
Informal Work and Livelihoods in Mexico: Getting By or Getting Ahead?*

James J. Biles
Indiana University

The widespread adoption of neoliberal reforms during the past quarter century has had profound implications for the livelihoods of those who live and work in cities throughout Latin America. This case study of Mérida, Mexico, builds directly on recent research about the changing nature of work and the role of informality as a livelihood strategy in Latin America and attempts to explain how place-specific patterns of informal work emerge from neoliberal reforms and concomitant urban economic restructuring. Drawing on field research and a large household survey, this article reveals that general patterns of informality coincide with previous findings from Latin America: high levels of informal work; increased heterogeneity of informality; and significant mobility, with a large share of workers “opting out” of the formal sector voluntarily. However, compared with previous research in Mexico, this study shows that informal work is significantly more pervasive, particularly among women; less likely to be voluntary; and pays considerably less. In light of gender considerations and significant discrepancies between local patterns of informality and national trends, this case study casts doubt on recent World Bank encyclicals affirming the resemblance between self-employment in Mexico and microentrepreneurship in more developed countries. Moreover, the article concludes that World Bank literature conveniently overlooks the gendered nature of informal work in Latin America and the profound divergence between the express purposes of neoliberalism and its actual implications. As a result, World Bank research on informality serves to justify the neoliberal model, rather than improve the livelihoods of those who live and work in cities throughout Latin America. **Key Words:** gender, informal work, Mexico, World Bank.

新自由主义改革在过去二十五年的广泛实施对那些在拉丁美洲城市居住以及工作的人的生活产生了深刻的影响。本研究以位于墨西哥的梅里达作为例子，延续了近期关于拉丁美洲工作性质的变化以及非正规经济作为该地域人民的谋生策略的研究。它试图揭示非正式工作的空间模式是如何因新自由主义改革与相应的城市经济的转型而产生。文章根据实地考察以及一个大型住户统计调查所收集的资料指出，非正式性的模式跟以往拉丁美洲的研究结果是相符合的：高水平的非正式工作；非正式形式异质性的增加以及相当的流动性。大部分的工人自愿选择退出正规部门。然而，跟以往在墨西哥所进行的研究相比，本研究表明非正式工作更加普遍，在女性人口之中尤甚。它也不太可能是人们自愿的，工资明显更低。基于对性别因素的考虑以及非正式性在地区模式和趋势间的明显差异，本案例对于世界银行最近所发表关于在墨西哥的自谋职业者和较发达国家的小型创业的相似性的通途申明提出了质疑。此外，文章也指出，世界银行的研究往往忽略了非正式工作在拉丁美洲的性别性质以及新自由主义所发表的目的和它所带来的实际影响间的重大分歧。因此，世界银行关于非正式性的研究有助于表明新自由主义模式的价值，而无益于改善那些在拉丁美洲城市居住和工作的人的生计。**关键词：**性别，非正式工作，墨西哥。世界银行。

La adopción generalizada de las reformas neoliberales durante el último cuarto de siglo ha tenido implicaciones profundas en la manera de ganarse la vida de aquellos que viven y trabajan en ciudades en toda América Latina. Este caso práctico de Mérida, México, se basa directamente en investigaciones recientes sobre la naturaleza cambiante del trabajo y la función de la informalidad como estrategia de sustento en América Latina, e intenta explicar cómo los patrones de trabajo informal específicos del lugar emergen de las reformas neoliberales y de la reestructuración económica urbana concomitante. Haciendo uso de investigaciones de campo y una encuesta familiar de gran tamaño, este artículo revela que los patrones generales

*Funding for this project was provided by the National Science Foundation (SES-353969). Sincere thanks to those who offered comments on earlier versions of this article, including anonymous reviewers and the editor. Special recognition goes to Bruce Pigozzi, Amanda Enrico, and participants in the 2006 REU Program for assistance with data collection.

de informalidad coinciden con resultados anteriores obtenidos en América Latina: altos niveles de trabajo informal; mayor heterogeneidad de la informalidad; y una movilidad significativa, con una gran proporción de trabajadores retirándose voluntariamente del sector formal. Sin embargo, cuando se compara con investigaciones anteriores realizadas en México, este estudio muestra que el trabajo informal es significativamente más generalizado, particularmente entre las mujeres; menos probable de ser voluntario; y paga considerablemente menos. A la luz de las consideraciones de género y de las discrepancias significativas entre patrones locales de informalidad y las tendencias nacionales, este caso práctico arroja dudas en las encíclicas del Banco Mundial que afirman la semejanza entre el trabajo por cuenta propia en México y las microiniciativas empresariales en países más desarrollados. Más aún, el artículo concluye que la literatura del Banco Mundial convenientemente ignora la naturaleza basada en el género del trabajo informal en América Latina y la divergencia profunda entre los propósitos expresos del neoliberalismo y sus implicaciones reales. Como resultado, las investigaciones del Banco Mundial sobre la informalidad sirven para justificar el modelo neoliberal, en lugar de mejorar la manera en que se ganan la vida aquellos que viven y trabajan en ciudades de toda América Latina. **Palabras clave:** género, trabajo informal, México, Banco Mundial.

During the past quarter century, countries throughout Latin America have adopted the neoliberal doctrine almost universally, with profound implications for the livelihoods of those who live and work in cities (Portes and Roberts 2005). With respect to employment, the policies associated with neoliberalism—privatization, deregulation, and trade liberalization—were expected to eliminate barriers to economic growth, resulting in job creation (Jonakin 2006). However, neoliberal reforms have had two primary consequences: downsizing of the state and reduction of traditional sources of public-sector employment and creation of more temporary, low-wage, and unprotected employment (International Labor Organization 2005; Márquez et al. 2007). As a consequence, men and women in cities throughout Latin America have increasingly turned to informal work as a livelihood strategy during the past two decades (Freije 2001).

Although the literature generally acknowledges the proliferation of informal work, increased heterogeneity of informality, and significant mobility between formal and informal employment, recent research offers two contrasting explanations for its prevalence. One set of literature attributes the high levels of informal work in Latin America to the ascendance of neoliberalism and a concomitant process of economic restructuring, which gathered momentum during the 1990s. Accordingly, scholars working in several Latin American countries (Tardanico 1996; Benería 2001; Olmedo and Murray 2002; Chant 2004; Portes and Roberts 2005; Mannon 2006; Whitson 2007) have revealed how neoliberal reforms transform the nature of work, create more precarious employment, lower wages, and in-

duce greater numbers of women into the labor force.

In contrast, a group of studies conducted largely under the auspices of the World Bank (Maloney 1999, 2004; Fajnzylber, Maloney, and Montes Rojas 2006; Packard 2007; Perry et al. 2007) suggests that one particular form of informal work—self-employment—represents a preferred alternative to formal employment. Purportedly, self-employment offers both employer and employee tangible benefits, including flexibility, job training and entry to the labor force, opportunity for economic independence, potentially better wages, and avoidance of taxes and inefficient government regulation. As such, recent World Bank encyclicals highlight the resemblance of self-employment to models of voluntary entrepreneurship in more developed countries and suggest that large numbers of workers throughout Latin America opt out of the formal sector of their own volition (Maloney 2004; Perry et al. 2007).

This article contributes directly to the ongoing debate about the role of informal work as a livelihood strategy in Latin America. Based on field research and a survey of nearly 600 households in the city of Mérida, Mexico, the primary objectives of this study are to identify the factors contributing to the incidence of informality and to explain how place-specific patterns of informal work emerge from neoliberal reforms and urban economic restructuring. As a starting point, I offer a brief overview of the salient literature on informal employment in Latin America. In the following section, I introduce the case study and discuss methods used to collect and analyze data from a large sample of households throughout the city. Subsequently, I use descriptive and

inferential statistics to compare characteristics of work in the study area with previous findings from Mexico and consider the implications of gender, overlooked in recent World Bank research, to explain the discrepant patterns of informality in the study area. Finally, I conclude the article with a discussion of salient findings and a critique of World Bank policy recommendations.

Perspectives on Informal Employment

Informal employment may be defined as income-generating activities that are not regulated by the state or subject to established institutional norms (Portes and Haller 2004). In recent years, both the academic literature and policy-oriented research have made an important distinction between two kinds of informality: salaried employment and self-employment (also called own-account work), which includes microentrepreneurs who employ other workers.¹ During the past two decades, self-employment has emerged as the dominant form of informality in Latin America, accounting for 60 percent of informal work (Chen 2007). Regardless of the “type” of informality, the presence or absence of regulation typically serves to distinguish between formal and informal employment.² Lack of regulation not only implies that firms are unregistered and untaxed but also that workers lack standard labor protections and benefits.

Traditionally, social scientists have conceptualized informal employment from three distinct perspectives: dualist, neoliberal, and neo-Marxist approaches. The dualist perspective, associated with the seminal work of Hart (1973), views informal employment as a subsistence activity. This initial conceptualization of informality emerged as cities throughout the developing world were experiencing unprecedented levels of population growth and large-scale rural-to-urban migration. In the context of rapid demographic change and structural poverty, the formal economy is unable to create sufficient jobs and informal work serves as a safety net, absorbing those who lack opportunities in the formal sector (Pérez Sainz 1998). From the dualist perspective, informal work serves as a means of getting by, a sec-

tor of last resort with low barriers to entry in terms of skills, capital, and technology (Portes and Schaffer 1993).

During the 1980s, the neoliberal approach redefined informality in the guise of self-employment as a form of resistance, in which the self-employed are portrayed as dynamic entrepreneurs struggling to overcome excessive and inefficient government regulation (Williams and Round 2007). This literature, most closely associated with de Soto (1989), provided a justification for the dismantling of regulatory barriers throughout Latin America during the past two decades. Purportedly, self-employment represents efficient market forces that emerge in spite of mercantilist government intervention and state oppression. In the context of declining population growth rates, informality is not associated with overwhelming demographic change or lack of entrepreneurial initiative, but rather a populist reaction to restrictive administrative and legal regulations (Maldonado 1995).

Neo-Marxist approaches to informality responded to the neoliberal policies of the 1980s and 1990s and highlighted the increasingly dependent nature of informal work and the functional integration of informal and formal sectors as part of a single global economic system (Castells and Portes 1989). From a neo-Marxist perspective, informality arises not from the inability of the formal economy to absorb workers nor as a stage in the transition from a “traditional” to a “modern” society (Williams and Windebank 1998), but rather capital accumulation and restructuring within the global economy, which depend on the linkages of the formal sector with the informal economy. In the context of a global economic system, subcontracting and outsourcing are the primary means of linking informal employment to the formal economy (Chen 2007). These forces of global integration exert downward pressure on wages and, coupled with deregulation, liberalization, and privatization, result in the erosion of incomes, social services, and benefits, leaving many workers with no alternative but to create their own jobs (Klein and Tokman 2000).

Neo-Marxist scholars also noted the increasing heterogeneity of informality (Castells and Portes 1989) and, building on dualist and neoliberal approaches, grouped employment

into three categories—subsistence, subordinate, and autonomous (Portes and Schauffler 1993). Subsistence employment corresponds to the traditional definition of informality as a marginal activity in which survival, rather than capital accumulation, is the main goal. Autonomous informal work, as idealized by de Soto, presupposes greater levels of education, entrepreneurship, and capital investment and offers potential earnings above those in the formal economy. Neo-Marxist scholars expanded the conceptualization of informality by identifying subordinate informal employment, linked directly to production and consumption in the formal sector and, ultimately, the global economic system (Portes and Schauffler 1993).

Neoliberalism, Urban Economic Restructuring, and Informality

Neo-Marxist approaches have proved particularly useful in conceptualizing patterns of informal work in Latin America as part of a process of economic restructuring, concentrated primarily in urban areas, arising from the shift away from import substitution industrialization (ISI) policies and the ascendance of the current neoliberal model. Import substitution, from the 1940s into the 1980s, roughly corresponded with the period of rapid population growth, high rates of rural-to-urban migration, and massive demographic shifts in cities throughout Latin America. The strategy concentrated manufacturing in major urban areas and created a significant unionized, industrial working class alongside an emerging middle class of professional and government employees (Portes and Roberts 2005). Although informality remained a pervasive livelihood strategy during the ISI period due to rapid demographic change, expansion of manufacturing and public-sector employment reduced the relative importance of informal employment (Roberts 2005).

The imposition of the neoliberal doctrine, starting in the 1980s, has had important ramifications for quality of life in Latin American cities (Portes and Roberts 2005). Policies of liberalization, privatization, and deregulation have impelled regions into closer engagement with the global economy, with profound consequences for social and economic organization in cities (Roberts 2005). Among the most salient impacts are deindustrialization and the reorganization and relocation of production

and consumption activities (Portes and Roberts 2005), which have transformed the nature of work and exacerbated polarization in occupational structure and income (Sassen 1994; Aguilar 1997).

Scholars working throughout Latin America have confirmed the implications of neoliberalism, including reduction in public-sector employment (Cross 1998), outsourcing and subcontracting (Pérez Sáinz 1998), emergence of more precarious “flexible” employment (Olmedo and Murray 2002; Whitson 2007), increased participation of women in the workforce (Chant 1994; Benería 2001), and higher rates of underemployment and unemployment (Aguilar 1997; Roberts 2005). Research also reveals that coupled with periodic financial crises during the past two decades and perennially low wages, the prevailing economic model has failed to generate sufficient formal employment to keep pace with growth of the labor force (Klein and Tokman 2000) and informal work accounted for 80 percent of job creation during the 1980s and 1990s (Tokman 2001). Not surprisingly, some workers also reject the low pay and harsh work of the formal sector for informal employment, making informality a “refuge against the depredations of the free market” (Portes 1997, 249). As a consequence, an increasingly heterogeneous pool of workers resorts to informal salaried work and self-employment for their livelihoods (Aguilar 1997; Whitson 2007), although informality remains most prevalent among the most vulnerable segments of society (Theodore 2006).

As the increased participation of women in the workforce suggests, many of the transformations wrought by neoliberalism are gendered (Benería 2001). Confronted with cutbacks in public-sector employment and fewer job opportunities and lower wages for men, women frequently enter the workforce as part of a diversification strategy to supplement household incomes (Martin 1996; Benería 2001; Mannon 2006). Research from several Latin American countries reveals a “bimodal” pattern of growth in female employment, with large numbers of typically older, less educated women resorting to informal and precarious work and younger, better educated women occupying managerial and more skilled positions in the formal sector (Chant 1994, 2004; Tardanico 1996; Benería 2001). Although women with family

obligations are more likely to opt for informal home-based work that coincides with household roles (Williams and Windebank 1998; Mannon 2006), participation in the workforce may serve to overturn previous gender norms, increase autonomy, and expand involvement in household decision-making (Chant 2004). However, notwithstanding the benefits of labor market participation, gains in female employment have been greatest in the informal sector and women remain relegated to low-status jobs (Márquez et al. 2007).

The World Bank and the Remaking of Informality

During the past decade, researchers associated primarily with the World Bank have offered an alternative perspective on the persistence and proliferation of informal work throughout Latin America. Maloney (1999, 2004), working initially with detailed data from Mexico,³ has presented evidence that one particular form of informality, self-employment, offers a host of purported advantages for both workers and employers, including flexible hours, job training and entry to the labor force, opportunity for economic independence and better wages, and avoidance of taxes and inefficient government regulation. As a consequence, workers purportedly opt out of the formal sector voluntarily for self-employment (Fajnzylber, Maloney, and Montes Rojas 2006). Based on these findings, Maloney (2004, 1159) concludes that self-employment in Mexico serves as the “unregulated developing country analogue of the voluntary entrepreneurial small firm sector” in more developed countries. Given the purported “similarity” between self-employment and small business ownership, Maloney affirms that policy frameworks from developed countries may serve to make recommendations with respect to microentrepreneurship in Mexico (Maloney 2004).

In recent years, colleagues at the World Bank have extended Maloney’s research on informal work in Mexico to other parts of Latin America (Fajnzylber, Maloney, and Montes Rojas 2006; Packard 2007). A recent publication, *Informality: Exit and Exclusion* (Perry et al. 2007), offers perhaps the most comprehensive view of informal work from the perspective of the World Bank. In general, Perry and

colleagues confirm many of Maloney’s earlier findings: significant mobility between formal and own-account work throughout Latin America, with the majority of workers opting for self-employment of their own volition. However, they present a dualistic view of informality, in which self-employment represents a voluntary “exit” strategy and informal salaried work is associated with “exclusion” from formal-sector employment.

Like neo-Marxist perspectives, the World Bank literature recognizes the basic reality of informality in Latin America: the proliferation of informal work, with the emergence of self-employment as the dominant form of informality; increased heterogeneity of informal employment; and significant movement of workers between formal and informal sectors. However, neo-Marxist and World Bank literatures attribute these patterns to distinct causal forces. As the latest incarnation of the neoliberal perspective, World Bank research views self-employment as the voluntary, intrinsic, and universal preference of workers who respond rationally to the potential for greater earnings and a host of benefits not found in the formal sector. In contrast, neo-Marxist perspectives ascribe the prevalence of informality to neoliberal policies, which have introduced more flexible forms of employment (probationary employment, short-term contracts, and limited benefits), eroded wages and the quality of work, and made the distinction between formal and informal activities increasingly irrelevant.

Case Study: Informal Work in Mérida, Mexico

As the previous section notes, recent research has generated a number of provocative insights into the changing nature of work and informal employment in Latin America. The following case study, based on a large, representative sample of households in Mérida, Mexico, engages the existing research and aims to enhance understanding of informality in several ways. Because economic structure and the characteristics of employment vary greatly from place to place, a large, single-location survey facilitates inferences about place-specific patterns of informal employment. Furthermore, it is also possible to compare characteristics of informal work in the study area with general

trends throughout Mexico and the rest of Latin America. Although a large-scale survey does not offer the same level of detail as a qualitative research design, a representative sample captures variation in the characteristics of the workforce more completely and allows for statistical analysis of patterns of formal and informal employment.

Study Area

Mérida, the largest city in Mexico's Yucatán Peninsula, is the commercial hub for much of southern and southeastern Mexico. The city accounts for more than 40 percent of the population of the state of Yucatán, more than 60 percent of employment in the formal economy, and more than two-thirds of gross state product (Organization for Economic Cooperation and Development [OECD] 2007). According to Mexico's Consejo Nacional de Población (2005), Yucatán is one of twelve states characterized by high levels of marginality (a combination of low incomes, poor levels of education, and inadequate housing). However, due to the concentration of political and economic power in Mérida, quality of life is relatively high, with a human development index (0.833) comparable to that of Costa Rica (Consejo Nacional de Población 2001).

Mérida's economy is largely service based. Key sectors include wholesale and retail trade, construction, personal and professional services, and *maquiladora* (clothing and apparel) production, which represent more than 40 percent of total employment (OECD 2007). Although official unemployment rates are generally low, the quality of formal employment in Mérida is relatively poor, as 37 percent of workers earn less than forty-five pesos daily and 60 percent of jobs pay less than two *salarios mínimos* (Instituto Nacional de Estadística, Geografía e Informática [INEGI] 2007). To supplement family incomes, greater numbers of women have sought work and the female labor force participation rate rose from 27 percent in 1990 to about 46 percent in 2007 (INEGI 2007). As a result, combined with demographic shifts and high levels of in-migration, the city's economically active population has expanded more than 40 percent since 2000 (INEGI 2007). Formal employment, however, has absorbed only one-third of the workers entering the labor force

during this period (INEGI 2007), providing an indication of the role of informal salaried work and self-employment as a livelihood strategy in the study area.

Data Collection and Methods

The data for this study were collected during June and July 2006 by means of a stratified systematic sample of 589 households throughout Mérida (Figure 1). The sample was obtained by randomly selecting 10 percent of the 302 *áreas geoestadísticas básicas* (AGEBs, equivalent to U.S. census tracts) throughout the city. Under the premise that households in a given tract are "similar," a systematic sample was carried out in which one household was surveyed per block and each AGEb was sampled roughly in proportion to its population. Although sample data are broadly representative of the population of the study area as a whole, data collection procedures resulted in overrepresentation of female respondents.⁴ To compensate for potential bias, the sample was weighted proportionally by gender to reflect the distribution of men and women of working age in the study area (de Vaus 2001).

Six two-person teams formed by ten undergraduate researchers, a graduate student assistant, and a supervising professor collected data. After obtaining informed consent, research teams carried out an extensive survey focusing on personal background and household information, employment status, income and benefits, and a detailed work history. Data collection yielded 589 surveys; however, in an effort to facilitate comparison with previous research from Mexico, analysis here is limited to adults between the ages of 18 and 65, which results in a total sample of 523 respondents.⁵

In the following analysis, I employ an array of descriptive and inferential statistics to characterize employment in the study area. With respect to informality, I distinguish between informal salaried employees and the self-employed (own-account workers), who work informally. Subsequently, I compare the characteristics of informal employment in Mérida with findings from previous World Bank research in Mexico. Finally, I consider the implications of gender on patterns of informality and attempt to explain some discrepancies between this case study and prior research.

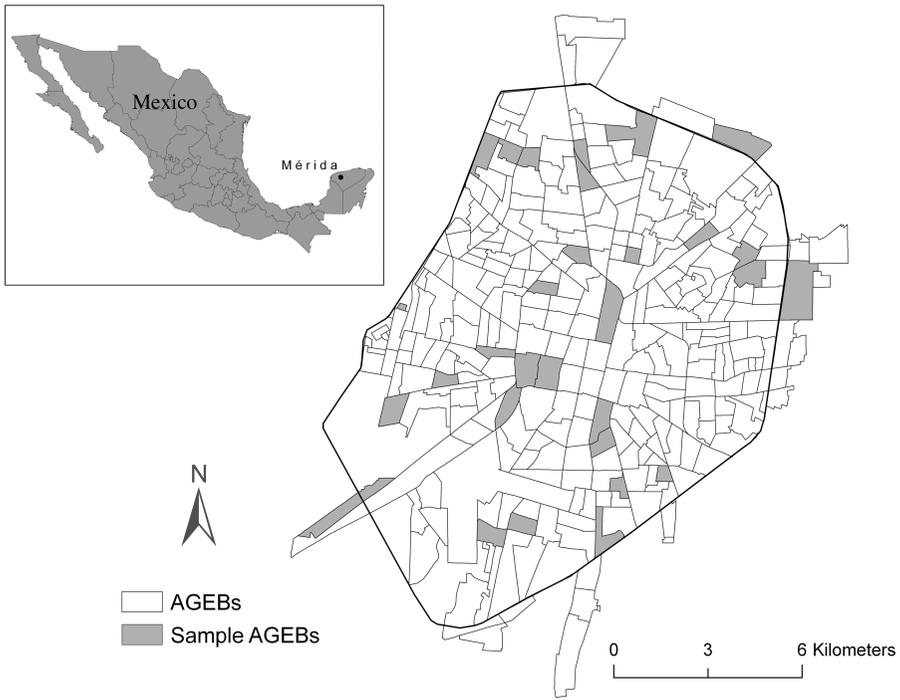


Figure 1 Map of study area and survey locations. AGEBS = *áreas geoestadísticas básicas*.

Labor Force Characteristics and Informality
 Overall, more than 20 percent of the working-age population in Mérida remains outside the labor force—neither wanting to work nor actively seeking employment (Table 1). Unemployment, however, is relatively limited, affecting about 5 percent of the population. Among those working, the formal economy provides only 40 percent of total employment in the study area. Consequently, when compared with previous findings from Mexico (Maloney 2004), these data show that informal work is substan-

tially more pervasive in Mérida (accounting for nearly six out of every ten jobs) than in the country as a whole. In light of the increasingly tenuous nature of work and low wages in Mexico, Table 1 also captures the importance of “employment diversification” as a livelihood strategy, as more than 10 percent of workers held informal salaried or formal-sector jobs in addition to self-employment.

In the case of Mérida, significant differences exist in the characteristics of formal and informal employment. On the one hand, those

Table 1 General characteristics of labor force

Status	n	Age	Education	% Total	% Employed	Median income	Hours (median)	Pesos/hr (median)
Out of labor force	108	37.6	8.9	20.7				
Unemployed	28	29.8	9.6	5.4				
Formal	138	36.6	12.6	26.4	35.7	\$5,000	44.8	33.2
Informal	43	34.5	11.1	8.2	11.1	\$2,180	40.0	11.9
Self-employed	166	39.6	9.9	31.7	42.9	\$2,000	35.0	18.6
Self/formal	21	36.5	13.4	4.0	5.4	\$5,436	59.8	20.0
Self/informal	19	43.8	9.1	3.6	4.9	\$4,222	56.0	14.2

Note: All monetary values are in Mexican pesos.

Table 2 *Statistical analysis of monthly income and hourly wage by employment status*

	Formal	Informal	Self-employed	Self/informal
Informal	-6.209*/-5.311*			
Self-employed	-9.382*/-4.854*	-0.067/-1.945**		
Self/informal	-2.009*/-4.222*	-2.464*/-0.363	-3.031*/-1.276	
Self/formal	-0.481/-1.979*	-4.606*/-2.611*	-5.494*/-1.336	-2.003*/-2.568*

Note: Values correspond to z-statistic results derived from Mann-Whitney U tests.

*Statistically significant at 95 percent confidence level.

**Statistically significant at 90 percent confidence level.

employed in the formal sector average about three years more education than the population in general. In addition, formal employment provides the greatest monthly income, as well as the highest hourly wage (Table 2).⁶ Informal salaried work and self-employment, on the other hand, generally offer the lowest monthly and hourly income to workers. However, some heterogeneity exists with respect to earnings; for example, 12 percent of informal workers earn more than the average formal-sector wage.

Although monthly earnings among the self-employed are comparable with informal salaried employment, own-account workers earn significantly more on an hourly basis. In the case of formal-sector workers who supplement their incomes through self-employment, monthly incomes are not significantly greater and hourly wages are significantly inferior to formal-sector earnings. In contrast, informal salaried workers who resort to self-employment do experience a significant increase in their monthly incomes. However, no significant differences exist in their hourly wages; any gain in standard of living is due entirely to expansion of hours worked.

In terms of mobility, this study largely confirms World Bank findings from Mexico (Table 3). Over a three-year period, approximately 45 percent of respondents experienced a change in employment status.

Self-employment absorbed the greatest share of the working population in Mérida, accounting for nearly 40 percent of job moves (68 of 171 respondents changing employment sector). Informal salaried work provided about 16 percent of jobs and the formal sector absorbed the remaining share (15 percent). The large segment of the population that changed employment status, including those who left the labor force or moved into unemployment, hints at the growing precariousness of work. Overall, these patterns support the findings of Maloney and colleagues, as the share of workers moving from formal work to self-employment exceeds the share remaining in formal employment.

Characteristics of Self-Employment

Prior research in Mexico suggests that more than 60 percent of mobility from the formal sector to self-employment is voluntary (Maloney 1999). The preference for self-employment is somewhat less pronounced in Mérida, however, as only 51 percent of respondents opted for own-account work voluntarily (Table 4). Among workers leaving the formal sector during the previous three years, 50 percent entered self-employment of their own volition. Most commonly, own-account workers cited personal preference (27 percent) or a desire to start their own businesses (13 percent)

Table 3 *Employment mobility over thirty-six months*

From \ To	Out of labor force of or unemployed			Self-	Total
	Formal	Informal	employed		
Out of labor force or unemployed	27	13	12	28	80
Formal	25	22	8	26	81
Informal	15	5	3	14	37
Self-employed	10	7	8	8	33
Total	77	47	31	76	231

Table 4 *Motives for self-employment*

Motive		Three years or less	Four to ten years	More than ten years	Total
Involuntary	Economic necessity	22	18	13	53
	Family reasons	9	6	4	19
	Health problems	0	2	0	2
Voluntary	Supplement income	5	1	2	8
	Own business, independence	13	5	3	21
	Personal preference	15	12	17	44
	Improve quality of life (earn more)	7	2	5	14
	Flexibility	1	2	2	5
	Percent voluntary	50%	44%	57%	51%

as their primary motivation for voluntary self-employment. Nearly half of respondents, however, turned to self-employment involuntarily, often due to economic necessity (32 percent) or family reasons (11 percent).

In spite of generally low wages, own-account work appears to be a long-term livelihood strategy for a significant share of the population (Table 5). Although self-employment in Mérida is frequently home-based work, relying on unpaid family labor, a surprising share of own-account workers reported using paid labor. Previous research from Mexico suggests that workers opting for self-employment voluntarily enjoy higher standards of living (Maloney 1999, 2004). By the same token, workers abandoning the formal sector (where average wages are greater) for self-employment might be expected to earn more than the average own-account worker. However, in the case of Mérida, only modest differences exist in wages based on motives and mobility (Table 6). In general, those entering self-employment voluntarily do earn somewhat more than re-

spondents working involuntarily and hourly wages are significantly greater. In addition, the monthly income of workers moving from the formal sector to self-employment exceeds that of own-account workers who were previously unemployed, outside the labor force, or working informally (Table 7). No statistically significant differences exist, however, in hourly wages. Notwithstanding these minor differences, the “quality” of self-employment in the study area, at least in terms of remuneration, remains decidedly inferior to formal employment regardless of motives or mobility.

Parsing Informality: Gender and Self-Employment

Although patterns of mobility are similar, the characteristics of self-employment in Mérida do not coincide closely with previous findings from World Bank research in Mexico. In general, self-employment in Mérida is significantly more pervasive, less likely to be voluntary, and paid considerably less. Clearly, differences in data and methodology account for some

Table 5 *Characteristics of self-employment*

Characteristic	Value
Average time self-employed (median)	4 years
Percent home-based	54.5%
Percent earning less than one minimum salary	30.3%
Percent using unpaid family labor	26.4%
Percent using paid labor (including family)	45.5%
Percent with other employment	24.1%

Note: Values are in Mexican pesos.

Table 6 *Voluntary versus involuntary self-employment*

Variable	Voluntary	Involuntary	Mann-Whitney U
Age	39.5	39.7	-0.160
Education	10.4	9.4	-1.591
Median income	\$2,400	\$2,000	-2.292*
Hours/week	35.7	33.4	-0.461
Pesos/hour	\$20.1	\$15.8	-2.595*
N	84	82	

*Statistically significant at 95 percent confidence level.

Table 7 Mobility and earnings in self-employment

Previous status	Median income	Hourly wage
Out of labor force	\$1,765	\$21.30
Formal	\$2,500	\$16.90
Informal	\$2,000	\$18.50
Self-employment	\$1,367	\$14.60

Note: Values are in Mexican pesos.

of these inconsistencies. Prior studies have drawn inferences at the national level based on secondary data from major cities throughout Mexico. As a consequence, it is hardly surprising that characteristics of informal work in Mérida vary somewhat from national trends. However, a second methodological issue, the failure to account for the influence of gender on patterns of informal work, has potential implications for the validity of World Bank research in Mexico and suggests that resulting inferences and policy recommendations may be biased.⁷

When employment characteristics are parsed according to gender, significant differences abound (Table 8). Not surprisingly, women are much more likely to remain outside the labor force or unemployed. In addition, informal salaried work and self-employment account for more than two-thirds of employment among women. By comparison, roughly 50 percent of men worked in the formal sector. With respect to self-employment, many of these gender differences are statistically significant (Table 9).⁸ For example, male self-employed workers have higher levels of education and earn significantly more than women on both a monthly and hourly basis. In general, self-employment represents a full-time job for the majority of male respondents, who average more than forty hours per week. Women, on the other hand,

Table 9 Gender and characteristics of self-employment

Variable	Men	Women	Mann-Whitney U
Age (years)	40.1	38.5	-0.974
Education (years)	11.2	8.7	-3.169*
Median income (pesos/month)	\$3,800	\$1,080	-5.876*
Hours (weekly)	42.6	27.5	-3.732*
Median hourly wage (pesos)	\$23.3	\$11.6	-2.694*

*Statistically significant at 95 percent confidence level.

work significantly fewer hours, indicating that self-employment may provide desired flexibility or serve primarily to supplement household incomes.

Notwithstanding the prospects for flexibility, women are also substantially more likely to resort to self-employment involuntarily (Table 10). In particular, 50 percent of women identify economic necessity or family reasons as important motives for self-employment. In line with Maloney (1999), more than 60 percent of male own-account workers opted for self-employment voluntarily. In general, the desire for economic independence and personal preference were the primary reasons cited by men.

To some degree, the wage gap between male and female own-account workers stems from gender-specific occupational patterns (Table 11). Although sales and petty commerce employ a large share of both men and women, female workers are prevalent in low-wage, labor-intensive occupations such as domestic work, piecework, and clothing production. Men, on the other hand, are more likely to work in blue-collar trades (construction,

Table 8 Gender and labor force characteristics

Status	Women		Men	
	Total	Employed	Total	Employed
Out of labor force	35.1%		5.1%	
Unemployed	5.8%		4.4%	
Formal	16.7%	28.2%	37.3%	41.3%
Informal	7.7%	13.0%	8.9%	9.8%
Self-employment	32.3%	54.6%	31.0%	34.3%
Self/informal employment	1.6%	2.8%	5.7%	6.3%
Self/formal employment	0.8%	1.4%	7.6%	8.4%

Table 10 Gender and motives for self-employment

Motive	Women	Men
Involuntary		
Economic necessity	33.9%	28.6%
Family reasons	16.1%	6.1%
Health problems	0.8%	2.0%
Supplement income	9.3%	0.0%
Voluntary		
Own business, independence	4.2%	22.4%
Personal preference	26.3%	26.5%
Improve quality of life (earn more)	5.1%	12.2%
Flexibility	4.2%	2.0%

carpentry, repair services) or technical and professional positions. In terms of education, skills, and income, occupational diversity in Mérida largely coincides with the heterogeneity suggested by neo-Marxist and neoliberal literatures and previous studies in Mexico. Notwithstanding this diversity, more than 80 percent of self-employed men and women in the study area work in a relatively limited range of occupations.

As already suggested, gender plays a significant role in accounting for the incidence and characteristics of self-employment in Mérida. In general, women are substantially more likely to resort to self-employment. Furthermore, self-employed women work considerably fewer hours, earn significantly lower wages, and are less likely to enter self-employment voluntarily. To an extent, gender considerations help to explain some of the discrepancies between this case study and previous research. However, the validity of the comparison of self-employment in Mexico with microentrepreneurship in developed countries hinges on another factor: the use of paid and unpaid labor (Fajnzylber, Maloney, and Montes Rojas 2006).

Indeed, when gender, motives, and use of paid and unpaid labor are considered,

Table 12 Voluntary self-employment and gender

Variable	Men	Women
% employing at least one worker	67.3	35.6
Age (years)	38.5	39.0
Education (years)	12.0	9.9
Median income (pesos/month)	\$4,000	\$2,000
Hours (weekly)	40.8	41.7
Average hourly wage (pesos)	\$31.2	\$13.0

self-employment in Mérida more closely approximates the characteristics of autonomous informal work idealized by de Soto and promoted in recent World Bank publications (Table 12). For example, among male microentrepreneurs who enter self-employment voluntarily and employ at least one worker, levels of education, hours, and wages are roughly comparable with those found in the formal sector (and differences are not statistically significant). Although self-employed women who use paid and unpaid labor also earn more than women who work by themselves, wages are generally considerably inferior to earnings in formal employment. Consequently, given the prevalence of own-account work among women, only a relatively small share (approximately 15 percent) of those who resort to self-employment in Mérida—men who employ at least one worker—can justifiably be compared with small-business owners in more developed countries.

Informal Work: Getting By or Getting Ahead?

In the case of Mérida, informal salaried work and self-employment serve as a livelihood strategy for a significant share of the population and patterns of informality generally coincide with previous findings from Latin

Table 11 Self-employment and most common occupations by gender

Women	%	Hourly wage (median)	Men	%	Hourly wage (median)
Sales/commerce	46.6	\$16.6	Skilled and semiskilled trades	32.7	\$20.7
Domestic work	18.6	\$ 9.6	Sales/commerce	20.4	\$11.1
Clothing production/sewing	12.7	\$11.6	Technical/design/engineering	14.3	\$57.8
Food preparation	5.9	\$25.8	Arts	6.1	\$47.6
Personal services	4.2	\$27.1	Food preparation	4.1	\$29.1

Note: Values are in Mexican pesos.

America: proliferation of self-employment, increased heterogeneity of informality, and significant mobility, with a large share of workers opting out of the formal sector of their own volition. Undoubtedly, as suggested by both neo-Marxist and World Bank literatures, some own-account workers earn decent wages and choose to trade the traditional benefits of formal employment for the perceived advantages of self-employment. Additionally, other self-employed workers appear willing to accept lower earnings to avoid the exigencies of formal employment. However, the case study suggests that only a distinct minority of own-account workers in Mérida—primarily male microentrepreneurs employing at least one worker—are engaged in autonomous informal work.

Although the prevalence of informality in the study area is explained, to some extent, by a preference for the tangible and intangible benefits of self-employment, own-account work is significantly more pervasive, particularly among women, less likely to be voluntary, and paid considerably less. Indeed, the pervasiveness of own-account work despite inferior wages, coupled with greater labor-force participation among women and the continual “churning” of both men and women in and out of the workforce, indicates that self-employment forms part of a broader livelihood strategy in which households, irrespective of their socioeconomic status, expand the number of family members in the labor market to diversify sources of income (Chant 2004). Accordingly, the case study confirms the gendered nature of informal work, as women enter the workforce to supplement household incomes. Employment patterns, however, largely coincide with the “bimodal” distribution identified by other scholars, in which women working in the formal sector are significantly younger (by two years), more educated (by four years), and better paid (nearly double). In addition, labor-force participation rates among women in the study area (nearly 65 percent) greatly exceed official estimates, supporting Chen’s (2001) assertion that government statistics underestimate female employment because much home-based work (self-employment) is not counted.

Given these findings, this case study largely reinforces neo-Marxist theoretical perspectives, which attribute the proliferation of informality throughout Latin America to the

changing nature of work within the context of neoliberalism, urban economic restructuring, and the concomitant erosion of job security, incomes, and benefits. As the case of Mérida reveals, high levels of informal work and self-employment do not reflect an intrinsic preference for microentrepreneurship, but rather a livelihood strategy that allows households to cope with the vagaries of neoliberalized labor markets in which work is poorly remunerated and precarious, rather than scarce.

The World Bank literature, in contrast, envisions self-employment as a voluntary choice and intrinsic preference of workers who respond rationally to the potential for greater earnings and a host of benefits not found in the formal sector. However, the pervasive low wages, prevalence of involuntary motives, and heterogeneity of own-account work in the study area contradict World Bank claims. Consequently, this case study casts considerable doubt on the purported resemblance between self-employment in Mexico and microentrepreneurship in more developed countries and suggests that the policy recommendations of the World Bank should be treated with skepticism. Moreover, by ignoring the gendered nature of informal work, the World Bank literature displays a profound bias in that it associates one idealized form of informality—male self-employment—with virtues such as free enterprise, efficient labor markets, economic dynamism, and prosperity (Jonakin 2006). This definition contrasts markedly with the stereotype of informal work as female work, which emerged during the initial stages of the neoliberal experiment (Scott 1995). Given the proliferation of informality throughout Latin America during the past quarter century and the consolidation of neoliberalism as the mainstream discourse shaping economic policy (Tickell and Peck 2003), the World Bank literature attempts to redefine informal work as a virtue by excluding women and promoting the masculinist ideal of the male microentrepreneur.

Ultimately, World Bank research acknowledges the basic patterns of informal work throughout Latin America. However, by portraying the most prevalent form of informality—self-employment—as a universal, masculinist virtue analogous to entrepreneurship and economic independence in more

developed countries, the World Bank literature conveniently overlooks the gendered nature of informal work in Latin America and the profound divergence between the express purposes of neoliberalism and its actual implications. As a result, World Bank research on informality serves to justify the neoliberal model, rather than improve the livelihoods of those who live and work in cities throughout Latin America. ■

Notes

¹ Self-employment is not, by definition, informal work. However, self-employed workers whose activities are unregistered, untaxed, or otherwise unregulated are typically classified as informal. Accordingly, more than 90 percent of self-employment in the study area qualifies as informal work. For the purposes of this study, self-employment that complies with government regulations has been classified as formal employment and “self-employment” refers solely to informal (unregulated) activities.

² In recent decades, research on informal work has shifted away from the firm or enterprise as the unit of study to the social relations within which work takes place. As a result, the definition of informality has evolved from the size of the establishment (as a proxy for technology and ultimately “formality”) to compliance with employment regulations and access to required legal benefits and worker protections (social security, health care, etc.). For more information, consult Chen (2007).

³ In papers by Maloney and colleagues, it is unclear if data from sixteen cities throughout Mexico include Mérida, the study area in this article.

⁴ Research teams generally collected data daily between 9:00 a.m. and 9:00 p.m., which overrepresents women because men are more likely to be economically active and away from home during those hours. Overall, women make up about 53 percent of the population aged fifteen years and older in Mérida and approximately two-thirds of the respondents to the survey.

⁵ Maloney and colleagues analyzed male workers between fifteen and sixty-five years of age. Data collection for the purposes of this study was limited to adults eighteen years of age or older due to human participants concerns. Among economically active respondents over the age of sixty-four, 85 percent were working informally.

⁶ All monetary values are in Mexican pesos. The exchange rate at the time of data collection was approximately eleven pesos per U.S. dollar.

⁷ As mentioned earlier, Maloney and colleagues limit their analysis to male workers. In a recent paper (Fajnzylber, Maloney, and Montes Rojas, 2006),

they indicate that their ongoing research suggests “some differences in the dynamics of female-headed microenterprises.”

⁸ Although not shown in this article, multiple regression reveals that education is the most important variable in explaining income differences among workers in Mérida. In general, a one-year increase in education results in a 10.5 percent increase in income. However, holding education constant, dummy variables for gender (−0.649) and self-employment (−0.353) are also statistically significant.

Literature Cited

- Aguilar, A. G. 1997. Metropolitan growth and labor markets in Mexico. *GeoJournal* 43 (4): 371–83.
- Benería, L. 2001. Shifting the risk: New employment patterns, informalization and women’s work. *International Journal of Politics, Culture and Society* 15 (1): 27–53.
- Castells, M. A., and A. Portes. 1989. World underneath: The origins, dynamics and effects of the informal economy. In *The informal economy: Studies in advanced and less developed countries*, ed. A. Portes, M. Castells, and L. Benton, 11–38. Baltimore: Johns Hopkins University Press.
- Chant, S. 1994. Women, work and household survival strategies in Mexico, 1982–1992: Past trends, current tendencies and future research. *Bulletin of Latin American Research* 13 (2): 203–33.
- . 2004. Urban livelihoods, employment and gender. In *Latin America transformed: Globalization and modernity*, ed. R. N. Gwynne and C. Kay, 210–31. New York: Hodder Arnold.
- Chen, M. A. 2001. Women in the informal sector: A global picture, the global movement. *SAIS Review* 21 (1): 71–82.
- . 2007. Rethinking the informal economy: Linkages with the formal economy and the formal regulatory environment. Working Paper No. 46, U.N. Department of Economic and Social Affairs. <http://www.un.org/esa/desa/papers> (last accessed 26 February 2008).
- Consejo Nacional de Población. 2001. Índices de Desarrollo Humano 2000 (Human Development Indices 2000). <http://www.conapo.gob.mx/00cifras/6.htm> (last accessed 6 January 2008).
- . 2005. Índices de marginación 2000 (Indices of Marginality 2000). <http://www.conapo.gob.mx/00cifras/2000.htm> (last accessed 6 January 2008).
- Cross, J. C. 1998. *Informal politics: Street vendors and the state in Mexico City*. Stanford, CA: Stanford University Press.
- de Soto, H. 1989. *The other path*. New York: Basic Books.

- de Vaus, D. 2001. *Research design in social research*. London: Sage.
- Fajnzylber, P., W. F. Maloney, and G. Montes Rojas. 2006. Microenterprise dynamics in developing countries: How similar are they to those in the industrialized world? Evidence from Mexico. *World Bank Economic Review* 13 (3): 389–419.
- Freije, S. 2001. Informal employment in Latin America and the Caribbean: Causes, consequences and policy recommendations. Washington, DC: Inter-American Development Bank. <http://www.iadb.org/sds/doc/SOCInfEmployment.pdf> (last accessed 8 February 2008).
- Hart, K. 1973. Informal income opportunities and urban employment in Ghana. *The Journal of Modern African Studies* 11 (1): 61–89.
- Instituto Nacional de Estadística, Geografía e Informática (INEGI). 2007. Consulta Interactiva de Datos (Interactive Data Query). <http://www.inegi.gob.mx/est/contenidos/espanol/cubos/default.asp> (last accessed 7 August 2007).
- International Labor Organization (ILO). 2005. *Labor overview: Latin America and the Caribbean*. Lima, Peru: ILO.
- Jonakin, J. 2006. Cycling between vice and virtue: Assessing the informal sector's awkward role under neoliberal reform. *Review of International Political Economy* 13 (2): 290–312.
- Klein, E., and V. Tokman. 2000. Social stratification under tension in a globalized era. *CEPAL Review* 72:7–29.
- Maldonado, C. 1995. The informal sector: Legalization or laissez-faire? *International Labour Review* 134 (6): 705–28.
- Maloney, W. F. 1999. Does informality imply segmentation in urban labor markets? Evidence from sectoral transitions in Mexico. *World Bank Economic Review* 13 (2): 275–302.
- . 2004. Informality revisited. *World Development* 32 (7): 1159–78.
- Mannon, S. E. 2006. Love in the time of neo-liberalism—Gender, work, and power in a Costa Rican marriage. *Gender & Society* 20 (4): 511–30.
- Márquez, G., A. Chong, S. Duryea, J. Mazza, and H. Nopo. 2007. *Outsiders? The changing pattern of exclusion in Latin America and the Caribbean*. Washington, DC: Inter-American Development Bank.
- Martin, C. J. 1996. Economic strategies and moral principles in the survival of poor households in Mexico: An urban and rural comparison. *Bulletin of Latin American Research* 15 (2): 193–210.
- Olmedo, C., and M. J. Murray. 2002. The formalization of informal/precarious labor in contemporary Argentina. *International Sociology* 17 (3): 421–43.
- Organization for Economic Cooperation and Development (OECD). 2007. *OECD territorial Reviews: Yucatán, Mexico*. Paris: OECD.
- Packard, T. 2007. *Do workers in Chile choose informal employment? A dynamic analysis of sector choice*. Washington, DC: World Bank Latin America and the Caribbean Region Social Projection Unit.
- Pérez Sáinz, J. P. 1998. The new faces of informality in Central America. *Journal of Latin American Studies* 30:157–79.
- Perry, G., W. F. Maloney, O. S. Arias, P. Fajnzylber, A. D. Mason, and J. Saavedra-Chanduvi. 2007. *Informality: Exit and exclusion*. Washington, DC: The World Bank.
- Portes, A. 1997. Neoliberalism and the sociology of development: Emerging trends and unanticipated facts. *Population and Development Review* 23 (2): 229–59.
- Portes, A., and W. Haller. 2004. La Economía Informal (The Informal Economy). Serie Políticas Sociales 100. División de Desarrollo Social—CEPAL. Santiago, Chile: United Nations.
- Portes, A., and B. Roberts. 2005. The free-market city: Latin American urbanization in the years of the neoliberal experiment. *Studies in Comparative International Development* 40 (1): 43–82.
- Portes, A., and R. Schauffler. 1993. Competing perspectives on the Latin American informal sector. *Population and Development Review* 19 (1): 33–60.
- Roberts, B. 2005. Globalization and Latin American cities. *International Journal of Urban and Regional Research* 29 (1): 110–23.
- Sassen, S. 1994. The informal economy: Between new developments and old regulations. *Yale Law Journal* 103:2289–304.
- Scott, A. M. 1995. Informal sector or female sector? Gender bias in urban labor models. In *Male bias in the development process*, ed. D. Elson, 105–32. Manchester, U.K.: Manchester University Press.
- Tardanico, R. 1996. Employment, restructuring, and gender: The case of San José, Costa Rica. *Studies in Comparative International Development* 31 (3): 85–122.
- Theodore, N. 2006. Closed borders, open markets: Immigrant day laborers' struggle for economic rights. In *Contesting neoliberalism: Urban frontiers*, ed. H. Leitner, J. Peck, and E. S. Sheppard, 250–65. New York: Guilford.
- Tickell, A., and J. Peck. 2003. Making global rules: Globalization or neoliberalism? In *Remaking the global economy*, ed. J. Peck and H. W. C. Yeung, 163–81. London: Sage.
- Tokman, V. E. 2001. Integrating the informal sector into the modernization process. *SALS Review* 21 (1): 45–60.
- Whitson, R. 2007. Beyond the crisis: Economic globalization and informal work in urban Argentina. *Journal of Latin American Geography* 6 (2): 121–36.

- Williams, C. C., and J. Round. 2007. Re-thinking the nature of the informal economy: Some lessons from Ukraine. *International Journal of Urban and Regional Research* 31 (2): 425–41.
- Williams, C. C., and J. Windebank. 1998. *Informal employment in the advanced economies*. London: Routledge.

JAMES J. BILES is an Assistant Professor in the Department of Geography at Indiana University, Bloomington, IN 47405-7100. E-mail: jbiles@indiana.edu. His research interests focus on the confluence of globalization, livelihoods, and informality, particularly in southern Mexico.