. The consequences of this have been an underdeveloped production structure having weak intersectoral linkages, with, as a corollary, a large portion of the workforce in low-productivity temporary jobs or own-account activities. This economic modality has had a strong influence on these countries' social development, limiting both the population's opportunities for participation and the scope of social policies.

These features are a consequence of the way in which the development style was structured, i.e., of the makeup of the groups which were in control of society and determined how available resources would be used at that point in history when these countries were becoming independent nations.

These countries' economies were organized on the basis of one or two agricultural export products, supplemented, in some cases, by the export of some mineral resource. The early arrival of foreign capital, which heavily influenced the political power structure, ultimately consolidated the economy's orientation towards a single export product and was the reason why single-crop production was the foundation of economic activity for so long. This reduced these countries' chances of putting their production potential to work in a more diversified economic process that would be capable of creating more jobs and generating a more balanced form of economic growth.

The economic manifestation of this process was the emergence of highly self-sufficient enclave economies which were able to function without having any strong linkages with the rest of the economy; the result was a production structure which expanded through the addition of new activities unrelated to existing ones, rather than through the formation of a true economic system.

Because agriculture has been the main foundation for these economies, the analysis of land tenure and of the economic rent derived from that resource is very important for explaining these countries' economic behaviour, the development of their social forces, the character of the State and the nature of social policy.

#### 2. The land tenure system as a determinant of social and political configuration

In agricultural societies, the entire structure of society is affected by the rules governing land tenure and the prospects for the continuation or modification of those rules. Land ownership is the mainstay of power, since land serves both as a source of production and as a basis for accumulation and political power.

Under the prevailing ownership structure (a legacy from the way in which land was appropriated during the colonial period), agricultural producers were divided into two categories: a minority of large and medium-scale landowners controlling most of the best farmland, and a great majority of small landowners, who had the least fertile, smallest plots. The former worked almost entirely with export crops, whereas basic grains, chiefly for on-farm consumption, were the principal activity of the latter. The lowly position occupied by small landowners was a result of the poor yields obtainable from their farmland, their lack of resources, the scattered distribution of their settlements and the absence of infrastructure, all of which formed an ongoing barrier to the marketing of their products on the domestic market. The poverty engendered by this situation obliged the heads of household to sell their labour to the large

plantations in order to survive, thus generating a supply of manpower that fitted in with the seasonally labour-intensive nature of certain export crops.

The inequality associated with this system of land tenure has played a pivotal role in the configuration of spheres of political participation. The dominant sectors (large and medium-scale landowners) have formed interest groups capable of exerting pressure on the State and have thus succeeded in wielding enough influence to preserve the existing ownership structure and ensure the continuation of this modality of development. Meanwhile, the bulk of the population, scattered throughout rural areas and with little education, have remained extremely disorganized and, except for the position won by some peasant organizations in certain circumstances, continue to be passive observers of the political system's development rather than acting as organized participants within that system.

### 3. The economic rent from land and social relationships in the modernization process

Land-derived rents are a key variable in accounting for the relationships established among the social actors in the course of the changes that occur as an economy evolves.

In a simplified, summary concept, the economic rent obtained from land can be understood as the appropriation by a landowner of income in excess of what would be regarded as a normal level of earnings. These excess gains have the following characteristics: i) they are derived from a natural agent of production in whose creation no labour whatsoever is involved; ii) this natural resource can be monopolized and is not accessible to all and sundry; and iii) a portion of its perceived value is due to infrastructure which has been constructed by the society or community in general rather than by the owner.

These features put land-derived rents in a different category from capital gains and place the social groups formed on the basis of those rents—whether they be peasants, medium-scale farmers or large landowners—in a different social class having habits and interests that differ from those of capitalists. Herein lies the origin of the specific character taken on by the development of capitalism within the agricultural sector.

Before the arrival of foreign capital, the determinants of these rents were the amount and fertility of

the land, which, given the inequality of the land tenure system, placed large landowners in a privileged position in terms of their opportunities for accumulation. At this stage, the predominant form of activity was that of a mercantile economy in which landowners and merchants had a common interest in preserving existing social production relations and maintaining their monopoly of the available land. These interests on the part of the dominant groups in society went hand in glove with political control, with almost all such power being in the hands of these same groups. The resulting conditions and the absence of social policies placed the entire cost of reproducing the labour force squarely on the shoulders of the peasant economy.

With the arrival of foreign capital, however, the situation changed. The capital and technology provided by the enclaves led to the emergence of a production-based form of capitalism; under these new conditions, the productivity growth spurred by the availability of capital, technology and credit added its effects to those of the factors mentioned earlier. Foreign capital was the first to benefit from this situation; later on, some existing agricultural producers became capitalists and competed for this new type of rent. This development ushered in a new dimension in the social stratification of the agricultural sector by making a distinction, based on the use made of those resources, between traditional and modern producers. The introduction of productive capital was a very important event in the development of these countries' production and social forces. The expansion of wage-based employment brought about changes in the social relations of production and led to the establishment of union organizations and labour laws, while at the same time production began to become more diversified, with the appearance of some manufacturing activities and an increase in the urban population.

This process was reinforced by the demand for raw materials and agricultural products generated by the expansion of the international economy during the post-war period, which led to the spread of capitalism within the agricultural sector. Agricultural production became more diversified with the introduction of new export crops; complementary industries then developed alongside these activities; marketing mechanisms were improved; and a financial sector to support these initiatives became firmly established.

#### 4. The role of the State

The modernization process also extended to the State, which thenceforth assumed a leading role in the course of social events as well as taking on new functions within society, including the definition and implementation of social policy; direct involvement in the creation of new agricultural activities which were later transferred to the private sector (thus acting as a mechanism of accumulation that contributed to the formation of a new agricultural bourgeoisie); the execution of infrastructure projects that permitted these countries to attain a degree of territorial integration which, even if incomplete, none the less helped to consolidate the constitution of the nation; and, finally, job creation, both directly, through the expansion of the institutional apparatus—manifested in the creation of new ministries and planning bureaus—and indirectly, through social spending, especially on education (thereby creating a greater demand for educators) and infrastructure works. All these processes, with the exception of the last-named, fostered the incorporation of middle-class strata.

Within this context, new social groups (the military, the new bourgeoisie, the middle class) emerged, making the power structure more complex. The old power groups lost their direct control over the State but formed alliances with the new social actors that enabled them to establish powerful pressure groups and thus continue to wield political influence on behalf of their interests.

As a result of this situation, the State's actions followed the course plotted by the dominant interest groups, with attention being focused on the export circuit and its complementary activities. On the sidelines of this process, and lagging far behind, were the owners of small farms or holdings, who lacked the technical assistance and resources they needed to improve their status; indeed, some land-intensive activities, such as stock raising, contributed to a further concentration of land tenure, thereby exacerbating the situation of the peasant population.

#### 5. The dynamics of change and the informal economy

As has been noted many times before, the paradox in these societies is that although economic growth depends on the agricultural sector, this type of rural development clearly constitutes an obstacle to the

attainment of a new stage of development encompassing the bulk of the population.

The exclusive nature of this development modality is the determinant of informal labour activity, and especially the concentration of such activity in rural areas. The living conditions of this segment of the population are so deplorable that it can rightly be identified as the sector in which poverty is concentrated.

The industrialization and urbanization processes have been subordinated to the dynamics of change in the modern agricultural sector and this sector, in turn, has been strongly conditioned by the behaviour of international demand.

During good economic times, the capitalist segment of the agricultural sector has fuelled the progress of industrialization, thereby also furthering urbanization. Informal economic activity in urban areas has been generated by the supply of manpower (the level of which is determined by natural population growth plus migration) and the demand created by the expansion of the manufacturing and services sectors.

Trends in informal activities within the agricultural sector have been governed by the relationships existing between the rate of increase in job opportunities opened up by new agricultural activities, the population growth rate and the rate of migration. Informal labour diminishes when the growth rate of the rural EAP minus the rate of emigration to urban areas is less than the rate of absorption in new jobs, and increases when it is greater than the latter rate.

These processes alter the conditions in which small farms and holdings operate. The modernization of agriculture causes at least the partial breakdown of the working relationships that have linked the latifundia with small landholdings. The prospect of finding gainful employment prompts a considerable portion of the working-age population to abandon the old rural settlements and move into new agricultural activities or emigrate to urban areas. The loss of manpower that occurs in such cases leads to the impoverishment of small landholdings.

During times of crisis, when economic activity contracts, traditional forms of production are maintained and this, in conjunction with population growth and the absence of emigration, leads to an increase in informal economic activity in rural areas and, once again, to the impoverishment of small landholdings.

## VII

### By way of conclusion: the figures tell the story

In this final section, figures will be presented to back up the argument put forward in this essay. The pivotal role is played by development modalities: all the statistical information has been aggregated on the basis of these modalities in an effort to determine to what extent the characteristics of informal economic activity tally with the different development modalities. The procedure used was as follows: first the correspondence between those modalities and the level of informal activity was analysed, after which social services, poverty, and informal activity as a component of poverty were considered.

The ECLAC Statistics and Projections Division and PREALC were the main data sources used. It should be noted that the regrouping of categories in order to characterize the urban informal sector was performed by the author for the particular purposes of this article, and the above sources bear no responsibility for the use made of that information here.

#### 1. The level of informal economic activity

We will first examine the correspondence between levels of economic development and levels of informal economic activity in urban areas and nationwide, using different sources of information in each case. First, using census data, we will look at the percentage of own-account workers (OAW) and unpaid family workers (UFW) in the national labour force. Second, using household survey data, we will estimate the size of the informal sector in urban areas. Although the two exercises are not comparable in a strict sense, since different sources of information are used, they nonetheless make a valuable contribution to our understanding of the role of the informal sector in the economic development process.

##### (a) *Own-account workers*

Originally, the intention was to demonstrate the extent of informal economic activity at the national level, but lack of information made this

impossible. Instead, own-account workers and unpaid family workers had to be used as proxies for this purpose. The picture provided by these figures, although incomplete, is still a valuable one, since it illustrates the magnitude of the largest component of the informal sector in the various countries (see table 2).

TABLE 2

**Latin America: Proportion of labour force represented by own-account workers and unpaid family workers and by agricultural EAP, 1980**  
(Percentages)

	Proportion of labour force	
	OAWs and UFWs	Agricultural EAP
Countries with largest proportion of informal workers in EAP		
Paraguay	57	49
Ecuador	53	39
Peru	52	40
Guatemala	47	57
Honduras	47	57
Countries with a considerable proportion of informal workers in EAP		
Brazil	38	30
Mexico	37	31
Panama	37	32
Colombia	35	30
Countries with a smaller proportion of informal workers in EAP		
Venezuela	27	16
Chile	23	16
Costa Rica	22	29
Uruguay	21	17
Argentina	18	13

Source: PREALC, 1982; ECLAC, *Statistical Yearbook for Latin America and the Caribbean*, Santiago, Chile (various issues).

The countries are grouped in this table according to the percentages of OAWs and UFWs and of the agricultural economically active population (EAP) in their workforces. On the basis of this information, it was observed that there was indeed a correspondence between the size of the informal sector and the level of economic development. A close correlation was also found to exist between the presence of OAWs in the labour force and the percentage of the workforce represented by the agricultural EAP. Thus, in the first group –formed by Paraguay, Ecuador, Peru, Guatemala and Honduras– OAWs and UFWs together represented between 47% and 57% of the labour force, while the agricultural EAP totalled between 39% and 57%. In the second group –composed of Brazil, Mexico, Panama and Colombia– OAWs made

up between 35% and 38% of the labour force and the agricultural EAP between 30% and 32%. Finally, in the group formed by Argentina, Costa Rica, Chile, Uruguay and Venezuela, OAWs and the agricultural EAP represented smaller proportions of the labour force (18%-27% and 13%-29%, respectively).

## 2. The level of informal economic activity in urban areas

The aim here is to illustrate the scale of informal economic activity in urban areas by looking at the sources of such activity (i.e., OAWs and UFWs, micro-enterprises and domestic employment) while grouping the countries according to their development modality (see table 3).

TABLE 3

**Latin America: Proportion of urban informal workers in urban labour force**  
(Percentages)

	Micro-enterprises	Domestic employment	Own-account and unpaid family workers	Total informal workers as a percentage of urban EAP
<b>Financial-modality countries</b>				
Argentina (Greater Buenos Aires)				
1980	13	4	22	39
1990	13	5	22	40
Brazil				
1979	17	8	19	43
1990	19	6	21	46
Mexico				
1990	11	4	21	36
Uruguay				
1981	8	7	17	32
1989	9	7	19	35
Panama				
1989	6	7	26	39
Venezuela				
1981	8	4	18	30
1990	7	4	22	33
Chile				
1980	...	8	27	35
1990	...	7	23	30
<b>Agricultural-modality countries</b>				
Paraguay				
1990	16	11	23	50
Guatemala				
1990	14	7	33	54

Source: ECLAC, Statistics and Projections Division, based on special tabulations of household survey data.



It should be noted that a strong bias exists in the information on the two modalities considered. Although information concerning the size of the informal sector is available for seven countries having a financial modality of development, such information exists for only two of the agricultural-modality countries. Since this compromises the validity of this and other aspects of the information presented here on the characteristics of the informal sector, due caution should be used in interpreting the figures shown in these tables.

Returning now to table 3, the following observations may be made:

i) Around 1980, the informal sector constituted a sizeable component of the urban labour force in the countries exhibiting a financial modality of development, ranging from 30% in Venezuela to 43% in Brazil. Furthermore, in four of the countries for which this information is available, the percentages rose during the 1980s.

ii) The largest component of the informal sector was made up of OAWs and UFWs, followed by microenterprises. The latter were particularly significant in Brazil, where the percentage of people working in microenterprises was similar to the proportion of OAWs and UFWs taken together (nearly one-fifth of the workforce). Proportions very close to this were also found in Paraguay and Guatemala, where microenterprises absorbed 16% and 14% of the labour force, respectively, in 1990; in contrast, in Panama, Uruguay and Venezuela, microenterprises employed only a small part of the labour force (between 6% and 8%).

iii) The largest proportions of informal workers in the urban labour force were observed in the countries that exhibit an agricultural development modality (in Paraguay and Guatemala, such workers represented 50% and 54% of the urban EAP, respectively).

In conclusion, the information for urban areas confirms what was indicated by the figures on OAWs at the national level, i.e., that although exclusion of a segment of the population is a characteristic of economic development processes in general, it is more pronounced in the less developed, agricultural countries. With regard to the composition of the informal sector, it was found that OAWs and UFWs were the largest component, followed by microenterprises; the latter were particularly important in countries exhibiting a financial development modality oriented towards the domestic market and in those having an agricultural modality of development. Finally,

although domestic employment was the smallest component in all cases, it was largest in agricultural-modality countries.

### 3. Social development in development modalities

The social environment of informal workers is an important aspect of this question. It may be assumed that the greater the coverage of social policies in these countries, the greater the probability that social services also extend to the informal sector. This is of the utmost importance, since it determines the living conditions and organizational capacity of informal workers. The status of such workers is linked to the broader phenomenon of social development, which in turn depends on the economic modality in effect.

Table 4 presents a social development profile for 1980 which shows the behaviour of selected social variables in two groups of countries: one made up of countries having a level of development greater than or close to the regional average, and the other made up of those exhibiting a below-average level of development. The figures given in this table clearly illustrate the differences existing between the two groups in terms of social services, and a detailed analysis of the information therefore need not be presented here. A brief review of the social characteristics of the two groups, based on an average of the relevant variables, may be helpful, however.

A comparison of the first group with the second reveals the following differences: in the first group, the per capita availability of doctors was more than twice as high, and the contrast becomes much greater when the countries at the two extremes—Argentina and Honduras—are compared (there were more than eight times as many doctors, in per capita terms, in Argentina as in Honduras). Likewise, life expectancy at birth was around 17% greater; the number of hospital beds was almost three times as high; the rate of infant mortality was nearly one half of what it was in the second group; the level of illiteracy was less than half; the consumption of newsprint was almost three times as high; the number of telephones was nearly five times greater; and private consumption was more than double what it was in the second group. If, in addition to these striking differences, we note that the standard deviation of the variables was much greater in the second group, the conclusion is that the coverage of social services is not only more limited in that group than it is in the first, but also varies markedly within the group.

TABLE 4

## Latin America: Social development profile, 1980

	Persons per doctor (No.)	Hospital beds per 1 000 persons (No.)	Life expectancy at birth (years)	Infant mortality (o/oo)	Illiteracy (%) <sup>a</sup>	Apparent consumption of newsprint (kg/year/ person)	Telephones (per 1 000 persons)	Per capita private consumption (1970 dollars)
Countries having a level of economic development above or near regional average								
Argentina	357	5.3	68.7	40.5	6.1	9.6	75.6	924.3
Brazil	830	4.2	61.8	78.8	25.5	1.8	60.4	561.9
Chile	1 143	3.4	67.2	46.6	8.9	5.9	49.4	614.0
Mexico	1 245	1.2	65.4	59.0	16.0	4.6	70.9	911.9
Panama	1 074	3.8	69.2	31.6	12.9	1.3	88.4	656.3
Uruguay	504	6.0	69.7	42.4	4.6	6.0	98.7	981.7
Venezuela	925	2.7	67.7	43.3	15.3	9.3	51.3	980.8
Mean, total	868	3.8	67.1	48.9	12.8	5.5	70.7	804.4
Standard deviation	331	1.6	2.7	15.5	7.1	3.3	18.5	185.1
Countries having a level of economic development below regional average								
Bolivia	1 952	1.8	48.6	138.2	18.9	1.3	24.1	298.0
Guatemala	1 773	1.8	56.4	82.4	44.2	2.5	11.2	478.5
Honduras	3 022	1.4	57.7	89.9	40.5	1.6	7.3	224.4
Paraguay	1 459	1.1	66.0	52.8	12.3	2.5	18.6	416.5
Mean, total	2 052	1.5	57.2	90.8	29.0	2.0	15.3	354.4
Standard deviation	678	0.3	7.1	35.4	15.8	0.6	7.5	114.5

Source: Information compiled on the basis of data from ECLAC, *Statistical Yearbook for Latin America and the Caribbean* (various issues).

<sup>a</sup> Of the population aged 15 years and over.

Having demonstrated the existence of an association between the coverage of social services and the level of economic development, this forms a reasonable basis for the conjecture that in the more developed countries the informal sectors also figure among the beneficiaries of social measures.

Therefore, and taking into account the above conclusions regarding the size of the informal sector and the social conditions deriving from the modality of development, we can state that a country's level and modality of development govern such quantitative and qualitative aspects of its informal sector as

the size of that sector and its members' living conditions, educational levels and organizational capacity.

#### 4. Relationships between the development modality and poverty

The levels of poverty and indigence found in these countries are associated with their modality of development. This statement is supported by the figures given in table 5, which indicate the levels of poverty and indigence in the countries, grouped by development modality.

TABLE 5

**Latin America: Distribution of poor and indigent households<sup>a</sup>  
in urban and rural areas, 1980-1990**  
(Percentages)

	Urban areas		Rural areas	
	Poverty	Indigence	Poverty	Indigence
<b>Financial-modality countries</b>				
Argentina				
(Greater Buenos Aires)				
1980	7	2	16	4
1990	25	7	...	...
Brazil				
1979	30	10	62	35
1990	39	16	56	31
Mexico				
1984	23	6	43	19
Uruguay				
1981	9	2	21	7
1989	10	2	23	8
Panama				
1979	31	14	45	27
1989	34	15	48	25
Venezuela				
1981	18	5	35	15
1990	33	11	38	17
Chile				
1990	34	11	36	15
<b>Agricultural-modality countries</b>				
Bolivia				
1989	50	22	...	...
Guatemala				
1980	41	13	79	44
1989	54	28	75	53
Paraguay				
1990	37	10	...	...

Source: ECLAC, Statistics and Projections Division, based on special tabulations of household survey data.

<sup>a</sup> The percentages shown for poverty include indigence.

The figures show that, around 1990, poor households in the agricultural-modality countries accounted for half of the urban population in Bolivia and nearly 40% in Guatemala and Paraguay, whereas the percentages drop sharply in some of the countries exhibiting a financial development modality oriented towards the domestic market, such as Uruguay (where 10% of urban households were poor in 1989), Mexico (23% in 1984) and Argentina (25% in 1990). The exception to this rule is Brazil, where the level of urban poverty was similar to that found in the agricultural countries. The situation changes when we consider the countries having an externally-oriented financial modality of development, such as

Panama, Venezuela and Chile, where about 33% of all urban households were poor.

It should be noted that, although information on the subject is scanty, the available data do indicate that poverty increased during the 1980s. The situation was most dramatic in Argentina, where poverty and indigence in urban areas increased nearly four-fold (poverty jumped from 7% to 25% and indigence from 2% to 7% between 1980 and 1990). The trend was much the same, although less steep, in Venezuela, where urban poverty rose from 18% to 33% and indigence from 5% to 11% between 1981 and 1990. Finally, in Guatemala these levels climbed from 41% and 13% in 1980 to 54% and 28% in 1990.

Thus, the information substantiates the view that the countries having a financial modality of development not only have broader coverage of social services, but also have lower levels of poverty and indigence. An interesting point, however, is that among these countries, those oriented towards the external market exhibit poverty levels quite similar to those of countries having an agricultural modality of development. Finally, it should be noted that the increase in poverty during the 1980s was particularly marked in the agricultural-modality countries, where the high levels of poverty and indigence may well exacerbate many existing social conflicts.

### 5. The informal sector as a component of poverty

As part of this effort to shed as much light as possible on the nature of the informal sector, it is important to determine not only how many poor people there are, but also what their occupational status is. The aim here is to refute or corroborate the belief that poverty stems entirely from the informal sector.

This can be done with the help of the figures given in table 6, which groups the countries according to their development modality and provides

information on the percentage distribution of poor people by occupational category. Based on that table, the following observations can be made:

i) Using data for 1990, it was established that, in both modalities, poverty was found not only in the informal sector but in the wage-labour sector as well.

ii) In the agricultural modality, the majority of the poor were members of the informal sector (around 70% in Guatemala and Paraguay).

iii) In the financial modality, the situation was much the same, although less pronounced, as illustrated by the cases of Brazil, Uruguay and Panama, where about 60% of the poor were members of the informal sector, while in Argentina and Venezuela, the figure was around 50%. Mexico was an exception, since only about one-third of all poor people belong to that sector.

iv) Within the informal sector, most poor people were OAWs or UFWs in the majority of the financial-modality countries; in Brazil and Mexico as well as all the agricultural-modality countries, however, microenterprises were equally or more important than own-account work and unpaid work by family members as a source of work for the poor.

TABLE 6

**Latin America: Distribution of total urban poverty, by occupational category, 1990<sup>a</sup>**  
(Percentages)

	Businesses employing over 5 persons	Informal sector			
		Micro- enterprises	Domestic employment	Own-account and unpaid family workers	Total informal sector
Financial-modality countries					
Argentina (Greater Buenos Aires)					
1990	46	14	8	29	51
Brazil					
1990	35	21	10	22	53
Mexico					
1990	66	17	4	9	30
Uruguay					
1989	28	14	18	17	49
Panama					
1989	18	6	8	15	29
Venezuela					
1990	32	10	6	21	37
Agricultural-modality countries					
Guatemala					
1989	19	18	7	22	47
Paraguay					
1990	26	24	10	23	57

Source: ECLAC, Statistics and Projections Division, based on special tabulations of household survey data.

<sup>a</sup> The sum of the categories does not equal 100 because they do not include employers, professionals and technicians, or public-sector employees.

## 6. Some final observations concerning the informal sector and poverty

Although the information reviewed here shows that most poor people were members of the informal sector, this does not mean that all members of the informal sector were poor. Another point about which there might be some confusion is that, although it was established that in some cases one-half or more of all poor people were wage-earners, this does not mean that 50% or more of all wage-earners were poor.

Table 7 shows the poverty rate by occupational category, with the countries grouped by development modality. The poverty rate represents the percentage of employed persons in each category who reside in

households having incomes below the poverty line. On the basis of this information (1990 data), the following conclusions can be drawn:

i) In the financial modality, the poverty rate was higher in the informal categories than in the wage-earning categories: thus, for the informal occupations the rate ranged from 10% among own-account workers in commerce and services in Mexico to 53% for domestic employment in Brazil, while the poverty rate among wage-earners ranged from 8% in commerce and services in Uruguay to 33% in manufacturing and construction in Mexico.

ii) In the agricultural modality, the poverty rate was much higher than in the other modality and was at quite similar levels for wage-earners and informal-sector workers.

TABLE 7

### Latin America: Incidence of urban poverty,<sup>a</sup> by occupational categories (Percentages)

	Total urban population	Total employed urban population	Employed population, excluding professionals and technicians						
			Establishments with more than 5 workers		Informal sector				
					Microenterprises		Domestic employment	Own-account workers	
			Industry and construction	Commerce and services	Industry and construction	Commerce and services		Industry and construction	Commerce and services
Financial-modality countries									
Argentina (Greater Buenos Aires)									
1990	25	19	23	18	30	18	35	31	22
Brazil									
1990	43	34	31	29	55	38	53	43	37
Mexico									
1990	34	23	33	26	42	35	26	12	10
Uruguay									
1989	20	12	12	8	27	16	31	10	11
Panama									
1989	41	28	23	21	31	33	31	43	43
Venezuela									
1990	39	22	24	20	38	32	30	25	22
Agricultural-modality countries									
Paraguay									
1990	42	32	44	32	57	44	29	41	31
Guatemala									
1989	53	42	45	32	62	52	42	47	34

Source: ECLAC, Statistics and Projections Division, based on special tabulations of household survey data.

<sup>a</sup>Refers to percentage of employed persons in each category residing in households with incomes below the poverty line.

A final point worth determining is what proportion of the economically active population is made up of poor informal-sector workers. The purpose of this line of inquiry is to ascertain how much truth there is in the speculation that all members of the informal sector are poor.

Table 8 shows the percentage of poor informal-sector workers in the urban EAP and the percentage of poor people in the total population of informal-sector workers, with the countries grouped according to their development modality. This information refutes the idea that all informal-sector workers are poor; it does, however, indicate that the situation varies somewhat depending on the economic modality concerned. For example, in the financial-modality countries (with the exception of Brazil), around one-fourth of all informal-sector workers were poor, whereas in the agricultural-modality countries nearly two-thirds of such workers were poor. This fact is even more telling when we consider the widespread poverty existing in these contexts.

Bearing in mind this last finding, the levels of remunerations for the wage-labour and informal sectors are shown in table 9 as a means of rounding out

the picture presented here of informal-sector workers in the various economic contexts considered. The countries are grouped by development modality, and the level of remuneration is given by occupational category. On the basis of this information (1990 data), the following observations may be made:

i) As was to be expected, remunerations for informal-sector workers in agricultural-modality countries were close to the poverty line and were far lower than in financial-modality countries.

(ii) The remunerations received by OAWs and UFWs were the highest among the informal-sector categories and in some cases were quite similar to pay levels in the wage-labour sector; indeed, in Mexico OAW remunerations were estimated to be higher than those of wage-earners. This information, which should be interpreted with some caution, may find some basis of support in the conjecture that the composition of OAWs is very heterogeneous and that, as a consequence of the greater coverage of social policies in these cases, members of the informal sector may have more skills and resources with which to undertake these types of activities successfully.

(Original: Spanish)

TABLE 8

**Poor informal workers as a percentage of the urban EAP, around 1990**

	Poor informal workers in urban EAP				Informal workers in EAP	Poor as a percentage of total informal workers
	Micro-enterprises	Domestic employment	Own-account workers	Total		
Financial-modality countries						
Argentina (Greater Buenos Aires)	3	2	5	10	40	25
Brazil	7	3	7	18	46	38
Mexico	4	1	2	7	36	20
Panama	2	2	7	11	39	28
Uruguay	2	2	2	6	35	17
Venezuela	2	1	5	8	33	24
Agricultural-modality countries						
Paraguay	8	3	8	18	50	37
Guatemala	7	3	9	19	54	35

Source: ECLAC, Statistics and Projections Division, based on special tabulations of household survey data.

TABLE 9

**Latin America: Levels of remunerations by occupational category in urban areas, around 1980 and 1990**  
(Expressed in terms of poverty lines)<sup>a</sup>

	Total population	Employers	Businesses employing over 5 persons	Informal		
				Micro- enterprises	Domestic employment	Own-account workers
Financial-modality countries						
Argentina (Greater Buenos Aires)						
1980	8.1	19.3	6.3	4.9	3.2	8.7
1990	5.7	18.8	4.8	3.8	2.1	4.7
Brazil						
1979	4.0	17.1	4.9	3.1	1.1	5.2
1990	3.9	11.7	4.0	2.8	0.9	3.3
Mexico						
1990	5.6	27.6	3.6	2.5	1.8	7.4
Uruguay						
1981	6.0	23.6	4.3	3.0	1.7	7.1
1989	5.1	20.2	3.9	2.6	1.5	5.5
Panama						
1979	5.6	12.5	5.2	-	1.3	2.9
1989	4.9	13.4	4.7	3.0	1.3	2.0
Venezuela						
1981	7.6	11.5	7.5	5.0	2.9	5.0
1990	4.5	12.0	4.1	2.5	1.4	4.3
Agricultural-modality countries						
Guatemala						
1989	3.5	18.1	2.8	1.7	1.4	3.0
Paraguay						
1990	3.4	10.2	2.8	1.8	0.8	3.6

Source: ECLAC, Statistics and Projections Division, based on special tabulations of household survey data.

<sup>a</sup> The value of the poverty line is equivalent to twice the cost of the basic shopping basket for the country in question.

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