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**THE INFORMAL SECTOR IN GREATER SAO PAULO:  
A DISCUSSION OF CONCEPTS AND CRITERIA,  
AND A DESCRIPTION OF ITS CHARACTERISTICS**

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<u>Contents</u>	Page
1. Introduction	1
2. The informal sector: theoretical perspectives and operational criteria	1
3. The informal sector in greater Sao Paulo: a study of the personal characteristics of those who are occupied in this sector	13
4. Final observations	19
Notes	21
References	21



# The informal sector in greater Sao Paulo: a discussion of concepts and criteria, and a description of its characteristics

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## 1. Introduction

The concept and role of the informal sector (IS) in the generation of employment and income, continue to be controversial yet relevant subjects. The present crisis through which the Latin American region is passing, including Brasil, strengthens the significance of the IS as a source of employment and as an object of policies and programmes of governments and NGOs, in many countries. In this case study we will look at the IS in greater Sao Paulo, the dynamic center of industrial capitalism of Brasil if not of the Latin American region as a whole. We start with a short discussion of concepts and criteria of the IS which were found in a few studies on the IS in Sao Paulo and then compare these different criteria when applied to a same set of data: data gathered by the specialised office of SEADE\* in the metropolitan region on the basis of a structured sample household survey. In the second part of the article we examine the IS in greater Sao Paulo in terms of the personal characteristics of those who are actively engaged in this sector.

## 2. The informal sector: theoretical perspectives and operational criteria

### 2.1 A typology of theoretical perspectives

Unfortunately those who study the IS do not agree on how to define and measure the sector. As Dagmar Raczynski observed in 1977 (Raczynski, 1977), one could distinguish three types of 'analytical perspectives' in the studies then available,--a typology which I would hold is still quite valid for today. The first considers the IS primarily as a sector of production composed of small enterprises operating at levels of low productivity and in precarious conditions. The second analytical perspective puts the emphasis upon employment in the IS and is strongly interested in aspects like entry into the sector, access to social security schemes, hours worked, payment of work, the personal characteristics of the people employed and so on. The third perspective sees the IS primarily as a sector of poverty. The questions which these three perspectives raise with regard to the IS in the area of policy making, also vary: the first for example seeks to identify the factors which determine the growth of the sector, its productivity, accumulation, linkages to the formal sector, markets and the evolution of the informal micro/small

enterprises into formalised and better consolidated small or medium-sized enterprises. This 'entrepreneurial' focus contrasts with the focus on employment which is first and foremost interested in improving the informal labor market, both in relation to the preparation and opportunities for advancement of those employed and concerning their working conditions. From the poverty perspective the policy-questions look at its underlying causes and at possible steps to reduce it at the individual and/or family level: the studies on "survival strategies" have made considerable contributions in this connection.

Recently two additional elements receive much attention. Especially in relation to the employment perspective various authors increasingly stress the IS' lack of social security, in terms of lack of access to social security schemes and to stable employment. Another approach nowadays being applied more systematically, refers to the legal-institutional condition of the IS. Here the work of Hernan de Soto (de Soto, 1987) should be mentioned; his emphasis upon institutional factors--whether as causes or as consequences of other factors--has led to a growing interest in these aspects.

Obviously these three if not four perspectives are closely interrelated. The basic fact that a great part of the small productive units are formed by people who self-generated their own employment and who work as autonomous independent producers--joining employment and 'enterprise' in one single person--leads easily to a close linkage between the perspectives of production and employment. Besides, there are methodological reasons accounting for this linkage: the analysis of the IS, including its productive side, is often made on the basis of household surveys, yet unavoidably the latter provide more systematic data on working conditions of those employed in the sector than on the micro/small enterprises as such. Legal-institutional aspects are linked, in an analogous manner, with the conditions affecting production and employment, for example, directly determine access to credit and social security, and also influence (together with other factors) the extent to which existing labor and fiscal legislation will be complied with. On the other hand, the connection between poverty and the other perspectives is less intimate; as we will also see in the case of greater Sao Paulo the IS cannot be simply considered as a sector of poverty. Not only because there are those in the formal sector who earn less than the legal minimum salary, but also because inside the IS itself there exists a great differentiation in terms of income.

A final preliminary observation: it should be observed that although various authors can be classified reasonably in one of the perspectives referred to above, in reality they often define the IS with the help of criteria which are derived not just from one but from various perspectives; hence they will be classified only on the basis of the perspective on which they tend to put more emphasis. As we will see, the heterogeneity of the IS demands a combination of criteria. As a result, in the discussion below we will attempt to classify authors yet at the same time relativise this classification, inasmuch as the complexity of the IS hardly permits simple schematisation.

## 2.2 The informal sector: operational criteria used in various studies

Below we discuss a series of operational criteria concerning the IS as we found them in various studies a few of which as a matter of fact were carried out on the IS of Sao Paulo. We begin with a brief critical review of the criteria in order to identify their specificity. Then we will see whether and to what extent they can be classified in accordance with the typology of theoretical perspectives of Raczynski, and here we will not consider only their differences but also their intercorrelations. We end the section by formulating some conclusions.

### 2.2.1 PreAlc

PreAlc's definition of the IS has much impact in Latin America including Brasil. The conceptualisation of PreAlc is related, at least in principle, to the perspectives of production (primarily) and employment (secondarily). PreAlc considers the IS as a sector of micro/small enterprises. These enterprises are little productive and use technology with low productivity; they hardly separate enterprise from family in management, accounting and labor relations; they evade compliance with fiscal and labor legislation due to their lack of formal registration; and they work in competitive and precarious markets, whether for enterprises and institutions from the formal sector, or for the public at large. In its research projects PreAlc often used household surveys, linking people working in the IS with one segment of the productive system: micro/small enterprises. Combining size of enterprise with 'occupational category' PreAlc operationalises its definition of the IS as follows: the IS consists of employers and employees of enterprises with less than five workers, of autonomous workers, of non-remunerated family-labor and of domestic servants. Although in some studies PreAlc added other criteria

(especially lack of social security), in much of its work (especially its earlier studies) it applied the operational definition as just indicated.

The advantage of PreAlc's definition lies in its applicability to secondary data from census and surveys of households and manpower, and the ease with which it lends itself to comparative studies. Occasionally PreAlc used household sample surveys as a basis for a subsequent study on the informal enterprises that had been found, with the purpose to identify the limiting conditions of the IS and articulate policies more adequate to its development. In PreAlc's view, the IS owes its origin to (i) the insufficient absorptive capacity of the formal sector--which as part of a dependent economy is strongly dependent upon imported technology with a (too) high capital intensity, and (ii) a growing labor supply; hence the IS forms a structural rather than a transitory phenomenon, and as an important alternative needs public and private support in the form of concrete policies and programmes.

There are various problems connected with PreAlc's definition. Its practical substitution of enterprises by people owing them or working in them, tells us often more about the latter than about the former. Moreover, underlining the level of modernisation as the distinctive criterion distinguishing formal from informal enterprises, PreAlc rightly excludes liberal professionals from the IS, but it leaves the door open for highly advanced, capital-intensive and dynamic small enterprises with less than five people which may and sometimes do occupy a path-breaking position in new technological fields, or which represent efforts of businessmen from the formal sector to evade labor and fiscal obligations. To exclude such types of enterprises additional criteria are needed, and it is not surprising that PreAlc especially in later studies did add for example the criterion of (lack of) social security.

PreAlc has also included domestic servants for some time even though these can hardly be included as a segment of a 'productive' businesslike sector. They render personal services to a consumptive unit, the family, often in the context of a labor relation marked by precapitalist and feudal characteristics. Hence, though from an employment perspective their inclusion might be desirable, the domestic servants do not fit well into PreAlc's productive focus, and, once more, it is not surprising that PreAlc in some studies has excluded this category from the IS, treating them as a separate category. In our discussion below we have included the domestic servants yet made them visible as a separate grouping.



### 2.2.2 The autonomous worker (Cacciamali)

Cacciamali (1984) approaches the IS from a production point of view, emphasising its various forms of organisation. For her the basic element in the IS is that it is not based on salaried or wage employment but on autonomous production. In her view the IS is in a continuous process of displacement, seeking to situate itself in the niches of the capitalist system left by the formal sector. The small and micro enterprises of the autonomous workers are constantly forced to adjust themselves to the changing conditions of the marketplace. Using this binomium 'salaried work vs autonomous work' Cacciamali provides a clear and simple criterion to characterise (and distinguish) the formal and the informal sector respectively. For her, the IS operationally consists of autonomous workers yet these can and do employ a limited number (up to four) 'informal salaried workers' or non-paid family labor. She includes liberal professionals in the IS but excludes domestic servants, all of this consistent with her preferred criterion.

The advantage of this conceptualisation is its theoretical clarity. It implies a view of the formal sector as dominated by incorporated enterprises and by a complete 'proletarianisation' of the labor relations, and of the informal sector as consisting only of autonomous workers who generate productive employment both for themselves and for a few others in micro and small units. The methodological problem of substituting an enterprise by a person, we met in other operational concepts, is absent in this case: in Cacciamali's view the two coincide practically always in the IS.

There are however a few problems attached to this concept, too. What is clear in theory is often less so in practice. For example, Cacciamali already had to compromise the clarity of her criterion when recognising that there are 'informal salaried workers' in the IS. Yet there are more cases which cannot be easily accommodated in her binomium 'formal salaried/waged' vs 'informal autonomous'. What to do with the owners of small and medium-sized formal enterprises, even of large formal enterprises: where to locate them? And why exclude liberal professionals from the formal sector and include them in the IS with which they have nothing in common, neither in terms of their socioeconomic characteristics nor in those of the organisation of their work, relationship to markets and so on? And on the side of the informal sector one can ask what to do with those who though they may be classified as autonomous workers in reality are subcontracted and act as 'hidden' salaried workers tied

to formal enterprises? Moreover, concerning the informal enterprises, one can ask to what extent their heterogeneity allows one to simply assume an unity of management and production? There are informal units which manifest a certain degree of organisational evolution and internal division of labor which brings their organisational format close(r) to that of modern enterprises. These cases bring out that a single theoretical criterion though attractive for theoretical reasons is insufficient and cannot make allowance for the complexity and heterogeneity of the IS. Note incidentally that no reference has yet been made to the problematic status of domestic servants who are excluded from the IS by Cacciamali's binomium yet who in many studies are still included even though as a separate category.

Finally, for empirical reasons and in relation to the aspect of labor relations, there are authors who consider this binomium itself inadequate to characterise the IS in the 3d world. In their view (e.g. Bromley 1985) 'salaried' and 'autonomous' only represent extremes. The rotating nature of employment; the recurrent crossing of the frontiers between formal and informal, between salaried and autonomous status, in accordance with ups and downs, and as circumstances (f.ex. retirement) demand or permit; having simultaneously jobs in the formal and informal sectors as well as the increasingly precarious nature of employment in the formal sector;--these factors render the contrast between 'formal salaried' and 'informal autonomous' into an ever more relative one.

### 2.2.3 Social insecurity and poverty (Merrick and Schaeffer)

Another criterion of informality is less related with production than the two previous ones and more with aspects of employment, namely with the lack of access to social security and with poverty. Merrick (1974) includes all of those who are occupied without social security, with the exception of liberal professionals, public employees and employers of enterprises with six or more workers; Merrick includes, not surprisingly, the domestic servants in the IS. This definition is evidently rather wide, is more related to an individual than to a particular stratum of enterprises, and it extends even to those in the formal sector (sector defined in terms of sector of the productive economy) who do not carry social security. 'Informality' is turned, at least in principle, into a more general characteristic of persons. The same occurs with the criterion of poverty which in the study of, for example, Schaeffer (1976) on Sao Paulo's IS, manifests itself both in the formal sector (enterprises with six or more workers) and in the IS (enterprises with fewer

than six workers). This author from the ILO, however, combined in his study the criterion of size of enterprise with that of poverty which he defined as income below the legal minimum salary (LMS); he, too, included domestic servants who earn less than one LMS.

The link between informality and poverty is weaker, however, and less complicated than the link between informality and lack of social security, not only in relation to analytical perspective but also at the empirical level. Even though there exists a certain degree of concentration of poverty in the informal sector, income distribution is not highly correlated with the separation between formality and informality. There are quite a few who are occupied in informal micro and small enterprises and who earn incomes well above the LMS. This has been observed in many countries of the 3d world, and Cacciamali has already demonstrated as much in the case of Sao Paulo, indeed, we will find the same phenomenon once more with the help of the data of SEADE (cfr. below). In a nutshell: informality and poverty are not the same.

With regard to social security things are more complicated. On the one hand, empirically social insecurity can be found not only in the informal sector but also though to a limited extent in the formal sector,--something which in Brasil is measured by possessing or not a *carteira de trabalho* (employment card) signed by the present employer, and by contributing or not to the social security system. As a matter of fact there is evidence pointing towards a growing number of employees in the formal sector of many countries without this *carteira*,--the 'unprotected workers' occupied in medium-sized and large enterprises (Harrod, 1988). On the other hand, one can find workers and employers in informal enterprises which do have access to some kind of social security scheme. Hence, empirically informality (associated with the lowest stratum of enterprises) and social insecurity do not coincide perfectly, nor do formality and access to social security; nevertheless, the empirical correlation between the two factors is considerably higher than that between informality and poverty, as will be shown below.

There arises an important analytical problem, however, in this connection. In our discussion of the criteria of PreAlc and Cacciamali, the concept of informal sector remained linked to the world of micro and small enterprises. But it is evident that when one refers in Brasil, for example, to the 'informalisation of the formal sector', the concept of 'informality' is being used in a much wider sense and without being linked to the lowest stratum of the productive system. In this case reference is made to the loss of social

security in big and medium-sized enterprises, whether as a response of employers to the growing cost of labor as a result of the new Brazilian constitution, or as a reaction to the economic crisis and as a strategy to increase the so-called 'flexibility' of their manpower situation. Reactions like these can lead to a growing instability and mobility of the economically active population also between the formal and informal sectors, and to a higher number of unprotected workers in the formal sector of the economy. However that may be, this usage of the concept of 'informality'--applied to both the formal and informal sectors--may cause confusion inasmuch as it de-links informality from micro and small enterprises and from the employment that has been self-generated through such enterprises. It is difficult, in other words, to use the same concept for phenomena which despite their partial empirical correlation are so different: the insecurity of unprotected workers in the formal sector and the lack of social security of those who create their own employment in the informal sector. This does not imply leaving the criterion of social security aside: it characterizes the condition of the great majority of those occupied in the IS quite well and points towards their position at the margin of the formalised institutionality (including that of social security) which is the hallmark of the formal sector. What this does imply, however, is that the criterion of social security should preferably not be used as the single criterion characterising the IS but combine it with other criteria so as to maintain its linkage with the informal productive sector of micro and small enterprises.

#### 2.2.4 Conclusions: towards a combination of criteria of the informal sector

On the basis of the previous discussion we may conclude that in most studies the theoretical perspectives of the IS, as distinguished by Raczynski, are indeed combined, both analytically and operationally. I suggested this already at the beginning, giving some reasons why this would be so. This holds especially for the employment and production perspectives, less for that of poverty. Besides, identifying and characterising the IS with the help of a single criterion (like autonomy, poverty or social insecurity) appears to be unfeasible and fails to allow for the heterogeneity and complexity of that sector. Hence it is not surprising that most authors actually apply--sometimes forced by practical reasons--not a single but a combination of perspectives and related criteria when defining the IS. PreAlc combines size of enterprise with occupational categories. Cacciamali uses basically the same factors even though in other studies she also uses the combination of occupational category and social security (Cacciamali, 1988). Merrick and Schaeffer used a similar

combination of criteria albeit each one with a different emphasis. A group of researchers of SEADE (Seade, 19 ) when measuring subemployment as related to the informal sector, defined this sector in terms of occupational category, size of enterprise, and (lack of) social security; the group managed in a provisional manner--inasmuch as this is not an 'institutional' Seade definition of the IS--to avoid the still rather wide definition of PreAlc by adding the criterion of social insecurity. Table 1 below sets out the various operational definitions of the IS as given by the authors referred to above.

### 2.3 Comparison of criteria when applied to the informal sector of greater Sao Paulo

In order to compare the different criteria when applied to the same set of basic data, I have tried to operationalise them in such a way that they would retain the closest link possible to their main concepts, yet at the same time be compatible with the data regularly collected by Seade through its household surveys in the greater Sao Paulo region. In table 1 below in the left column six criteria have been identified--including that of poverty--for purposes of measurement and comparison. There reference is made respectively to the IS criteria of PreAlc, the 'autonomy' criterion of Cacciamali, the 'social insecurity' criterion of Merrick, the 'poverty' criterion both in its combined version of Schaeffer and by itself, and to the provisional and most-'combined criteria' of Seade.

Table 1 Proportion of occupied in the informal sector according to various criteria of measurement; greater Sao Paulo 1985-89 (%)

Criterion of measurement of the informal sector	Y e a r s				
	1985	1986	1987	1988	1989*
CRITERION 1 (PreAlc)	33.4	32.4	32.9	34.6	34.9
1.1 Salar'd & empl'r firms <5 empl's;aut;fam.work	24.8	24.4	25.5	26.7	27.5
1.2 Domestic servants	8.6	8.1	7.4	7.9	7.3
CRITERION 2 (Cacciamali)	18.5	18.1	18.7	20.5	21.4
2.1 Empl'r firms <2 empl's; auton.wrkg for public/ firms; lib.profess'ls	14.2	13.9	14.4	15.8	16.6
2.2 Salar'd & autonomous in enterpr.<2 empl's	2.7	2.7	2.6	3.0	3.0
2.3 Family workers	1.6	1.4	1.7	1.7	1.8
CRITERION 3 (Merrick)	27.2	26.9	26.1	26.4	26.9
3.1 Occupied without soc. secur'y <u>exc.</u> lib.prof's, publ.empl's & employers of enterpr's >6 empl's	18.6	18.9	18.7	18.5	19.6
3.2 Domestic servants	8.6	8.1	7.4	7.9	7.3
CRITERION 4 (Schaeffer)	31.6	28.3	26.7	31.1	31.0
4.1 Auton.work'g for public/ enterpr's;empl'r,salar'd & aut.in enterpr <5 empl & family workers	22.9	21.8	22.4	24.6	26.0
(a) income<Min.Legal Sal**	7.7	6.3	5.6	7.7	7.5
(b) inc= />Min.Legal Sal**	15.2	15.5	16.8	16.9	18.5
4.2 Empl'r,Salar'd,Autonom. in enterpr >6 empls with income <MLS**	2.8	2.1	1.7	2.1	1.4
4.3 Dom.Serv income <MLS**	5.9	4.5	2.7	4.4	3.5
CRITERION 5 (Poverty)	16.9	13.4	10.5	14.5	12.7
5.1 Occupied,income <MLS**					
CRITERION 6 (Seade, prov'l)	28.6	27.7	27.8	29.1	29.6
6.1 Salar'd without soc.sec in enterpr<5 empls;emplr without soc.sec in firms <5empls;auton;fam.worker firms <5 empls	20.1	19.7	20.3	21.2	22.3
6.2 Domestic servants	8.8	8.1	7.4	7.9	7.3

Source: SEP - Contract Seade/Dieese/Unicamp

\*) the 1989 data refer to the period january-june

\*\* ) from august '87 taking into account the value of the National Base Salary

Note: cases of occupied without sufficient information are excluded.

On the basis of these data some conclusions can be formulated:

(1) Leaving aside for the moment the controversial criterion of poverty, we can estimate the size of the informal sector in greater Sao Paulo as amounting to between one fifth and one third of its economically active population (88/9). This may come as a surprise to those who assumed that the IS in this industrial center would only be negligible or small. The maximum estimate would be 34.9% in accordance with PreAlc's broad criterion and the minimum 21.4% according to Cacciamali's strict criterion which (i.a.) leaves out the domestic servants; were the latter to be excluded in general, then the size of the IS would vary between 19.6% (Merrick) and 27.5% (PreAlc), the remaining criteria falling somewhere between.

(2) Looking at the evolution of the informal sector in the years '85-'89, it can be seen that although the variation is not high, the IS in greater Sao Paulo has recently grown in aggregate terms,--with about 1-2% as compared to 1987, regardless of the criterion used, but even more so when compared with 1985.

(3) The expansion of the IS was only in part due to an increase in the proportion of the occupied 'poor' earning an income below the minimum legal salary: the proportion of the poor significantly increased from 1987 to 1988 (from 10.5 to 14.5 per cent), to diminish to 12.7% in the first half of 1989. Growth of the number of informally occupied can also be observed when we use other criteria such as social insecurity and autonomy (criteria 3 and 4 respectively). It is of interest, in this connection, that the proportion of domestic servants has decreased; this would mean that the expansion of the IS has consisted primarily of the owners and workers of the micro and small enterprises which characterise the bulk of the IS.

In a nutshell, the informal sector is quite important, in Sao Paulo, too, and it is growing,--whatever definition we use to measure it (other than that of poverty which as we saw is not the most indicative criterion anyway). PreAlc's definition tends to widen the scope of the sector, Cacciamali's criterion to restrict it. It is also clear however that the different criteria examined share common elements on analytical and/or empirical grounds. Below we will look at the connexion between the different criteria more closely.

## 2.4 The relations among the criteria: an empirical test

As we saw above the differences between the criteria are not very great and we may expect fairly high levels of intercorrelation and overlap between them, except for the poverty criterion. Tables 2a and 2b permit us to verify these expectations.

Table 2a Overlap between criteria of measuring the informal sector in greater Sao Paulo, 1987 (% of the occupied showing both criteria)

Criterion measuring the informal sector	Criterion 1	Criterion 2	Criterion 3	Criterion 5	Criterion 6
Criterion 1 (PreAlc)	32.9*				
Criterion 2 (Cacciamali)	18.4	18.7*			
Criterion 3 (Merrick)	21.9	11.0	26.1*		
Criterion 5 (Poverty)	8.7	5.0	8.6	10.5*	
Criterion 6 (Seade prov'l)	27.8	16.0	21.7	8.3	27.8*

Source: SEP, Contract Seade/Dieese/Unicamp

Note: only cases with sufficient information

\*Percentage of occupied possessing this criterion; cfr also table 1

It can be seen that only low percentages (between 5.0 and 8.7%) of those occupied possess both the poverty criterion and another one; the correlation matrix below points to the same phenomenon (table 2b). Secondly, the criteria of PreAlc, Merrick, Cacciamali and Seade show considerable overlap and intercorrelation, especially those of PreAlc and Seade. It is important to add, however, that the criterion of Cacciamali coincides only partially with labor aspects like social insecurity and low income; possibly Cacciamali's 'productive focus' and (f.ex) her exclusion of domestic servants help account for this result.

Thirdly, it is important for our subsequent analysis that Seade's provisional definition not only approximates closely that of PreAlc, but also correlates highly with the other criteria, except with poverty: this suggests the balanced nature and weight of Seade's 'combined' criterion and its use in our analysis of those who are engaged in the IS below.



Table 2b Correlation between criteria of measuring the informal sector in greater Sao Paulo, 1987 (Pearson coefficients)

Criteria measuring informal sector	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5
Criterion 1 (PreAlc)	1.00				
Criterion 2 (Cacciamali)	0.67	1.00			
Criterion 3 (Merrick)	0.65	0.36	1.00		
Criterion 4 (Poverty)	0.36	0.25	0.44	1.00	
Criterion 5 (Seade prov'l)	0.89	0.62	0.73	0.39	1.00

Source: SEP, Contract Seade/Dieese/Unicamp

Note: only cases used with sufficient data

In more general terms, then, the data of tables 2a and 2b bear out the expectation that except for poverty the other criteria correlate and overlap considerably. Nevertheless, they also retain their own identity and cannot be simply reduced to one another.

### 3. The informal sector in greater Sao Paulo: a study of the personal characteristics of those who are occupied in this sector

In the second part of this paper I will briefly describe the IS in greater Sao Paulo on the basis of the people who work in it; we can say something also on the micro and small enterprises of which they are the owners or in which they work but the data do not permit us to provide much information on this score. I will rely primarily on the concept and the related 'combined criterion' of the IS as developed provisionally by a team of Seade, for reasons which have been set out and argued earlier. This part of the paper is organised in three sections: the first presents the usual social characteristics of those in the IS in terms of age, gender, migration and education; the second section describes the informally occupied with regard to their principal occupational categories and sectoral location, while the third part examines a few labor aspects such as the number of hours worked, income and productivity.

It should be stressed that given the great heterogeneity of the sector any description looking for central tendencies runs the risk of oversimplification. Hours worked and incomes earned obviously vary greatly, for example, hence the data presented here should be considered as only quite preliminary and in need of further research.

### 3.1 Social characteristics

Limiting ourselves to the aggregate data in table (3.1), and comparing where possible the informally occupied with those in the formal sector and with the average of the whole occupied population in greater Sao Paulo region, we get the following picture:

- \* half of the informally occupied (51.4%) consist of women, a percentage considerably higher than the 32.4%, say a third, which women form of the formal sector

- \* with regard to age young people (10-17 yrs) do stand out somewhat more in the IS than in the formal sector (10.8 vs 7.4%) but the differences are more marked among middle-aged and older cohorts: the former (18-39 yrs) are considerably more active in the formal sector than in the IS (70.1% vs 53.8%), whereas the opposite (22.5 vs 35.4%) holds true for the older people (40 yrs and older)

- \* 59% of all those occupied in the region consist of immigrants but the formally and informally occupied do not differ greatly in terms of migration (57.0 vs 65.3%); differences exist only amongst those who live in greater Sao Paulo for three years or longer (50.7 vs 59.2%)

Table 3.1 Social characteristics of those occupied in greater Sao Paulo by informal and formal sector, 1987 (%)

Personal social characteristics	Informal sector	Formal sector	Total occupied
1. GENDER (% women)	51.3	32.4	37.7
2. AGE: % 10-17 yrs	10.8	7.4	8.3
18-39 yrs	53.8	70.1	65.6
40+ yrs	35.4	22.5	26.1
3. MIGRATION (% migr's)	65.3	57.0	59.3
< 3 yrs in Sao Paulo	6.1	6.3	6.2
> 3 yrs in Sao Paulo	59.2	50.7	53.1
4. EDUCACION (% illiter)	10.1	4.1	5.8
Prim'y (un)finished	77.0	53.3	65.0
Secondary level	10.0	19.8	17.1
University level	4.5	15.1	12.2
5. FAM'Y POS'N: Head	40.3	49.2	46.7
Spouse	27.9	12.3	16.6
Child	20.7	30.1	27.5

Source: SEP, Contract Seade/Dieese/Unicamp

Note: only cases used with sufficient data

Furthermore:

\* those occupied in the IS have considerably lower levels of education than those in the formal sector, both in terms of the extremes (10.1 vs 4.1% illiteracy and 4.5 vs 15.1% higher education) and with regard to primary (77.0 vs 53.3%) and secondary education (10.0 vs 19.8%)

\* in the informal sector one finds fewer heads of family (40.3 vs 49.2%) and fewer children (20.7 vs 30.2%), but notably more spouses (27.9 vs 12.3%).

This profile of the informally occupied confirms what has also been found in other countries: the notable role of women; the disadvantage in levels of (formal) education so crucial for access to the formal sector; the lower proportion of those in the peak of their labor productivity (18-39 yrs); and the presence of spouses earning supplementary income. The similarity in migratory condition is less expected.

### 3.2 Socioeconomic characteristics

What are the principal occupations and what the sectoral location of those active in the IS? What is the role of the 'autonomous workers' and to what extent do the informally occupied also work in industry which plays such a crucial role in greater Sao Paulo? The data of table 3.2 provide us with an answer to these questions.

Table 3.2 Those occupied in the informal sector by occupational category and sector of activities, greater Sao Paulo 1987 (%)

Occupational category in IS		Sector of activity	Informal sector	Formal sector	Total occupied
SALARIED without soc. secur in firms <5 empl's	11.1	INDUSTRY	8.5	43.5	35.7
EMPLOYER without soc. secur in firms <5 empl's	2.0	BUILDING IND.	3.1	4.2	3.9
AUTONOMOUS WORKER works for public	54.6 38.0	COMMERCE	22.6	11.1	14.3
works for enterprise	16.6				
FAM.WORKER in firms <5	5.5	SERVICES	37.5	41.0	40.0
DOMESTIC SERVANT	26.8				
	<u>100.0</u>	DOMEST.SERV	26.8	-.-	7.4
		OTHER	1.6	0.3	0.7

Source: SEP, Contract Seade/Dieese/Unicamp

Autonomous workers represent just over half (54.6%) of those occupied in the IS, but these include 16.6% of people working for an enterprise and can hardly be considered as fully independent workers. On the other hand, there are 2% employers of small enterprises so that together with the autonomous workers (38.0%) we would have a total of 40% really independent producers. The remainder consists of salaried, family workers and domestic servants,--the latter forming a bit over one fourth (26.8%) of all those occupied in the IS.

With regard to sector of the economy, clearly the proportion of the informally occupied in industry is much lower (8.5 vs 43.5%) than that of the formally occupied, but considerably higher in commerce (22.6 vs 11.1%) and domestic service (26.8 vs 0%). In other services, too, the informally occupied are more frequent than those in a formal setting but the differences are not so great (41.0 vs 37.5%). These data indicate several interesting points. Firstly, that formal industry in greater Sao Paulo does not seem to absorb much labor via the mechanism of subcontracting in the informal sector; subcontracting seems to be handled, rather, through micro and small enterprises which have already been formalised. Moreover, they suggest that there exists hardly a set of informal micro enterprises in manufacturing industry which supply a special segment of the market, for example, that of families with low incomes. The building industry in this region is another sector which fails to absorb much informal labor and appears to be more formally organised than in many other places of the third world. Instead, most (nearly two thirds, --64.3%) of those informally occupied work in tertiary sectors like services and trade, --in greater Sao Paulo too. Only a detailed analysis of the latter, especially of the service sector, could show whether and to what extent we are dealing here with 'modern' types of services especially those connected to the formal sector (for example, specialised operations and maintenance functions, packing etc).

### 3.3 Working conditions, income and productivity

The information of table 3.3 throws further light on the conditions of those who are engaged in the IS of the region: their working hours, level of employment, income and income per hours worked.

Table 3.3 Those occupied in the informal sector: working hours, income and productivity, greater Sao Paulo, 1987, (averages, % and amounts)

Labor aspects	Informal sect	Formal sect	Total
1. WORKING HOURS			
-Average No./week	41	46	44
-<40hrs/week	39.6	16.9	23.5
40-48 hrs/week	25.6	56.5	47.7
49+hrs/week	34.8	26.4	28.8
-Percentage subempl't*	13.1	3.9	6.5
2. INCOME**			
-<1 Minim. Legal Salary (MLS)	30.1	2.6	10.2
1-2 Minim. Legal Salaries	25.1	16.7	19.0
2-3 Minim. Legal Salaries	13.8	22.4	20.0
3-5 Minim. Legal Salaries	13.2	25.6	22.2
5-10 Minim. Legal Salaries	11.1	20.2	17.7
10+ Minim. Legal Salaries	6.7	12.5	10.9
3. PRODUCTIVITY***			
-Average/hour	401	514	467
-Employer of firm <5 empl's	135.433		
Autonomous Worker	87.042		
Works for enterprise	102.066		
Works for public	79.463		
Salaried in firm <5 empl's	34.582		
Fam. Work in firm <5 empl's	485		
-Average/month	58.513	100.992	89.246

Source: SEP, Contract Seade/Dieese/Unicamp

- \* Subemployment: works less than 40 hrs/week but would like to work more
- \*\* Used the MLS of each month; from august 1987 onwards the value of the National Base Salary has been taken into account
- \*\*\* Refers to real average productivity of income/time worked; for its calculation the ICV index of Dieese has been applied. Values are expressed in terms of New Cruzados of (end) September 1988; official change was 1 US \$ = 0,3629 NCZs

These data permit us to formulate some conclusions with regard to labor aspects in the IS in greater Sao Paulo. It should be clear, once more, that such conclusions are quite tentative in view of the great heterogeneity of the IS which make generalisations a haphazard venture.

(1) Even though on average fewer hours are worked in the IS as compared with the formal sector, the spread in the IS is considerably greater than in the latter: while those formally occupied tend to concentrate

around the number of working hours of a formal working week, the informally employed are overrepresented in the extremes: both working less and working (far) more than the 40-48 hrs/week. It is of interest to add that amongst those working less than 40 hours, subemployment was higher and so was the wish to work more, especially amongst women who (can) only work part-time.

(2) the income distribution shows that there is a considerable proportion of poor in the IS (30.1%) earning less than the Minimum Legal Salary, indeed, their number is more than ten times higher than that among those in the formal sector (2.6%). But this is not the whole story inasmuch as the heterogeneity of incomes earned in the IS is quite high, with 18% even obtaining even up to five MLS per month.

(3) using a rough indicator of productivity (income per time worked) we see notable differences: those formally employed and earning 514 Crz/hour (vs 401 Crz) have nearly double the monthly income (101 vs 58 thousand Crz) as compared to the informally employed. But once more the heterogeneity of the latter is quite evident and income ranges from a practical absence of payment for family workers, to 135.433 for the employers of small enterprises (well above the average of the informal sector as a whole: 58.513 Crz). On the other hand, we see that the autonomous workers on average earn an income (87.042) considerably higher than that of the salaried (34.500) and the domestic servants (27.000); in the best position are those autonomous workers (119.000 Crz) who are linked to other enterprises; they are followed by those who work for the public in general and who already work in a separate establishment (103.000 Crz). Probably we are dealing here with the most developed component of the productive informal sector, linked to the formal sector or with a more stable segment of the marketplace; insofar as we can see, this linkage between informal and formal sector appears not to be necessarily adverse to the interests of the informal producers.

#### 4. Final observations

The informal sector of greater Sao Paulo is both important and growing in recent years. We have pointed to such factors as the economic crisis and the impact of the new constitution for formal employment, as possible causes of

the recent expansion of the IS. This problem of causation, however, is quite complicated; for example, as many studies have shown, often the formal and informal sectors grow together, without one serving as a shock-absorber for the other. Hence more focused research is needed on this point. One may speculate, in this connection, that dynamic growth centers like greater Sao Paulo will unavoidable attract great numbers of migrants from other regions and from all levels--because of pull and/or push factors--and that the integration of this massive influx and subsequent adjustment of people will not proceed in a simple smooth process.

But is important to note that the informal sector does not function as a waiting room for the formal sector; most migrants--especially those in their most productive years and/or with secondary or higher levels of education--enter directly into the latter without first passing through the IS. Another trayectory, at least in part, is met in the case of people (including many women) who already live in Sao Paulo and who later seek employment and income via the informal sector whether as autonomous workers or in domestic service. Possibly we should also include those who using their pension funds establish their own enterprise as a source of income during the period of old age.

Finally, only studies which compare these data with those from cities less developed than greater Sao Paulo, will allow us to find out in how far the profile of the informal sector which we have found here reflects the 'modernity' of this metropolitan region. Phenomena like the formal organisation of services and subcontracting, for example, are quite suggestive in this connection and may not be found in the same way in other cities. Research on these and other aspects basically require a survey of enterprises rather than of households, inasmuch as such a survey would permit a better analysis of the productive activity of the informal sector.



Note

- \* SEADE is a Foundation of the State of Sao Paulo, linked to the Secretaria de Economia e Planejamento (SEP). Seade stands for Sistema Estadual de Analise de Dados. This data-gathering and research-center carries out regularly household sample surveys focused on labor and socioeconomic aspects; it covers 3000 households/month in 38 municipalities of greater Sao Paulo. I am greatly indebted to the staff of Seade for providing me with access to their data and with useful discussions and advice, especially to Dr. Agnes Andraus, Dr. Atzuko Haga and Dr. Mariza Pimenta Hoffmann from the Labor Market and Employment Department. But they carry no responsibility for the analysis below.

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