

Choices or Constraints? Informality, Labour Market and Poverty in Mexico

Mercedes González de la Rocha and Agustín Escobar Latapí

1 Introduction

The economic and social transformations that have taken place in Mexico during the last three decades have influenced the way labour markets operate and have had an important impact in the number of poor households, their livelihoods and their capacities to use their labour force as a means to obtain incomes for their increasingly constrained economies. We discuss the 'voluntary' entrance of workers in the informal labour market, drawing on the work of Maloney (2004) and others, and critique this view on the basis of crucial economic and social trends that have shaped Mexican society today. We draw from our own long-term fieldwork and from recent analyses on social mobility and occupational mobility in order to show that there are more 'constraints' than 'choices' for workers within the more rigid labour and economic structure that prevails today.

2 Voluntary entrance into informal employment: Maloney's arguments

Contrary to the perspective that sees informal workers as comprising the less-advantaged, residual sector of a dualistic or segmented labour market, Maloney argues that the informal sector is the Latin American or developing country analogue of the voluntary entrepreneurial small firm sector, which is found in advanced countries. According to this view, workers prefer informal jobs to those offered by the formal sector of the economy. They opt for informal work voluntarily because they find substitutes for the protection or services offered by formal institutions. Family, networks and kin play a crucial role in providing support and protection during illness, unemployment and old age: '... informal support networks may be able to substitute for

unemployment insurance or retirement funds at lower cost' (Maloney 2004: 1165).

This view is developed from the analysis of what Maloney calls 'the largest group of the informal': males who are self-employed or owners of unregistered microenterprises with up to five employees, unprotected by social benefits and with no more than high school education; the 'informal self-employed'. Women are absent from the analysis in spite of the fact that they comprise a large share of the informal sector (and of the self-employed). Informally employed male wage workers are also absent. On the other hand, there are no analytical differences between different kinds within the broad category of 'the informal self-employed'.¹ Maloney's analysis thus does not offer any insights into our understanding of differences and inequality among informal workers.² All informally self-employed (males) fall in the same homogeneous category of workers.

Greater independence and higher pay are, according to Maloney, the two principal motives for voluntarily entering the informal sector as self-employed. He draws support from a study in Mexican labour markets literature, conducted by Balán *et al.* (1973) in Monterrey, the prototype of the Mexican industrial city, conducted in 1965. Balán *et al.*'s interviewees stated their preferences for being one's own boss and that '... movements into self-employment from salaried positions often represented an improvement in job status' (Maloney 2004: 1160). There are several questions that need to be tackled here: First, is this option equally attractive to all formal workers? Second, can they exercise this preference not as an exit move, but as an entry move? In other words, are

there no barriers to small employer status? And third, to what extent have Mexican labour markets remained unchanged from the period of that study? Are workers' preferences still the same after 40 years? And are they still able to act on their preferences?

Maloney is almost certainly correct when he argues that self-employment is not an entry occupation from school. He draws on evidence from a variety of sources (panel data on worker transitions from three Latin American countries, including Mexico, from Balán *et al.* findings from the Monterrey study, and from anthropological studies carried out by Selby *et al.* 1990 and González de la Rocha 1994) to argue that *life cycle* and *domestic cycle* are important influences on labour market entrance and transitions. Balán *et al.*'s analysis led them to the conclusion that self-employment comes at relatively late stages of the worker's life, after having worked in salaried occupations and accumulated knowledge, capital and social contacts. It is only then that workers voluntarily quit salaried jobs and opened their own informal businesses.

Our own research in Guadalajara in the early 1980s stressed the crucial importance of life and domestic cycles to understand movements and transitions between jobs of different kinds and different 'protection' levels. Adult males could only run the risk of self-employment when their offspring were already participating in the labour market and contributing to the household budget (González de la Rocha 1994), or when their *possibilities* to continue working in larger and formal firms had decreased (Escobar Latapí 1986b). Maloney (2004) also cites González de la Rocha (1994) to support this point: '(González de la Rocha 1994: 1161) does also ... suggest some degree of voluntary movement when she says that 'Older men may also find the pace of industrial (formal) work too arduous and leave such jobs'. This was valid then. The question is how and to what extent have these transitions between occupations changed or remained unchanged over time, particularly after two decades of vertiginous transformations in the Mexican economy?

Self-employment, according to data cited by Maloney,³ does not only absorb the unemployed from the formal sector who cannot afford to be unemployed, but also contributes to unemployment: 75 per cent of the unemployed in Mexico had been previously informal. He does not attempt to explain

whether the transitions from informal jobs to unemployment are also voluntary. Indeed, discussion of this type of mobility is absent. It would be extremely important to know if the informal sector, including those in self-employment, has become saturated. Are high levels of competition and saturation of the informal sector the causes of transitions from informal jobs to unemployment? There are certainly some interesting findings that point in this direction (Escobar Latapí 1988).

Women's disproportionate representation in informal self-employment is explained, in a marginal paragraph in Maloney's text, by the *flexibility* (a desirable characteristic) of the sector: Self-employment is described as more conducive to balancing women's productive and reproductive roles so that the informal economy appears as a desirable alternative. But are these women *voluntarily* deciding to become self-employed? For voluntary behaviour to take place, it should be possible to have chosen otherwise. This is the case for both women and men but we would argue that gender differentiates the basis on which women and men are able to choose between formal and informal work. Age, domestic responsibilities, marital status, having children or being childless, along with educational levels, all combine to constrain women to informal employment to a greater extent than men.

3 Voluntary acceptance of informal social protection: Maloney's arguments

Formal or informal protection? According to Maloney and others (e.g. Levy 2006), workers take into account not only monetary earnings when choosing what job to take, but all other characteristics and benefits associated with the employment alternatives available to them. The main reason why workers may be willing to voluntarily become 'unprotected' is the cost of formal social protection. The availability of lower cost alternatives (family and social networks) are incentives to not participate in formal occupations since they provide informal strategies for managing risk that act as informal insurance. This view of social networks as cushions to absorb shocks and to act as an informal insurance system is also to be found in Lomnitz's conceptualisation of reciprocity and horizontal social exchange (Lomnitz 1975).

Mexican economist Santiago Levy has argued that social programmes such as Oportunidades or the

Seguro Popular (popular insurance) act as negative incentives to workers to look for formal employment and as positive incentives to the creation of low-productivity informal employment and hence as a limitation to economic growth (Levy 2006). Such arguments do not take into account the costs of 'informal insurance'. As González de la Rocha (2000, 2001) argues, reciprocity and social exchange are not infinitely available resources – they have costs. In order to keep the flow of informal services provided by networks, individuals have to invest their own resources – often money – in acts of reciprocity and the fulfilment of 'social obligations'. When they fail to reciprocate, often due to shortage of resources, they are at risk of becoming socially isolated. This can lead to a process of cumulative disadvantages since social isolation makes it even more difficult to find jobs or to solve everyday problems.⁴

It would thus be wrong to conceive of the social networks of the poor as consisting *only* of acts of mutual help. If indeed they were, then the maintenance and operation of networks would be costless and effortless. It would then be valid to regard informal mutual help networks as a more *efficient* form of social insurance for the poor because, unlike bureaucratically-managed systems, they involve no administrative overheads. But this view is profoundly mistaken. Whether in peasant communities or in shanty-towns, the anthropological evidence shows that, in order to maintain working social networks, considerable time and money must be invested along with the goods and services being exchanged. These resources, time and money, may not always be thought of as a cost to participants: socialisation can be pleasurable. Inviting your favourite *compadres* over for Sunday dinner is enjoyable. But, at other times, it is very clearly a burden: when it comes to sponsoring community feasts, for instance. The implications of this point for our argument are clear: the cost of attaining social security may be higher in informal than formal institutions.

Moreover, the fact that both informal and formal institutions provide social security should not obscure the fact that they provide different substantive goods and services. A poor family may indeed receive food from relatives and friends, but it is very unlikely to receive specialised medical treatment and medication from them. In old, large peasant families, children can act as a substitute for a pension system. In today's

smaller, urban families, one or two offspring are unlikely to be easily able to support their aged parents. In both instances, formal institutions are likely to be preferable. For this reason, Escobar Latapí (1984, 1986a) found that, in Guadalajara, young workers who had been socialised in informal workshops moved to formal factories when they married and began having children: the savings produced by access to formal healthcare weighed clearly in favour of formal employment. And workers sought to establish at least the minimum number of years in formal employment required by law to access formal pensions, even if they, at other stages in their life and family cycles, had in fact the choice of informal entrepreneurship. Some workers even kept contributing a fee to the IMSS (Instituto Mexicano del Seguro Social or Mexican Social Security Institute) after they had built an independent workshop, in order to guarantee their access to a pension.

Naturally, the value of formal social protection is not fixed. If the healthcare and pension systems are 'reformed' or they become overcrowded or over drained, their value could drop. Beneficiaries of the Mexican (occupational) healthcare system in fact complained, in the late 1980s and 1990s, that waiting times and scarce medication supplies made the formal system less valuable. It is evident from this that the relative advantage of formal and informal systems shift over time.

In the next section of this article, we use results from longitudinal studies with a dynamic approach that place economic and social change in the centre of analysis as a contrast to the Maloney's static and ahistoric perspective. In our opinion, the *voluntary* argument has a two-fold limitation. The first relates to the limits to choice. As Fleurbaey (2004: 5) argues, 'It is indeed rather absurd to claim, as some libertarians do, that a poor person has more freedom than a well paid employee who is forced to contribute to the system of social security'. As a neoclassical economist concerned with choice, it is surprising that Maloney does not explore in more detail the interaction between the liberty to move from one job to the other and the means necessary to enjoy such 'freedom'.

The second relates to Maloney's lack of a historical perspective. This makes his arguments oblivious of processes of change and of labour markets as structurally and historically bounded. It appears from

his analysis that there have been no changes in Mexico between the period when some of the studies he cites were conducted and the present time. He pays no attention to the transformation of the Mexican economy and its impact on workers' lives and opportunities for choice. Based on a more comparative analysis, we would argue that workers have fewer choices today and face more constraints in their struggle to find jobs, to keep themselves in work, formally or informally, and to obtain the means to secure their livelihoods. 'Informal insurance' and the capacity of families to act as a cushion for economic and all types of shocks are reaching the point where such protection is no longer possible (González de la Rocha 2000, 2001; González de la Rocha and Grinspun 2001). Changing demographics have also played a role in this: the relative weight of the elderly in the population at large is growing rapidly, thus placing an increasing number of poor households in a position in which protecting aged relatives, whether through cash aid or the provision of care, is increasingly difficult (Escobar Latapí and González de la Rocha 2006).

4 Economic and social trends: the re-shaping of occupational mobility

The study of labour markets, occupational and social mobility has a long tradition in Mexico (Balán *et al.* 1973; Muñoz *et al.* 1977; García *et al.* 1982; Escobar Latapí 1986a; Escobar Latapí and de la Peña 1986; González de la Rocha 1986, 1994). In order to understand the social organisation of labour markets, we need to address its employment structure and dynamics as well as the household arrangements behind different income generating strategies. Two types of processes have to be taken into account: (1) macroeconomic policy changes and their impacts on employment structures; and (2) microeconomic and social transformations taking place at the household level.

There are three different historical periods in the recent development of Mexico, which have to be distinguished in order to understand the processes of socioeconomic change and their consequences for labour markets dynamics: (1) the *desarrollo estabilizador* (stable gradual growth) or the period of import substitution industrialisation – ISI – which roughly ran from 1940 to the 1982 crisis (although the signs of its weakness began to be shown earlier); (2) the 1980s crisis or the transition stage during which the economy combined policies and features

of the previous –substitutive development – and of the export-oriented economic policies; and (3) the so-called *la restructuración*, or the stage of Mexican development in which structural change towards economic liberalisation gave place to what has been called the 'more market and less State formula' (Cortés 2000). Considering these three different historical periods of Mexican development, we will concentrate on two topics. The first relates to occupational mobility and the transformations within labour markets: workers' choices or constraints while entering labour markets, changing jobs or transiting between formal and informal 'sectors'. The second relates to social mobility as a different, broader but interrelated phenomenon which frames and structures individuals' possibilities to use their occupations and jobs as ladders within the social structure. Drawing from a recent analysis on structural change and social mobility in Mexico (Cortés *et al.* 2007), we argue that our country's social structure is more *rigid* today when compared with previous historical periods. There seem to be fewer options to scale up in the social and occupational structure.

5 Changing patterns of occupational mobility: from import-substitution to economic liberalisation

Relatively 'easy' transits between formal and informal sectors were found in various Mexican urban contexts during the 1970s and early 1980s. But occupational mobility has not remained unchanged. When economic growth was paralleled by job availability and open opportunities for work, albeit poorly remunerated, household members have gone to the market to generate incomes for subsistence in both formal and informal jobs. The household was a 'melting pot' of the various kinds of economic insertion and social protection afforded by the urban economy. This was the situation that characterised Guadalajara and other Mexican cities during the years of economic growth based on ISI (see Chant 1991; Benería and Roldán 1987; Selby *et al.* 1990; González de la Rocha 1994).

According to Escobar Latapí (1993) the Mexican economic and social order of the time was closely articulated and capable of integrating all economic and social actors into a single structure. *It was an exploitative social order but an inclusive one*, in which the informal economy was tightly articulated to the formal sphere. Growth was achieved through the

production of commodities for internal markets. Employment increased, and so did the purchasing power of the middle class and, to a lesser extent, the working classes. Poverty diminished, and formal and informal activities were, in many industrial contexts, interrelated through subcontracting chains or outputting (Benería and Roldán 1987; González de la Rocha 1995), or coexisted within a single firm (Escobar Latapí 1986b). In a single factory, for example, skilled males could be unionised and they could enjoy formal social security, while women – in a different room, performing different occupations and working different hours – were often unprotected and could be employed from the age of 13.

Research conducted during the early 1980s highlighted the existence of highly mobile labour markets (Escobar Latapí 1986a,b). Industrial structures were deeply heterogeneous, where various types of labour processes coexisted even within a single enterprise and such labour processes defined particular patterns of occupational mobility. Dualistic views and those that emphasised the structural need of formal and informal sector articulation were questioned for three reasons: (1) economic firms are not totally homogeneous as they often have different labour processes (both 'formal' and 'informal'); (2) workers could transit between different types of labour contexts or 'sectors' according to their age, capacities or family needs; and (3) multiple income household strategies led to the insertion of a single household in various and different labour market contexts – or 'sectors' – (Escobar Latapí 1986a,b; González de la Rocha 1986, 1994). Labour markets characterisation during the ISI period emphasised: (a) *accentuated mobility between formal and informal sectors* and (b) *variable degrees of differentiation within different units of production*.

In other words, attributing clearly opposed 'formal' or 'informal' characteristics to enterprises turned out to be a mistake, an error of analysis and interpretation. Informality was a more useful concept to characterise certain elements within a broad range of economic actors' strategies (Escobar Latapí 1986a). The analysis of occupational or labour trajectories led to the following conclusion: 'The articulation through a high degree of labour force mobility between [different] production units is not a result of chance [or will], but it takes place only between those enterprises in which entrance and exit labour force characteristics coincide' (Escobar

Latapí 1986b: 150). These included the shoe, garment and light manufacturing firms.

An important life cycle effect was found in the workers' transit from one 'sector' to the other: children used to learn the craft work in the informal sector; they entered formal jobs when they had enough knowledge and the required age, and went back to the informal sector when their perspectives of formal employment decreased. In fact, Escobar Latapí found that large 'formal' enterprises used workers until they were worn-out, disposed their 'old' workers and replaced them with fresh younger men and women. Worn-out workers had little chances to stay in protected jobs and had *no option* but to go back to the 'informal', unprotected sector. Employers could sponsor a good worker and help him create a new informal enterprise that would be linked to the larger firm. But if the worker was 'burned-out' tired or alcoholic, firms avoided the cost of laying him off by making his working life miserable. In the words of an employer, 'In Guadalajara we don't fire people; we make them go (*los vamos*)'.

Within the same research project on Guadalajara's labour market, González de la Rocha (1994) put forward the idea of the *resources of poverty* as a way of conceptualising household livelihood strategies in the period immediately before the 1980s economic crisis. Although it was meant to describe and to explain the survival of the urban poor in a particular Mexican city, research conducted by scholars in other Mexican cities and in other urban Latin American contexts revealed many similarities to the situation it described (see, e.g. Chant 1991; Pastore *et al.* 1983; Barrig 1993). The 'resources of poverty' referred both to the diversity of income sources and to the social organisation of households. The household acted as the social unit in charge of the reproduction of labour force and of the survival of its members in spite of low wages. Few differences were found in wage levels of formal and informal workers. Household members managed to cope with scarcity through social mechanisms that included the participation of more than one household member in the labour market and the combination of diverse income sources and a multiplicity of remunerated occupations (protected – *formal* and unprotected – *informal*).

Income from wages obtained in the formal and informal sectors of the labour market constituted an

important, but not the sole, source for nourishing household economies. Men were the main wage earners but women acted as important generators of wages. The presence of women in the labour market during ISI was highly specific. Women participating in waged employment were mainly young, without children, single and with a relatively high educational level (García and Oliveira 1994). The growing service sector of increasingly populated cities gave entrance to many women with such a profile, as well as some specific manufacturing domains and the informal sector (both in manufacturing and services). This does not imply, however, that women with different characteristics did not participate in labour markets, but married, with children and poorly educated women were not the norm: participation rates dropped rapidly after the early 1920s.

Women's participation in labour markets depended on their households' social structure and stage in the domestic cycle. Extended households with several adult women were more conducive to female participation (Chant 1991). Women tended to be involved in waged activities during the expansion stage of the domestic cycle, while sons and daughters were especially important for income generation during the later stages. Although many young households adopted a traditional division of labour with only one wage earner (male), most households in the later stages of the domestic cycle had at least two members fully participating in the labour market. Young housewives, however, worked during emergency periods (illness of one of the main providers), while other women, frequently those living in extended households, worked on a more regular basis. Important as it was, women's participation in income-generating activities was at best parallel to men's, and except in the case of some female-headed households there was no concept of the feminisation of household economies.

Household economies relied as well on petty commodity production and petty trade. The role of women was especially important. Goods and services produced mostly by women at the household for consumption of its members was a clear source of wellbeing. Networks and support systems proved to be crucial for the survival of urban working-poor households. Social exchange – the flow of goods and services within social networks – was and continues to be a crucial ingredient of the lives of the working

poor. Lomnitz (1977) argued that social networks were the key to survival. The centrality of networks to people's lives arises when social exchange is observed when it flourishes as well as when it is absent. Research in Guadalajara showed that the poorest of the poor households were socially isolated (González de la Rocha 1994).

Urban households relied on wages within a collective income-generating strategy. Households were not homogeneous in occupational terms. Different types of workers (formal as well as informal) were found together within particular households. Even a single worker could participate in different occupations (formal–informal) not only in the course of a lifetime but also during the working day. Occupational heterogeneity was a way of compensating for the temporary unemployment of some members. This collective income-generating strategy cushioned the impact of temporary crises (e.g. the lack of employment of a member or a period of illness or death of a working member).

Occupational heterogeneity within households was the inevitable result of low wages and the need to combine several incomes to ensure survival, but it was a viable strategy. Households that had sufficient labour force, could take advantage of labour market opportunities (larger, extended households and those in the consolidation stage of the domestic cycle), and could get more incomes and larger contributions to the household budget. Occupational heterogeneity within households was thought to halt working-class differentiation, since formal-sector workers lived with street vendors, informal labourers, artisans, domestic employees, and the self-employed. Households acted as melting pots, in which different types of workers shared – not without conflict – the same roof.

The Mexican debt crisis (1982–5) produced a general economic downturn, a drop in official and actual real wages, drastic devaluations of the Mexican currency, capital flight and fiscal austerity. From 1986 to the end of the eighties decade, substantial restructuring took place. Wages continued to fall, inflation remained high, firms were privatised and social expenditure kept falling. In 1986 Mexico signed the GATT accord and imports began to have an impact on the domestic market, while domestic industry was scarcely able to export. Many firms closed down. Although *maquiladora* – in-bond assembly industry –

employment grew, there was a general downturn of formal employment. Informal employment *grew* from 1980 to 1987 by 80 per cent in absolute terms, going from 24 to 33 per cent of the economically active population. Jobs were no longer secure, part-time employment became more common, out-contracting to smaller firms became general practice, and workers and employees were asked to perform more duties in order to remain at work (Escobar Latapí and González de la Rocha 1995).

The main macroeconomic reason for the increase in informal employment in Mexico has been the stagnation in formal employment. Formal manufacturing and services reduced their employment levels during the 1980s. In Escobar Latapí's analysis, two groups emerged clearly: those who have no option and therefore have to work informally, and those who have left formal employment. Both grew during the 1980s and 1990s. Women and youths constituted the majority of those who have no option but informal jobs or self-employment. The fall in real household incomes, as González de la Rocha showed, forced many women and youths to seek employment and their inappropriate age, marital status or school credentials have pushed them towards informal employment.

The second group was mainly in self-employment during this period of time because its relative attraction increased as formal wages declined. 'The first source of increased informal work is from people moving to self-employment. The second source is from what has come to be known as the rise in unprotected [precarious] labour' (Escobar Latapí and González de la Rocha 1995: 72). In other words, firms *informalised* their working conditions.⁵ The rise of informality entailed a rise in the proportion and number of unpaid family workers (particularly women). Formal employment in manufacturing turned to younger unmarried men and women with at least nine years of schooling, not skilled but willing to work for lower wages than the previous skilled workers.

Today, in the midst of a restructured economy, Mexico's capacity to achieve economic growth has deteriorated while, at the same time, income inequality is greater than it was during the ISI period. Studies on poverty measurement call our attention to greater poverty as a result of the economic paths that the country has followed (Cortés 2000). But

poverty has not only increased in absolute and relative numbers. Ethnographic accounts suggest that the poor have become poorer as employment opportunities run shorter. The household is not, as it used to be, a melting pot in which different types of workers meet. The diversification of income sources and the heterogeneity of household employment structures have given place to occupational de-diversification processes. The poor are poorer because they face greater difficulties to use their labour force as a resource. Today, households are more homogeneous with precariousness as the main ingredient to use in the 'melting pot' of the past (González de la Rocha 2001). Formal employment has become scarcer and less accessible for the majority of workers who are left with no options but informal occupations.

6 New constraints to social mobility in the current period

Recent analyses on the relationship between social backgrounds and access to occupational positions have significantly advanced our understanding of social mobility, one of the oldest themes of Mexican and Latin American social sciences. Escobar Latapí and Cortés (2007) show a very significant general fall in the odds of individuals accessing the 'highest' stratum, that constituted by professionals, functionaries, and large employers (*grandes patrones*).⁶ Decreasing opportunities are particularly acute for men whose origins are the lower strata viz. manual workers from the formal and the informal sectors and agricultural workers. In general, the analysis points at the marked lowering of the occupational 'destinies' of workers coming from the lower echelons of the social occupational structure. The children of farmers and labourers, for example, have seen their relative odds of accessing the top stratum cut by half. As Mexico transited from Import Substitution Industrialisation to a new economic model, workers have tended, in general, to concentrate in strata closer to their origins. Their destinies tend to be more definitively marked by their origins. These findings led the authors to conclude that the stratification 'regime' is much more rigid, and that rigidity rose since 1988 (Escobar Latapí and Cortés 2007).

Our own 2002 evaluation of the government's main social programme (Progres-a-Oportunidades) concluded that informal child labour is unlikely to fall in the near future, in spite of the programme's

financial incentives for children to stay in school and in spite of the saturation of the informal labour market. Although informal sellers abound in the Mexican economy, children cannot retreat from the market because even the small income they earn represents a gain for the household (Escobar Latapí and González de la Rocha 2002).

Although social mobility and occupational mobility are two distinct concepts that allude to two different phenomena, they are interrelated. A more rigid social structure directly alludes to more difficulties to climb in the social strata ladder. Traditionally, social strata have been empirically defined by variables such as education, income and occupation. Therefore, occupational stratification is a useful and valid tool to approach social strata, and a good deal of social mobility is given by occupational options that different types and degrees of development provide. Economic development creates new occupations while others tend to disappear. If new occupations are hierarchically higher than old ones, structural mobility takes place. In order to know individual achievements, the analysis should take place controlling structural mobility. There is enough evidence to show that, in Mexico, there are more barriers, or more rigidity, to occupational mobility (Cortés, pers comm). There seem to be more risks on leaving formal jobs to, voluntarily or not, become informal.

7 Summary and conclusion: social change and the freedom of labour

Social sciences have not advanced by positing either the generalised freedom of social agents or the lack thereof. Instead, social scientists have contributed to understanding human behaviour by analysing the interplay between social institutions, intentional behaviour and changing human and social necessity. It is this interplay that *patterns* observed action, at the same time opening and restricting different options and lines of action.

Although this short essay does not set out to provide an exhaustive analysis of the interactions between changing social institutions and economic conditions, on the one hand, and the freedom of choice among workers on the other, it does attempt to contribute to our understanding of these interactions by showing that different kinds of workers face different choice structures, that different forms of employment compare differently at different times and that the

extent to which they represent meaningful alternatives and hence constitute real choice has also varied. All of this means that the ability to move between formal and informal employment has also varied in magnitude and in significance.

Labour mobility during ISI in Guadalajara was frequent, but clearly patterned. Skilled men in certain 'craft' industries (Escobar Latapí 1986b) exhibited the freedom to move from formal to informal and vice versa most frequently, but they did so in a pattern clearly influenced by their own and their family life cycles. Even for them, mobility after the age of ~35 became severely restricted, because their ability to enter or re-enter formal employment dropped. Men arriving in the city from rural areas lacked the training in those crafts, but they did have some significant options: they could work as unskilled or semi-skilled workers in formal firms, or they could work very long hours, face significant income insecurity and sometimes higher net incomes in informal occupations (such as bricklayers).

For women, there were far fewer alternatives. Women with a high-school diploma or higher were able to enter formal jobs in the services, in which they exhibited very little inter-job mobility. Women with lower credentials (the largest group) had fewer options: whether they worked in manufacturing or the services, they had few opportunities to receive the benefits associated with formal employment.

The household cycle was a fundamental influence on who worked, and how much. Because there were significant options open in the market, households were often successful at combining formal and informal occupations, *which afforded them the protection of a formal social security system while preserving some flexibility in the movement of some workers.*

Mexico suffered its first major debt crisis in 1982. Formal wages were the first to fall in a general framework of downward income levels. As purchasing power fell, formal employers sought to lower costs to maintain output prices within the reach of their traditional markets. This produced a surge in outsourcing and casualisation of employment within formal enterprises as well as a flight from formal employment by workers who judged they could earn more working independently. Although, in the short term, they may have been

right, this had consequences in the level of crowding in the informal economy.

Households responded to the fall in real wages by increasing the labour supplied to the market. Some formal firms responded by lowering their wages and increasing employment at the expense of capital-intensive processes, but the difficult economic environment meant they could not increase it that much. Most of the added labour went into informal occupations, as a matter of necessity. By 1987, the wages of women and younger workers in the informal, light manufacturing workshops had fallen much more than the men's: household responses meant more workers competed for a total wage mass that was not expanding, and women and the young bore the brunt of that change. This period can be characterised as one of employment, and social *involution*. Gradually, the worsening working conditions in the informal manufacturing sector became far deeper than in formal employment. By 1990, a survey directed by Escobar Latapí (1993) showed that formal workers were staying longer at their jobs.

Mexico signed GATT in 1986. By 1988, the Mexican light manufacturing sector faced steep competition from imports from Asia. Total employment in a large number of Mexican manufacturing industries fell in absolute terms, as falling demand affected up-stream industries (rubber, leather, textiles, steel, and machinery). This meant that informal employment expanded, but it did so mostly in the services. The key word at that moment was *saturation*. The kind of household response that served workers to survive from 1982 to approximately 1990 was no longer effective: placing additional workers in the labour market provided hardly any additional income. Mexico to US migration had taken off in the early eighties, but at this time it boomed. There were few if any significant employment options in Mexico.

In this environment, formal firms were able to control wages and, although formal employment conditions had become comparatively better than the informal, a new, far more precarious, kind of

labour process aimed at exports began to grow employing abundant, semi-skilled labour at low wages. This was helped by the drive to weaken unions. It fostered the turnover of labour to avoid the costs of a permanent labour force. Nevertheless, formal employment retains some protections, including a legal minimum wage, social security, healthcare and access to housing funds. Although this kind of employment did not entirely transform the Mexican labour market and has remained the hallmark of cities along the Northern border, it did shift the conditions of employment throughout the country, and attracted hundreds of thousands of young workers from the entire country. NAFTA helped by increasing manufacturing employment, but it did not help improve working conditions. The labour reserve created during the crisis years was too large, and Mexico suffered other crises.

We therefore think the freedom of workers to choose between employment that is formal vs. informal, dependent vs. independent or protected vs. unprotected depends on a variety of factors. At any given time, the individual characteristics of workers, such as their sex, age, skills and credentials, are crucial; but so is the wider environment in which these choices are made. There have been substantive changes in this wider environment in Mexico. First, the extent to which formal and informal enterprises interact has diminished greatly. Second, market conditions have shifted favourably to employers, thus diminishing worker options and voluntary worker mobility. And third, a polarisation in the power, market share, and labour processes of different kinds of firms has meant that the human and social capital gained in one (formal or informal) enterprise are less valuable as an asset in the other type. Over time, not only have the relative advantages of formal over informal employment shifted but the possibilities of making real choices between the two have diminished. Today, the growing unlikelihood of having a formal job to go into if self employment in the informal economy fails may be keeping many more workers in their slightly more secure formal jobs than was the case in the past.

Notes

- 1 The man who sells his own lollipops in the street and the owner of a small firm with five workers are both in the same slippery category and, presumably, are both equally satisfied with their voluntary entrance to those activities. Notably, independent professionals and professionals employing up to five workers (an accounting firm, a dentist's clinic, for example) are lumped together with unskilled males.
- 2 '... the presence of non-waged workers refers us ... to the universe of small production units where, for the most part, a process of capital accumulation is absent, although the sector comprises both middle-class professionals [in small formal units] at one end and street vendors at the other' (García 1988: 172, author's translation).
- 3 The data that the author analyses comes from panel surveys (ENEU, Encuesta Nacional de Empleo Urbano) applied by INEGI (Instituto Nacional de Empleo Urbano). It is, then, official data. The ENEU surveys are known as reliable and accurate. However, Maloney does not identify these sources (and others, from other Latin American countries) when presenting tables and graphs.
- 4 See González de la Rocha (2004) for a discussion on cumulative disadvantages.
- 5 In Escobar Latapí's methodology, informal work is defined in more complex terms than in Maloney's. An employment relationship is characterised as informal if it lacks: (1) a written work contract, (2) unionisation, and (3) access to social security.
- 6 We have placed 'highest' in inverted commas because it is generally accepted in social mobility studies that the truly highest stratum, comprised of corporate capitalists and high-ranking officials in the private and public sectors, is severely under-represented in occupational surveys. 'Large' employers were defined for this study as those employing more than five workers.

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