

Labour Informality In Latin America: Poverty and Vulnerability

Roxana Maurizio

Universidad Nacional de General Sarmiento, Argentina

Abstract

The analysis of the informal sector is very relevant in Latin America. More than half of the workers in the region are employed in informal activities, mainly as own-account workers or wage earners in small enterprises. The informal grew steadily during the nineties and stopped in these last years as a consequence of the higher dynamism of employment. The growth of this sector in the nineties was associated to the insufficient generation of formal jobs in the context of low social protection. Additionally, a strong relationship between informality, precariousness and poverty can be found. However, beyond this global panorama, the importance and structure of informality in the region is very heterogeneous. In some countries, the informal sector represents a low proportion of employment and it is more structured. In other countries, the sector is more precarious and workers are in the lower extreme of the income distribution. Finally, the heterogeneity within the informal sector is also very high.

This paper aims at analysing two important aspects related to informality from a comparative point of view. First, the association between informality and poverty and, especially, the direct and indirect mechanisms through which this is verified. Second, the relationship between informality and social protection. To do that, four countries with important differences in the relevance and characteristic of the informal sector were selected: on the one hand, Argentina and Chile, where the informal activities represent a relatively low percentage of the total workers and, on the other hand, Brazil and Peru, where the opposite is verified. Data used in this paper comes from household surveys. The paper will contribute to the debate about both, the design of the public policies for the informal sector and those policies aiming at giving higher social protection, especially for the most vulnerable groups.

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roxanadmaurizio@gmail.com , rmaurizi@ungs.edu.ar