

“WHY DO WE WORK HERE?”

A Case Study on the Informal Economy in Guadalajara, Mexico

Master's Thesis
Han Na Kim
Aalto University School of Business
Creative Sustainability
Spring 2021

Author Han Na Kim

Title of thesis “Why do we work here?”: A case study on the Informal Economy of Guadalajara, Mexico

Degree Master of Science in Economics and Business Administration

Degree programme Creative Sustainability

Thesis advisor(s) Minna Halme

Year of approval 2021**Number of pages** 99**Language** English

Abstract

Comprising over 60% of the world's employed population, the informal economy has been a growing phenomenon ever since it emerged after WWII. Nevertheless, compared to its vastness and diversity, there has not been enough research done. In fact, most studies are carried out by individuals who are represented by numbers and statistics. This paper aims to give a voice to those employed in the informal sector and deepen the understanding of the informal economy. The study was carried out using a single-case study strategy in the neighborhood of Obregon in Guadalajara, Mexico. The data collection was done through 3 sets of semi-structured interviews, a ten-month-long participant observation, field notes, newspaper articles, and documents. The findings were analyzed through grounded theory techniques and positioned within the new institutional economic theory.

The study findings were divided into three main parts. The first focused on *informal institutions that hold together the informal economy*: trust, repetition and reputation, social exchanges, and culture. It was explored through the system of “fiar” or credit. The second part focused on *how formal institutions drive people into the informal economy*. The formal institutions that drive people into the informal economy are the government, social security, and taxes. Among these, the most significant driver was the government due to the lack of well-established welfare programs, funding, and its corruption. The last part focused on the *implication of the findings toward formalization and sustainability*. It was found that in order to bring formalization to the informal economy, the lack of jobs in the formal sector, the inefficiency of government, and the lack of well-established welfare programs should be tackled.

Nevertheless, it was also found that jobs offered from the formal economy should bring satisfaction and balanced pressure to be appealing for workers in the informal sector. Decent jobs may not always be enough to persuade the transition to formal jobs. Therefore, due to the pervasiveness and diversity of the informal sector, this study suggests more research to gain deeper understanding of the phenomenon. While our goal can be the formalization of the informal sector, we should also address the potential it has towards the economy and sustainable development. The informal economy will not disappear in a day and neither is sustainability going to be achieved likewise. It will be a process of finding the right methods, partnering, and patience while moving towards the goal to ensure no one is left behind.

Keywords informal economy, informal institutions, trust, social interaction, sustainability, NIE

ACKNOWLEDGEMENTS

First of all, I would like to thank God for His guidance through all the process. I hope that this thesis can bring glory to You. Praise the Lord!

Second, I would like to thank my supervisor Minna Halme. Thank you for your patience and encouragements. It was amazing to have your support during a year that was full of unexpected occurrences. It helped me keep going forward and finally finish the thesis.

Thank you, guys! Ju Yeong Hong, Grace Rhee, Jiho Choi, Doori Kim, Katrina Knotts and Liz Miller, you were my A team and would have never been able to cross the finish line without you. Thank you so much for your time, effort, and amazing feedback.

Mom and sis love you so much. Special thanks to my mom who supported me through the whole process, this thesis is yours. I would not have been able to make it without your food and consideration.

And lastly, Dad, who spent more than 20 years working in Obregon. We miss you; this thesis is also yours. Not the end of the story.

TABLE OF CONTENTS

1. Introduction.....	6
1.1 Purpose of the Study.....	7
1.2 Research Questions.....	8
1.3 <i>Scholarly Contributions</i>	9
1.4 <i>Case Study Background: Neighborhood of Obregon in Guadalajara, Jalisco, Mexico</i>	10
1.4.1 Background of Guadalajara and its Informal Sector.....	11
1.4.2 Neighborhood of Obregon.....	13
2. Literature Review.....	15
2.1 Informal Economy.....	15
2.1.1 Definition of Informal Economy, Informal sector and Informal Employment.....	17
2.1.2 <i>The ILO Definitions</i>	18
2.1.3 Definition used in this Thesis.....	19
2.2 Institutions.....	20
2.2.1 Formal and Informal Institutions.....	22
2.3 <i>Sustainability views of the Informal Economy</i>	25
3. Methodology.....	27
3.1 <i>Ontology and Epistemological Frameworks</i>	27
3.2 <i>Research Design</i>	28
3.3 <i>Role of the Researcher</i>	30
3.4 <i>Data Collection</i>	30
3.5 <i>Data Analysis</i>	32
3.6 <i>Triangulation</i>	34
4. Findings and Discussion.....	36
4.1 <i>Introduction to a Typical Day in the Neighborhood of Obregon</i>	36
4.2 <i>Introduction of Interviewees</i>	38
4.2.1 <i>Doña Maria</i>	38
4.2.2 <i>Juan</i>	39
4.2.3 <i>Guadalupe</i>	40
.....	40
4.2.4 <i>Interviewees placement in the Informal Economy</i>	41
4.2.5 <i>The Way Interviewees are Connected</i>	41
4.1 Informal Institutions That Hold Together the Informal Economy.....	42
4.3.1 <i>Trust ("Confianza")</i>	43
4.3.2 <i>Repetition and Reputation Building</i>	46
4.3.3 <i>Social Exchange</i>	50
4.3.4 <i>Culture</i>	60
4.4 <i>How Formal Institutions Drive People into the Informal Economy</i>	65
4.4.1 <i>Government</i>	65

4.4.2 Social Security.....	67
4.4.3 Taxes.....	72
4.5 Implications of Findings for Formalization and Sustainability.....	73
5. Conclusion.....	78
5.1 Summary of Findings.....	78
5.2 Theoretical Contributions.....	80
5.3 Limitations and Future Research.....	82
References.....	84

LIST OF TABLES

Table 1: Selection of definitions for institutions from academic literature.....	21
Table 2: Selection of definitions & arguments for formal and Informal institutions from academic literature.....	23
Table 3: Description of Study.....	29
Table 4: Adapted from the Hussmanns Matrix (2004).....	41

LIST OF FIGURES

Figure 1: Overview of Data Structure adapted from Gioia et al., 2013.....	34
Figure 2: Simple Explanation of Interaction between Interviewees.....	42
Figure 3: Example of how informal institutions make a credit transaction possible	42
Figure 4: Emergence and Alterations of Institutions by Dobler 2011 p. 21.....	43
Figure 5: A cycle of trust and reputation.....	48
Figure 6: Informal Institutions that Buyers take into account to make repetitive transactions	49
Figure 7: Reciprocity and Trust between Sellers.....	54
Figure 8: Network of Sellers and Buyers.....	55

“WHY DO WE WORK HERE?”

A case study on the informal economy of Guadalajara, Mexico

1. Introduction

The first time I earned money through the informal economy was at the age of ten when I sold a blue and white kid's table at a local “tianguis” (an open-air bazaar). It was in front of my mother's stand where she also sold self-made tailored clothes. This was my first real experience of what became a positive memory of informal economy, and the role it played for the local sellers and merchants. Now, whenever I come back to Mexico, I like to visit these frenzied local markets and observe the people selling all types of fresh tropical fruits, homemade delicacies and assorted cheeses. And of course, the traditional tacos al pastor (and all the other types) that are sold at stands throughout the streets. As I do this, I see past me people walking around with cappuccinos selling to pedestrians and cars at stop lights. My older self can now reminisce the recollections of the past events and what used to be an integral part of our family's income.

Slightly over 61% of the world's employed population is part of the informal sector (ILO, 2018, p. 16). However, compared to its importance to the international working and entrepreneurial scene little attention has been placed on its potential. Governments and organizations such as the World Bank and the International Labour Organization (ILO) are opposed to the informal sector and challenge their potential mainly due to some questionable characteristics (Perry et al., 2007; ILO, 2018). These range from tax evasion to low wages and lack of job security (ILO, 2018, p.1). However, as much research and history has shown, the Lewis Model of Economic Development (Lewis, 1954) that theorized that the informal economy would be absorbed by the formal economy was proven incorrect. The informal economy has shown that is here to stay in consequence of the shortage of jobs in the formal sector, strict procedures that impede informal businesses to become formal, the prerequisite of higher education and experience for obtaining formal employment, discrimination and poverty (Singer, 1970; ILO, 1972; Portes & Walton, 1976). This calls for attention to the informal sector, as one of the main objectives of the 2030 Sustainable Development Agenda is inclusion incorporating all workers in the informal economy (ILO, 2018a, p.V). This is especially crucial in developing regions such

as Sub-Saharan Africa where the informal economy forms about 55% of GDP surpassing that of the formal economy. Therefore, more consideration needs to be directed to the informal sector, and for improved policies to be developed there must be a better understanding about it.

The informal economy constituted about 30% of the GDP in Mexico in the first quarter of 2019 (El Universal, 2019) and 57% percent of its working population is either informally employed or self-employed in the informal sector (INEGI, 2019). This means that more than half of the population with a job take part in the informal economy. However, the sector has been marginalized and disregarded by governments and policy makers (Becker, 2004, p. 8). Through this study, I seek to give a voice to those employed in the informal sector and deepen the understanding about the subject. Many studies have explained the informal employment through statistics (Perry et al., 2007; Maloney, 2004; Losby et al., 2002; Portes et al., 1989), however, few studies provide a face to those being researched. These are the people who are living the lives we read about, that are shown through statistics, but who are largely invisible. This study seeks to provide a face to those people, to understand their situation in an in-depth context; because problems and issues sometimes cannot be defined just by statistics, we need to understand the exact context in which people are living in.

This is a qualitative study seeking to understand the phenomena of informal employment in Mexico through the lens of institutions. In contrast to many studies, this research uses the theoretical framework of institutions, especially informal institutions, to explain employment in the informal sector.

1.1 Purpose of the Study

The purpose of this case study is to explore and learn about the main causes of the informal economy in the neighborhood of Obregon in Guadalajara, Mexico. This thesis accepts the fact that the informal sector is linked to places such as sweatshops, places that take advantage of its employees and evade taxes. However, it also understands that that is just one of the many aspects of the informal economy (Chen, 2012) and seeks to give an additional perspective, not that will take over but place another angle to view the informal economy. There are at least two sides to every story, and in the case of the informal economy it can have various if not hundreds of perspectives depending on the actor. The

perspective I would like to convey to the body of knowledge of the informal sector comes directly from the people I interviewed. If our goal is to give decent work and social security to all our working members of society, we need more than one dominant view of the informal economy and understand the diversity of informal jobs. Because although for some the informal economy might be a sector that takes advantage of its workers, for others it might be a last resort to make a decent living that at times could lead towards their inclusion in the formal market.

For better understanding of the informal sector, this study seeks to discover what are the informal institutions that hold together the informal economy and the connections to its perseverance. This is especially important because the informal economy works without formal contracts needing to be involved. This means that informal contracts are key for its survival, so understanding how these informal contracts work and get enforced can give us glimpse the complexity involved in keeping the informal economy working together. This will also help us understand why some people need the informal economy for their survival or as a source of income.

This study will also look into how formal institutions might drive people into the informal economy. We often talk about formalization of the informal economy and how people need their rights protected. However, the ways that formal institutions might influence people to take part in the informal economy are less researched. Finally, this study also asks if the formalization of the informal economy is the key for sustainable development and if it is what are some factors that need to be but have not been taken into account.

1.2 Research Questions

As stated before, without further scholarly research it is easy and almost even logical to perceive the informal economy as a sector where those involved lack social security, decent work conditions and rights at work (Bonnet et al., 2018, p.1). And as much research has shown this is true for many in the informal sector, I expected this to be the reality of my research. However, what I found was that it is much more varied case of inter-connected workers and small entrepreneurs where the actors create a complex network to survive and thrive in the informal economy.

To better understand this multi-angular niche, I was guided by the following research questions.

1. What kind of informal and formal institutions influence the informal sector?
2. How do the formal and informal institutions influence the informal sector workers in emerging market of Mexico?
3. What are the factors that motivate or force people to participate in the informal employment sector?

While investigating the main research questions, I also explored keys aspects of the informal economy in Obregon, such as how they enter into this sector, how it works, their network, and their role in the economy in the area of Obregon.

1.3 Scholarly Contributions

This thesis contributes to social sciences literature through four main interrelated perspectives. First, this thesis aims to focus on the understudied sector in the academic field of the informal economy: informal employment and entrepreneurship in small-scale enterprises in Mexico. Most studies are carried out of nameless people who are rarely given a voice to explain the reason they are part of the informal economy. This qualitative study focuses on trying to understand the internal and external factors that influence actors that take part in the informal economy. Although, there have been studies of the overall phenomena (Perry, 2007; Maloney, 2004; Losby et al., 2002; Portes et al., 1989) of the informal economy research about why people engage and work in the informal economy has been scarce (Millar, 2006; Gahadassi, 1998).

Secondly, this thesis contributes to the literature of institutional economics. The literature on new institutional economics is broad, but since it is rather novel field it is still being defined. The area is understudied with scholars pressing on various and sometimes opposing definitions on the subject of institutions, especially on formal and informal institutions and on which branch of study they each belong to (North, 1990; Hodgson, 2006; Helmke and Levitsy, 2004; Lauth, 2000; Williamson, 2000). This study aims to contribute to the ongoing research and literature of the branch by placing informal

instructions in the academic field of economics and not in sociology as is suggested by Williamson (2000) but adhering to North (1990).

Thirdly, gaining greater in-depth knowledge about the informal sector can promote sustainable development by aiding governments and policymakers to make better policies with new understandings about the sector. The Sustainability Development Goals from the United Nations strive for “No Poverty” (Goal 1) and “Decent Work and Economic Growth” (Goal 8), emphasizing that 4 billion people did not have social protection in 2016. Since, 61% of the employed population is represented in the informal sector, it is quite logical to rationalize that most of the people lacking social security come from the informal economy. However, the informal sector is present for various reasons and many times we readily do not understand them unless we are actively taking part in it. This study focuses on shedding a light to some points that we need to first address if we are trying to decrease the informal sector through national and international policies and laws by letting those in the informal economy represent themselves and guide us in our journey of understanding their choices and their lives in the sector.

Fourthly, this study aims to bridge a gap between the branches of economics and economic sociology. There has been a divide during academic study between the two academic departments. Economists are tentative about using theories that have emerged in economic sociology such as social “systems” and economic sociologists have criticized economists for not using them (Smelser & Swedberg, 2005; Granovetter 1985, Coleman, 1985, p. 85). However, with the rise of new theories and explanations of the economic world, we are at a point where it is difficult to divide between the study of societies and the economic sphere. This study shows how it is beneficial to use explanations from both disciplines to better understand the economic choices that people in the informal economy make when decisions seem rather different to what the traditional “rational man” would make by choices being embedded in social interactions (Granovetter, 1985).

1.4 Case Study Background: Neighborhood of Obregon in Guadalajara, Jalisco, Mexico.

What better words to describe Mexico, than that from the Chilean poet, Pablo Neruda, who won the Nobel Prize for Literature in 1971.

“Mexico is to be found in its markets. Not in the guttural songs of the movies or the false image of the Mexican in sombrero, with moustache and pistol. Mexico is a land of crimson and phosphorescent turquoise shawls. Mexico is a land of earthenware bowls and pitchers, and fruit lying open to a swarm of insects. Mexico is an infinite countryside of steel-blue century plants with yellow thorns. The most beautiful markets in the world have all this to offer. Fruit and wool, clay and weaving looms, are evidence of the incredible skill of the fertile and timeless fingers of the Mexicans . . . Mexico, the last of the magic countries, because of its age and its history, its music and its geography . . .” (Neruda, 1974, p. 150)

Mexico with its beautiful markets called “tianguis” fill each neighborhood around its cities, rotating openings throughout different days of the week. Selling from its delicious tacos that fill the air with the smell of its steamed meat and sauces to articles made in China. These traditional markets are a representation of informal economy that instead of being ruled by formal rules are ruled by traditional customs. These markets are part of what constitutes informal economy of Mexico.

According the National Employment Survey conducted by the National Institute of Statistics and Geography (INEGI, 2014), 44% of workers in the informal sector work of Mexico from home and are generally self-employed, 19.8% have micro businesses, and 9% work as itinerant workers. Another interesting fact was that 27.2% worked in companies in either the informal or formal sector but lacked benefits such as social security (Gonzalez-Baltazar et al., 2020, p. 268).

1.4.1 Background of Guadalajara and its Informal Sector

As of 2012, the state of Jalisco where the city of Guadalajara is located, 65% of small and medium sized companies specialize in retail, 29% in serve and 6% in industrial businesses (Fong Reynoso et al., 2014, p.31). These are the numbers for the whole state, however, according to the 2009 Economic Census 56% of companies and 67% of employees reside and work in the Guadalajara Metropolitan Zone which is comprised of mainly four municipalities which are Guadalajara, Zapopan, Tlaquepaque, and Tonalá (Fong Reynoso et al., 2014, p. 31). This result helps us understand the magnitude of significance that the economy of Guadalajara has.

The population of Guadalajara is of approximately 5.1 million and 38% of the population is part of the informal sector (INEGI, 2021a). Guadalajara has consolidated its economic dominance in the regional center of the west and northwest of Mexico. Its tradesmen direct the trade in the region. Much of the city's growth is due to commercial capital and large-scale industry that started to develop on the 1960's and by the 1970's small and medium sized capital from land, industry, and commerce started to dominate the political and economic scene of Guadalajara (Arias, 1982; Roberts, 1989, p.44). This is all to say, just why Guadalajara is such a big city with high commerce and trade. Even with the dominance of industrial and commercial firms, the small and medium-sized enterprises were not displaced due to subcontracting of small firms from large firms. The small-scale firms also provide employees an initial training and work experience and depending on the industry this could or could not lead to seeking a job in a larger firm.

By the end of the nineteenth century the railroad aided production and trade in the city (Roberts, 1989, p. 42). This led the downfall of production of village crafts and the industries of smaller towns (De la Pena, 1984). Due to its economic flourishing, many people abandoned the rural areas that were facing agricultural modernization followed by the agrarian reform and moved to cities.

In the 1980's, the difference in income between formal and informal employment was not big. And in some instances, it was possible to earn more money through the informal sector than through the formal sector, such as in the footwear industry where skilled workers would be paid by piece which would enable them to set their own pace and work according to their own needs (Roberts, 1989). Also, those working in the informal sector used to be younger than those in the formal sector with social security. Although it is normally expected that the lack of welfare coverage is a drawback, Roberts (1989) found that many of his informants did not see it that way. For them the deduction of salary because of welfare was a drawback since they believed that the services they received were poor (p. 50).

According to a study conducted on 507 informal workers in Guadalajara, Gonzalez-Baltazar et al. (2020) found that 48% of the workers were men and 52% were women. 50.9% of them were aged between 15-29 years old. They worked about 6-10 hours a day and mostly had worked 1-15 years in the informal sector. 82.9 % of workers would earn about 2,499 pesos (about 119 USD) a week and 13.9% earned up to 4,999 pesos (about

239 USD) a week. The income could easily be triple to the minimum wage in Mexico which was about 846 pesos to 991 pesos a week. 33.3% of workers were traders, followed by 19.4% of food vendors, and employees accounted to 14.1% of the respondents. However, although the income was higher than minimal wage, Baltazar et al., discovered that the satisfaction of their quality of labor life (QLL) was low for 55% of respondents.

1.4.2 Neighborhood of Obregon.

The neighborhood although called Obregon is the short name of the main street called Alvaro Obregon, it is also comprised of the streets which it bounds such as Javier Mina and Gigantes and it keeps getting bigger. Although, it was comprised mostly of Mexican businesses, now it has a great influx of also Chinese, Korean, and Indian businesses.

Obregon is the wholesale retail zone of Guadalajara. The magnitude and scale do not compare to Mexico City, but it is still a main hub for wholesale buying in the central west of Mexico. It is a retail zone selling from shoes to clothes to artificial plants and makeup. It depends on the store but you can buy wholesale price starting from 3 or 6 pieces mostly but there are places where even buying one will give you wholesale price, while other stores ask you to buy 12 pieces of the same item. It is also a touristy place, since many times wholesale prices do not vary too much from consumer prices and it makes it an attractive place to shop. There are stores where they will charge 100% or 30% above the wholesale price for normal consumers, but there are others where they will only raise 5 MXN or 10 MXN (0.25 USD or 0.50 USD) which makes it quite attractive for tourists since they might have to pay double in the cities they come from. The range of people who come to buy vary from those who buy just a few pieces to those who buy by bulks or boxes and it all depends on the products and prices.

The people who work in the area of Obregon can be those who have social security and those who do not. It depends on the store and on the boss and sometimes even how long you have been working. Also, there are many self-employed people selling food, candies, snacks and even socks in the streets. Although you can see older people working in the neighborhood, you will also notice that most entry level employees are quite young. People from the ages of 15 and up come to the neighborhood looking for jobs and some work part time during their studies.

Not everyone is informal, neither is everyone formal. There are even combinations of informal and formal employees between those in the same establishment. Some will have social security, others will not, and others choose to receive in cash the money that might have gone to pay their social security.

2. Literature Review

To understand the Informal Economy and why its actors take part in it, this thesis draws from different academic literatures: 1) Informal Economy, 2) Institutions, 3) Economic Sociology, and 4) Urban Studies. By engaging in these academic disciplines, the study seeks to contextualize the workers of the informal economy in Obregon. Particularly, this study seeks to better understand which factors hold together the informal economy and what other factors drive people towards the informal economy. By doing so, the research study contributes to the social sciences by generating knowledge about this understudied sector and implication towards sustainable development.

2.1 Informal Economy

The history of the informal sector goes beyond the 1950's and 1960's, after the successful rebuilding of Japan and Europe after WWII gives rise to optimistic perspectives towards the future (Bangasser, 2000, p. 2). During these times, in 1954, W. Arthur Lewis wrote the essay "Economic Development with Unlimited Supplies of Labour." As the title of the essay portrays, it predicted that in the long-run, economic development in the developing countries would incorporate the oversupply of labor from the traditional economy, which was mostly agriculture, through the creation of modern jobs (Lewis, 1954).

During the same time, Hans Singer challenged Lewis' model for he did not see Lewis' prediction proceeding in developing countries, especially in places in Africa. Hans Singer projected that there would be a rise of casual and irregular employment while there would be a job shortage in urban communities (Singer, 1970). And Singer's prediction was proven true since even with favorable assumptions of investment and productivity growth, the number of modern jobs created was far less than the projected demand. There were fewer "modern" jobs than the supply of labor willing to fill them. This phenomenon led to many people working outside the framework of the planned work or jobs. These people were not formally working, but economically busy. This came to be called "informal economy", in other words people engaging in economic activity that was outside the framework of the official plans. These activities were diverse such as: "moonlighting", cottage industry activities, as well as others. Urban migration was becoming a growing phenomenon. By moving to cities and creating a density of population this resulted in a

larger number of people who were economically active but were not registered and their activities became shadowed from official plans (Bangasser, 2000, p. 4).

However, during this time both national authorities and international development communities paid little attention to the informal economy and their official reaction was either hostile or indifferent. According to neoclassical theories in the 1950's and 60's it was predicted that eventually the "modern sector" would absorb those working informally or trapped in between modern jobs and the traditional economy. The national authorities and international development communities believed that it was only a matter of time for the problem to solve itself and did not take action. However, the problem they believed to be temporary did not disappear but worsened and the gap between modern jobs and informal jobs could not be ignored anymore. By the 1960's it was obvious that these assumptions on modern employment and the decrease of unemployment were mistaken and the problem needed to be addressed (Bangasser, 2000, p. 4).

In 1972, the Kenya mission was born from the International Labor Organization (ILO). Throughout this trip's report, the phrase "informal sector" played the main role for the analysis of the employment situation. Contrary to much research today the report was positive towards the informal sector. Keith Hart argued that the openness of mind of the informal sector and its potential was necessary to solve the employment problem in Kenya, by stating that there was evidence that people in the informal sector were gaining wages higher than the average level of wages earned as a smallholder in agriculture. For Hart, the informal sector was not a dead end, instead it was a positive alternative development strategy to escape the modern vs. traditional labor market dilemma (Hart, 1972).

During the 1980's the term "informal sector" was expanded to include the changes that were happening in advanced capitalist countries (Chen, 2012, 2-3). Mass production of products led to sweatshop production, changing the environment of how jobs were defined. Standard jobs changed into jobs with hourly wages and low benefits; production of goods and services being outsourced to small scale firms. During the same time the economic crisis in Latin America and the Asian economic crisis lead to further growth of the informal economy in these regions (Tokman, 1984). Since the economic downturns made firms downsize or shut down, workers who were not able to find jobs in the formal sector were naturally led to the informal sector (Chen, 2012, p. 3).

In the 1990's, the globalization of the economy led to the formalization of the workforce in many industries and countries. While it is true that globalization has led to the creation of jobs, these were not always decent jobs since new markets were inaccessible to small scale producers and formal firms only hired a few core workers and outsourced the production of goods to other firms and countries (Chen, 2012, p. 3).

The development and survival of the informal economy, a major structural feature in society, has been surrounded by ideological and political disputes since its birth (Chen, 2012; Hart, 1972; Lewis, 1954; Portes and Haller, 2005). With these issues it has challenged the understanding of its characteristics, and its growth and survival are at debate every single moment.

Today, Bangasser argues that we have a “miserabilist view” of the informal sector that connects the phrase with the poorest of the poor with a negative connotation of being left out from development. This has led the ILO and other organizations to focus on helping the victims instead of analyzing its causes. However, Bangasser states that this view has drawn us away from being able to see the strengths of the informal sector (2000, p. 16). Keith Hart gives us an explanation to this, hinting that academic analysts have encouraged this type of interpretation providing a framework for shaping this type of popular view towards the matter (Hart, 1972, p.5).

2.1.1 Definition of Informal Economy, Informal sector and Informal Employment

The phrases informal economy, informal sector, and informal employment have a negative connotation in the popular scene that makes the hearer think of forced labor, unprotected workers, underpayment, underground work, and tax evasion (Perry at al., 2007, p. 21).

The term informal sector was coined in 1971 by British anthropologist Keith Hart in his 1971 study (Hart, 1971). He defined the informal economy as “a label for economic activities which take place outside the framework of official institutions” (K. Hart, 1985, p. 54). However, opposite from the view that we have today, Hart had a positive view towards the informal sector. He found that it was a means to provide “income-earning opportunities” offering a wide range of services and goods that were low-cost and labor intensive (Hart, 1972, p. 21). Hart found that employment in the informal sector was “economically efficient and profit making, though small in scale and limited by simple

technologies, little capital and lack of links with the other (“formal”) sector” (Hart, 1972, p. 5) He advised that we take a leap of faith to perceive the informal sector as a productive source of Kenya’s future wealth (p. 5).

2.1.2 The ILO Definitions

Apart from Hart’s definition of the informal sector, we also have the official definitions that are used by the International Labor Organization (ILO) that are more widely used in the academic and research field on the subject of the informal economy.

(a) Informal economy

All economic activities by workers or economic units that are – in law or practice – not covered or sufficiently covered by formal arrangements

(b) Informal sector

A group of production units (unincorporated enterprises owned by households) including “informal own-account enterprises” and “enterprises of informal employers”

(c) Informal employment

Total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households; including employees holding informal jobs (e); employers and own-account workers employed in their own informal sector enterprises; members of informal producers’ cooperatives; contributing family workers in formal or informal sector enterprises; and own-account workers engaged in the production of goods for own end use by their household (ILO, 2013, ch. 2, p. 5).

However, it is important to note that not all scholars follow or use these definitions. Although the ILO has specific definitions about the difference between the informal sector and the informal economy, most studies to this day do use the terms informal sector and informal economy interchangeably. Kristina F. Becker (2004) argues that the informal sector is increasingly being called “informal economy.” The idea behind this is to untie the notion that informality is not specific to a sector but rather across sectors (p. 8). Others, such as the Marxists, view the term informal sector as a way to confuse and hide the real

meaning of the phenomena that was “regressive and exploitative” and preferred to call it “petty commodity production” (K. Hart, 1985, p. 55).

2.1.3 Definition used in this Thesis

In this thesis I will adhere to Sassen’s (1994) definitions of informal economy:

“As I shall employ the term, the “informal economy” refers to those income-generating activities occurring outside the state’s regulatory framework that have analogs within that framework. The scope and character of the informal economy are defined by the very regulatory framework it evades. For this reason, the informal economy can only be understood in terms of its relationship to the formal economy—that is, regulated income-generating activity (p. 2289).”

With this definition it is possible to interconnect the formal and informal economy and understand that the informal sector to be carefully embedded into the formal governmental regulatory system. And, drawing from the academic literature of informal institutions, I want to also add that although it may not regulated by governmental institutions, it is up to a certain degree regulated by informal institutions.

In general, the informal economy is constituted by companies and individuals who might or might not evade taxes, pay minimum wage, and provide social security. And although it does not follow rules that stated by the government, they do have rules that they follow. The rules vary between subsectors in the informal economy and also according to the employer or entrepreneur and does not exist apart from the formal sector but along with it, in a symbiotic nature (Lomnitz, 1977, p. 54; Portes & Haller, 2005). With symbiotic nature, one means to state also that while both keep each other alive and benefit from each other to a limit, it also means that the informal economy does not seem to disappear just because the country is highly developed (Portes et al., 1989). Research has shown that the informal economy does not seem to lessen and shows its survival and even growth in Western countries, including the U.S. (Portes et al., 1989; Sassen-Koob, 1988).

Due to the ongoing debate between the informal economy and the illegal economy, I want to address that this thesis will make a clear distinction between them (Chen, 2019; Becker, 2004; Levy, 2010). When I mean informal economy, I do not mean the black

market which comprises the selling of illicit products. Although, selling tacos in the street without a permit and the selling of drugs is not exactly abiding by the law. This thesis draws a line between what we believe to be the black market (i.e. illicit drugs) and the informal economy (i.e. taco stand in the street). Since, even the law also draws a fine line by sending the drug dealer to jail and making the taco stand owner pay a fine if caught.

2.2 Institutions

According to North (1991, p. 3), “[i]nstitutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction” (North, 1991, p. 3). Their main role in society is to establish a structure for human interaction (p. 4). You cannot “see, feel, or even measure institutions;” they are created by the human mind to guide and constrain social interaction in society (p. 107). And North asserts that they are the “underlying determinant of the long-run performance of economies” (p. 107). B. Guy Peters (1999) finds that there are three basic approaches to defining institutions as normative structures, as rules, or as regularized patterns of interaction (p. 146). However, Crawford and Ostrom (1995) highlight the futility of debating whether institutions are norms, rules or strategies. Instead the authors propose the term “institutional statement” to endorse all 3 concepts. They explain that instead of the three approaches being mutually exclusive, each approach embarks from the individual and build social orders but only focus on a different constraint or opportunity (p. 583). Brinks (2003) also argues that for a definition to be sound it should have all three components. In contrast to Crawford and Ostrom, he doesn’t propose a new term but believes that there are already definitions that include all the 3 elements (Brinks, 2003, p. 3-4). For example, O’Donnell (1994) defines institutions as “regularized patterns of interaction that are known, practiced, and regularly accepted (if not necessarily normatively approved) by given social agents who, by virtue of those characteristics, expect to continue interacting under the rules and norms formally or informally embodied in those patterns” (p. 5).

Table 1: Selection of definitions for institutions from academic literature

Author	Definition of Institution
North	Institutions are the rules of the game of society or, more formally, the humanly devised constraints that shape human interactions. (North, 1990, p. 3)
Greif	An institution is a system of rules, beliefs, norms and organizations that together generate a regularity of (social) behavior. (Greif, 2006, p. 30)
Teraji	Institutions facilitate social interaction since they restrict individual agents concerning their dispositions to behave. In order to act in society, individuals must accept certain rules without consciously thinking about them. Such rules are themselves part of a spontaneous order that is not the product of conscious reason but, nonetheless, facilitates reasoned actions. Institutions lead to regularities in human behavior and serve to coordinate the interaction between individuals. (Teraji, 2018, p. 5)
Hodgson	Institutions are systems of established and embedded social rules that structure social interactions. (Hodgson, 2006, p. 18)
O'Donnell	“regularized patterns of interaction that are known, practiced, and regularly accepted (if not necessarily normatively approved) by given social agents who, by virtue of those characteristics, expect to continue interacting under the rules and norms formally or informally embodied in those patterns.” (O'Donnell, 1994, p.5)

For this thesis I will adhere to the first definition above from North (1990) which embodies all three components:

“Institutions are the rules of the game in society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic. Institutional

change shapes the way societies evolve through time and hence is the key to understanding historical change” (North, 1990, p. 3).

Now, institutions can be divided into two categories: formal and informal institutions. Williamson (2000) introduces informal and formal institutions in his “four levels of social analysis” (p. 596). He places informal institutions in level 1, explaining that they change very slowly taking centuries and even millennia. Further, he states that being able to identify and explain the mechanisms of why informal institutions arise and are maintained would help understand their slow change. Williamson believes that informal institutions come from spontaneous origins. They are adopted and then they display inactiveness for a long time. They can be functional, and others can be of symbolic value. Whereas this or the other they have a “lasting grip on the way society conducts itself” (p. 596). He expresses that although they are important; they are underdeveloped (p. 610).

2.2.1 Formal and Informal Institutions

Formal institutions are political and economic rules and contracts. Formal institutions are usually easier to identify (Brinks, 2003, p. 4). Although, H. L. A. Hart may argue that they are harder to define (H. L. A. Hart, 1972, p.13), Brinks explains that formal institutions are “written standards for conduct produced according to specified procedures by authorities legally invested with the power to do so” (2003, p. 4). An example that he places are laws. They are approved or validated by the congress and signed by an administrator (eg. the president) to approve or veto a bill. A longer definition of formal institutions is from Lauth (2000). He defines formal institutions as “openly codified. Thus, regulations are included which have the status of constitutional clauses and laws, but also standing orders and norms actionable at law. Whilst formal institutions are guaranteed by state agencies and their disapproval is sanctioned by that state” (p. 24).

On the other hand, informal institutions are socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels (Helmke & Levistky, 2004, p. 727). The phrase “informal institutions” can be used interchangeably with “‘routines, ‘customs’, ‘traditions’ and ‘culture’” (North, 1991, p.83). These make transactions without formal contracts possible throughout the informal economy. Informal institutions are equally recognized by the public as formal institutions;

with their their main difference being that they are not written down (Lauth, 2000, p.24). According to Lauth (2000), the authority of institutions is based on different sources. However, the most important thing is that they are socially accepted to different degrees by the society which gives the justification. This is because it aids the smooth interaction between individuals and groups, through the creation of a set of accepted behavioral structures that cannot be easily changed by one individual. The individual or group will follow the behavioral guidelines because of the costs that can be encountered when rejecting or not following them in a transaction (p. 24). For North (1990), the difference between formal and informal institutions is “one of degree” (p. 46). And as society develops and becomes more complex the need for written laws or formal institutions will become more apparent due to increasing specialization and division of labor.

Table 2: Selection of definitions & arguments for formal and Informal institutions from academic literature

Author	Passage
North	“informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights).” (North, 1991, p. 97)
Helmke & Levitsky	“We define informal institutions as socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels. By contrast, formal institutions are rules and procedures that are created, communicated, and enforced through channels widely accepted as official.” (Helmke and Levitsky, 2004, p. 727)
Raiser	“Informal institutions may then be understood as the collection of social norms, conventions and moral values that constrain individuals and organizations in pursuit of their goals.” (Raiser, 2001, p. 2)
Brinks	Formal institutions are “written standards for conduct produced according to specified procedures by authorities legally invested with the power to do so” (Brinks, 2003, p. 4).

Lauth	<p>“formal institutions are guaranteed by state agencies and their disapproval is sanctioned by that state, informal institutions are based solely on the fact of their existence and of their effectiveness”.</p> <p>(Lauth, 2000, p. 24)</p>
-------	--

For Helmke and Levitsky (2004) differentiating between formal and informal institutions is only half of the job. They explain that informal institutions are often used to describe any type of behavior that is not written-down rules. They believe this is not appropriate and suggest four distinctions to better distinguish informal institutions. First, informal institutions should be differentiated from weak institutions. They argue that weak formal institutions does not necessarily mean that there will be informal institutions present. Second, informal institutions should be differentiated from informal behavioral regularities. Not all patterned behavior is formed on shared expectations of each other’s behavior for the sake of transactions. Brinks offers an explanation using the comparison of removing one’s hat entering church, which is an informal institution, to removing one’s coat while entering a restaurant, which is a simple behavioral regularity. Third, informal institutions should be differentiated from informal organizations. They explain that informal organizations are similar to clans and mafias and these should be differentiated from informal institutions. Although, Hodgson argues that organizations are a special type of institution (Hodgson, 2006, p. 8). Fourth, informal institutions should be distinguished from the broader concept of culture. Helmke and Levitsky (2006) explain that although culture can help mold informal institutions, they do not always draw from preexisting traditions but are modern creations that cannot be traced to former traditions (p. 7). They define informal institutions in terms of shared expectations and not shared values. However, this goes against many definitions that have been proposed by other scholars. For example, North has explained that the phrase “informal institutions” can be used interchangeably with “culture” (1997, p.4).

Hodgson argues that the terms informal and formal institutions are so ambiguous that we should either drop them or change them for terms that he thinks are more precise: “legal, nonlegal, and explicit” (Hodgson, 2006, p.13) However, although his statement is valid, I would like to point out that the beauty of the definition of North itself is trying to

embrace all that institutions are. Hodgson prefers the simplicity of placing these constraints into neat categories. However, I will use North's definition since the field of study of institutions is still being researched and needs much room to expand. His definitions and terms are broad enough to capture all of what we do not yet understand about institutions. With his definition we as researchers can go deeper and if needed also make subcategories within as we explore and broaden the literature on institutions.

2.3 Sustainability views of the Informal Economy

Sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987, p. 8). For this definition of sustainability to be credible it needs to refer to maintaining, renewing or restoring something in specific, as well as, include equity and fairness when addressing issues of economic development and the environment (Wilkinson et al., 2001, p. 1492). Sustainability consists of three mutually dependent objectives: "(a) to live in a way that is environmentally sustainable or viable for the long term; (b) to live a way that is economically sustainable maintaining and/or improving living standards over the long term; (c) to live in a way that is socially sustainable now and in the future" (Dillard et al., 2008, p.2). These three objectives structure the Three E's of sustainability: environment, economy, and social equity (Atkinson et al., 1997; Briassoulis, 1999, p. 213; Sadler & Jacobs, 1989, p. 9). But at the moment most policies are geared towards the environment and rarely touch upon economy and social equity (Briassoulis, 1999, p. 230).

Now, I will explore the definition of economic, environmental, and social sustainability. Economic sustainability entails production of goods and services in a continual basis while managing levels of government and external debt and avoid disproportions that harm the agricultural and industrial production. Environmental sustainability should maintain a stable resource base while avoiding over-exploitation of renewable resources and the exhaustion of non-renewable resources. Biodiversity, atmospheric stability and other ecosystem functions that are not classified as economic resources should be maintained. And lastly, social sustainability entails the fairness in distribution and opportunity, suitable delivery of social services such as health and education, gender equity, and political accountability and participation (Harris, 2003, p. 1).

In this thesis, I will focus on social sustainability since the informal economy was born out of lack of opportunity in the formal economy. As it was mentioned in the history of the informal economy, those who were not able to get jobs in the formal sector were forced to work in the informal sector (Chen, 2012). This was because of lack of opportunities that could not be fairly distributed to all those who needed it. And later on, the disregard from governments and international institutions (Bangasser, 2000, p. 4) created the unequal access towards health and education specially in many developing countries that did not have universal healthcare and where work came before education.

There are mainly two views towards the informal sector from the perspective of sustainability. The first views the informal sector as a hindrance due to its tax evasion, lack of social security, low wages, and lack of jobs security (ILO, 2018b, p.1). It also advocates for its disappearance (Briassoulis 1999; Perry et al., 2007; ILO, 2013). The second views the informal economy as having the potential to balance the Three E's through job creation, social capital, and the vitalizing of local economies (Ruzek, 2015, p. 25).

The first view claims that the informal sector reproduces and sustains the position of inferior status of workers, especially women, and it makes workers depend on their current jobs in the informal sector preventing the chances of finding a job in the formal sector. In the big picture, the informal sector promotes spatial and social segregation between those who have more and those who have less, and between formal and informal workers. This fosters social injustice that stretches between generations. As a result, social equity cannot be achieved nor can social sustainability. Due to this, even the benefits that the informal sector can bring are negated. The response from this view is that we need to change the conditions that form the informal economy through policies (Briassoulis, 1999, p. 229).

Briassoulis (1999) views that the relationship between sustainable development and the informal sector is different depending on the sociocultural setting and historical context, which makes it difficult to make definitive proposals, instead she suggests "broad guiding directions and principles for policy and plan" (p. 231). What Briassoulis suggests are corrective directions to address the formal socioeconomic and institutional systems that are unsustainable. Their inefficiencies such as inflexible strict regulations, old-fashioned institutional arrangements, and centralized decision making, drive people away from the formal sector and into the informal sector. Also, prospective direction is necessary to

prepare for future developments and prevent further informal and unsustainable development. To achieve this, planning needs to integrate and accommodate social needs into the formal sector and discourage informal practices.

The second view claims that the informal economy encourages the local economy by keeping small and flexible markets that can adjust rapidly to the changing demands and could reflect the true cost of goods. Also, it fosters social capital by constant interaction between actors and increasing social interaction and pedestrian space. Lastly, it can also place a focus on eco-localism providing an alternative path for sustainable development (Ruzek, 2015). Eco-localism is economics of the local economy or community with the goal of forming a healthy local economy (Curtis, 2003, p. 85). But although Ruzek points out the benefits of the informal sector, there is still much research to be done linking these to sustainability (Ruzek, 2015, p. 31).

Ruzek (2015) claims that the informal sector could provide a "ground up" approach that is much emphasized in sustainability by making use of the social capital and small markets that exist already. The "top down" approach, which would be the second half of the approach he explains, would be for governments to implement stricter regulations towards corporations, production and energy producers (p. 31).

It is possible to say that the first view is much more popular in academic research and in the eyes of policy makers (ILO, 2014; Briassoulis, 1999) but there is a real need to study the relationship between sustainability, the formal sector, and the informal sector. During this pandemic when many people were laid off from their formal jobs, they reached out to take part in the informal economy (Semple and Kitroeff, 2021; Hurtado, 2021). There is a need for balance in the three E's instead of simple eradication of the latter. Many of the policies that are being pushed by international organizations are good and could move a good part of the informal economy towards formalization, however these differ from the strict inflexible regulations that many countries such as in Latin America have in place and don't seem in a hurry to change.

3. *Methodology*

3.1 *Ontology and Epistemological Frameworks*

In order to study informal institutions that take place within the "informal economy" in Mexico, I will be studying the interaction between actors in the

neighborhood of Obregon. Therefore, the ontological and epistemological approach that I propose in the study is social constructivism. Social constructivism seeks to understand the world according to participant's experiences and culture of the interviewees (Creswell, 2007, p. 20).

The study focuses mainly on the interaction between individuals within the informal sector. The informal institutions that are found through the interactions are some of the main findings that will help the reader understand the phenomena of the informal sector. The reality of the informal economy will be constructed through the social interaction between its actors and instead of trying to land one interpretation of its reality, there will be the possibility of multiple realities (Merriam, 2009, p. 8-9).

3.2 Research Design

The methodology that is used in the study is qualitative. "Qualitative research is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem" (Creswell, 2009, p.4). The main focus of qualitative research are the details that are found in human interactions (Silverman, 2005, p.9). This study aims to examine the interplay between actors within the neighborhood of Obregon, where informal and formal employment works side by side, and the relations and forces that may influence people to choose formal or informal employment.

The method of approach that will be used in the study is an intensive case study. "A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context" (Yin, 2004, p.13). The case study method was chosen because the contextual conditions of the phenomenon are highly important in the research (Yin, 2004, p.13). Merriam explains that the single most important factor that determines a case study is the case itself, the choice of what is studied. This choice or case must exist within a bounded system, which in my study will be the neighborhood of Obregon (2009, p. 40). Qualitative case studies can also be further defined by their features. These are particularistic, descriptive, and heuristic.

Table 3: Description of Study

	Definition	In this Study
Particularistic	focuses on particular situation, event, program, or phenomena	The phenomena that will be studied is the informal economy
Descriptive	end product is a rich, “thick” description of the phenomenon under study	The end product will be a rich description of the persistence of the informal economy phenomena
Heuristic	illuminates the reader’s understanding of the phenomenon under study	The study seeks to give the reader deeper knowledge into the inside of why actors take part in the informal employment phenomenon, it seeks to give the reader a new meaning or extend their experience on the topic of the informal economy

Adapted from (Merriam, 2009, p. 43-44)

The study is an intensive case study that seeks to give the reader deeper knowledge into why actors take part in the informal employment phenomenon. The end product will be a rich description that will give the reader new insight on the topic of the informal economy and employment in Mexico (Eriksson and Kovalainen, 2008, p. 118).

One of the greatest advantages of case study research is the ability to make “in-depth” analyses of why employers and employees continue to accept or stay or endorse informal employment. “‘Depth’ can be understood as empirical completeness and natural wholeness or as conceptual richness and theoretical consistency” (Given, 2008, p. 69). On the other hand, one of the disadvantages of case studies is that they may not be “rigorous enough,” such as the researcher not following systematic procedures or using interpretations to mislead or confuse. (Yin, 2017, p. 50). These practices will be avoided at all costs throughout the research and analysis by providing detailed descriptions of its findings and fully describe analysis procedures, conclusions, and interpretations to ensure greater transparency.

3.3 Role of the Researcher

Glesne and Peshkin (1992) explain that the researcher has two roles, researcher and learner (p. 35-36). As the researcher, I am the main instrument for data collection and analysis (Merriam, 2009, p. 15). I will construct and analyze the case and focus on the “perspectives, conception, experiences, interaction and sense-making of the people involved in the study” (Eriksson and Kovalainen, 2008, p. 120). As the learner, I will reflect on all aspects of the research and analysis. During the interviews, I asked questions and actively listened to participants, acting as the opposite of an expert and allowing them to explain their situations (Glesne and Peshkin, 1992, p.35-36).

As for my personal background in this topic, I am quite familiar with the neighborhood of Obregon since my parents have a business in the area. I have been coming and going from the neighborhood since I was about eleven years old, so the neighborhood of research was a comfortable and familiar place to me.

The research in itself was “backyard research,” the study of researching the researcher’s own organization, friends, or work setting (Glesne & Alan Peshkin, 1992, p. 12). This research is backyard research because I was able to experience the field by working in it for 10+ months, giving me a neutral opinion of the topic of informal employment since I myself was hired for work at a store in the area. My main aim was to understand each person’s situation better not to lead them into answering to questions in a way to match my opinions on the topic. Also, since my study was inductive, from the ground up without the guidance of a specific theory (Creswell, 2007, p. 19), I was directed towards my topic by experiencing the neighborhood myself while observing and having conversations with people who worked in the area.

3.4 Data Collection

Merriam states that “data are nothing more than ordinary bits and pieces of information found in the environment” (2009, p. 85) Whether or not that information becomes data that will be used in the study depends on the interest and perspective of the researcher and defined by problem and purpose of the study. (2009, p. 86) The data collection for this study in comprised of participant observations, interviews, field notes, articles and news.

The participant observation was made through a 10+ month process where I was able to work in the area of study as a retail manager for one of the stores in the neighborhood of Obregon, in the city of Guadalajara, in Mexico.

Yin asserts that interviews are one of the main sources for data collection in case study research (2003, p. 89). The interviews are made up of two types of interviews. First, I developed a structured interview questionnaire that was used for 19 interviews during 2019. There were two sets of interview questions as I was interviewing both employees and employers and needed different information from the two parties. The interviews consisted of 7 employers and 10 employees and 2 managers. These were conducted at the working places of each interviewee in the neighborhood of Obregon. The language that was chosen for conducting the interviews were either Korean or Spanish depending on interviewee's native language and lasted about 30 minutes to 1 hour. These were not recorded but the answers were written down as I was doing the interviews. The reasoning for this decision was because the places were loud with music and sound of people and I did not want to intimidate and become invasive. Also, the interviews were done during working hours with the permission of the owners. It seemed that some people already felt burdened that I was interviewing them about issues that they would not normally talk about and I did not want to add to their stress. The first set of interviews were mostly used as guides. Analysis of the first set narrowed the research and created new questions for the subsequent more in-depth interviews.

The second data set of interviews were done in 2020 and consisted of three semi-structured interviews of actors partaking in the informal economy in the area of Obregon to better understand the context of how informal institutions shape the decisions they make. These were recorded in my iPhone gaining permission from interviewees and later transcribed for analysis. Articles and news were used to define the context of the study. And observation was made throughout the time of participant observation as a manager and after the 10 + month frame, where I was able to talk to different people about the neighborhood of Obregon and gain deeper understanding of the issues and culture of the neighborhood.

The third set of interviews were follow-up interviews that were done 2021 and were shaped through questions that were raised through the analysis of the second set of interviews. These were also recorded and transcribed for analysis. I was able to reach two

of the three interviewees to gain a deeper understanding of some interesting aspects of the informal economy that were in line with my institutional theoretical framework.

3.5 Data Analysis

Data analysis consists of making sense on all the information that you have absorbed during the data collection process. This includes working with data, developing theories, explanations, and hypothesis and linking stories together. It is a process of selecting, organizing and discovering what the data is telling you (Glesne and Peshkin, 1992, p. 127).

During the qualitative data analysis of my case study, I transformed the data into findings. Patton explains that there is no recipe or formula to transform data into findings, but does guidance (Patton, 2002, p. 432). The guidance that was used was grounded theory adhering to Gioia et al.'s (2013) process. The goal of grounded theory is to form a theory by going beyond stating the details (Creswell, 2007, p. 65). Grounded theory was used to create research questions around the “appreciation of the complexity of social life and of sociological data” (Hammersley & Atkinson, 2007). This was in line with the study’s main objective of understanding the social life of interviewees which gives rise to informal institutions within the informal economy.

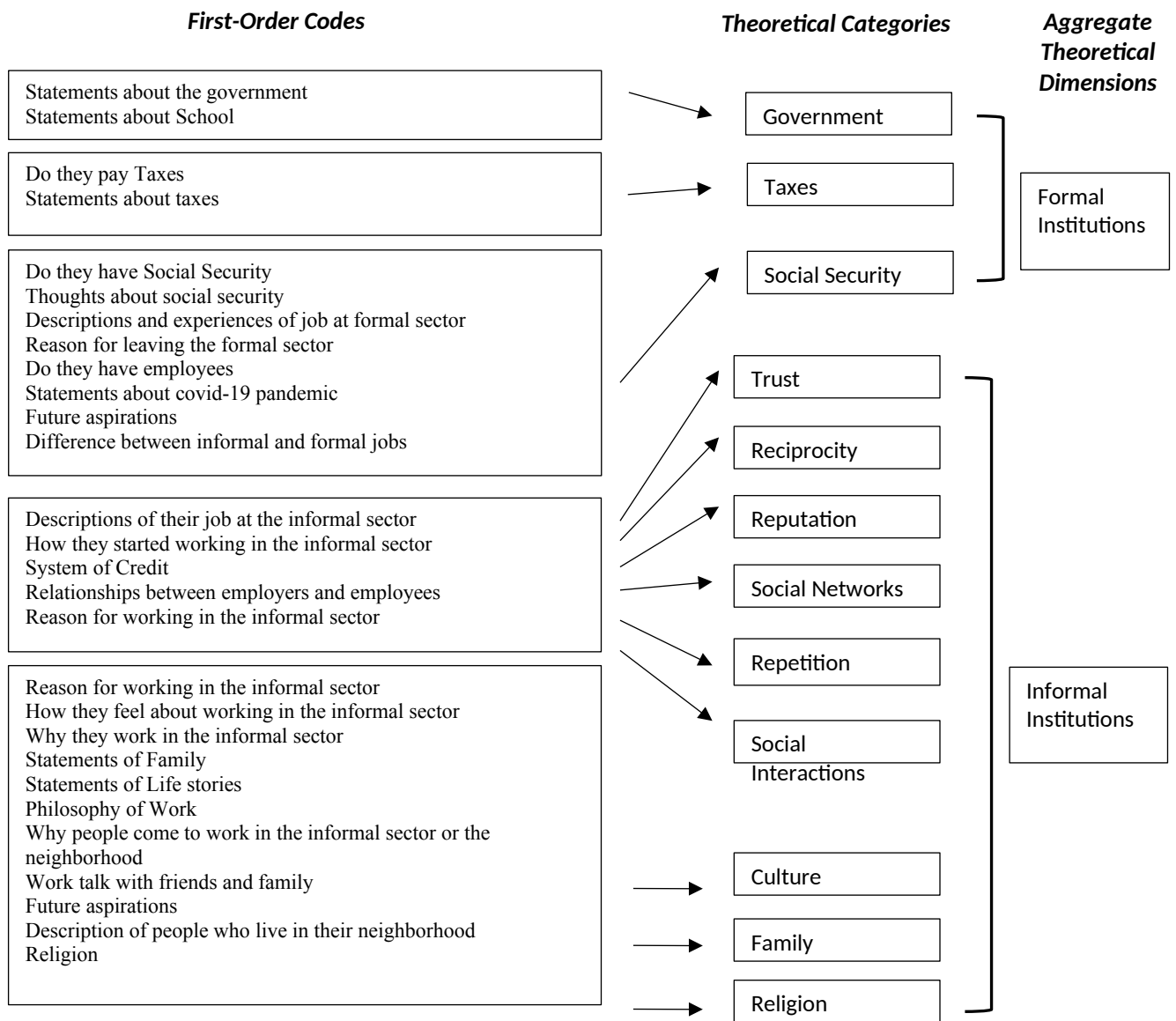
The analysis was guided by the research questions and interviews and was mainly comprised of 4 stages. In the first stage, I was able to get familiar with the data and create first order categories, grouping similar data together. In the second stage, I was able to begin categorizing the first-order codes according the themes of formal, informal institutions or both. Then these were broken down again to find relationships between the first-order and grouping them into similar theoretical categories. In this phase as advised by Gioia et al. (2013), I started answering the question of “What is going on here?” and developed exploratory questions that led to a second set of interviews. Then the process was repeated until a third set of interviews. This phase helped distinguish important information that was relevant for the findings section and also explore in-depth information that was mentioned in the earlier set of interviews but had not been explored further. So, the subsequent interviews helped clarify the findings, as well as identify new information that seemed relevant and interesting for the study.

In the third stage, theoretical categories were explored further, and vague codes were categorized accordingly. The further search of categories was guided by the data

itself, since the theory of informal institutions and informal economy is still being built. The fourth stage was the writing stage. The writing stage was also included in the analysis because throughout the writing process, new linkages and connections were found and therefore data was moved around or duplicated until the findings were finalized.

The aim of the study was to make sense of the data that was collected and to systematically observe and analyze and the factors (such as people, interactions, organization, and the culture) of the study. The data was used to identify the components that constitute the formal and informal institutions in these small economies in the neighborhood of Obregon. The purpose was to better understand the actors within the informal sector in this city of Mexico and the factors that motivate or force the actors to participate in the informal employment sector.

Figure 1: Overview of Data Structure adapted from Gioia et al., 2013



Two triangulation methods were employed to establish credibility and validity of the research. The first was respondent validation was used as one validation method by checking the responses from one data source to another. This type of data-source triangulation encompasses the comparing of data that was collected about the same phenomena through the accounts of different participants from different settings (Hammersley & Atkinson, 2007, p. 183). The second method was through collecting data from different sources, these were interviews, participant-observation, newspaper articles

that helped to check for interpretations. Data that was related to the same concept was cross-checked by participant observations, interview, and newspaper articles or documents. The aim of this is to relate different sorts of data to be able to offset possible threats to for the validation of the findings (Hammersley & Atkinson, 2007, p. 184).

4. Findings and Discussion

The findings are divided into four sections and themes. The first section gives a brief overview of the neighborhood of Obregon and the main interviewees. The second section looks at the informal institutions that hold together the informal economy. The third section looks at how formal institutions drive people into the informal economy. Moreover, lastly, we will look at the implications the former has on sustainability.

4.1 Introduction to a Typical Day in the Neighborhood of Obregon

Warm sunny day. It is the middle of November, and still, more people are not wearing jackets than those who do. The weather in Guadalajara is always lovely. Cool in the mornings, feeling fresh with warm or hot afternoons, and cool at night again and smelling of fresh wet soil after a rain.

Nevertheless, today, the golden rays of sunshine are hovering over the people passing by, gleaming over their heads. The streets are a little quiet; it is the morning, about 10.30 am. Employees are getting the stores ready for business. Some buyers ask the workers about some merchandise they are interested in or may even ask where to pay for the parking. However, it has gotten a little chilly for Mexican standards and some are wearing denim jackets and sweatshirts to cover up. Some are Caucasian and some Mestizos, the official term to classify people who are of European and Indigenous American ancestry.

The streets are not booming yet; most people have not yet arrived to buy products. Despite this, you can see the Mariachis getting ready and making eye-contact with drivers inside their automobiles to provide their entertaining service. Obregon is where merchants from nearby cities and states buy wholesale and sell to consumers or other wholesalers. It is situated inside Guadalajara, the second-largest city of Mexico and the financial hub. Obregon is a neighborhood that has stores selling clothes, toys, lingerie, bags, accessories, artificial plants, party goods, Christmas decorations, and even selling counterfeit Gucci, Hermes, and other luxury brands.

It's close to Christmas, so you know that people will start flooding at some point. The businesses have male employees and female employees, but more female ones although exceptions depend on the job requisites. However, most businesses have at least one male worker to bring and carry the heavy boxes when selling in bulks. All stores vary

in the number of employees they hire from one to even forty, depending on the size of their business.

“Jericalla... Jericalla... Jericalla!” a man shouts down the street while passing by. It is a dessert originally from the city of Guadalajara, a type of flan. The dessert is based on sweetened condensed milk and eggs and makes me imagine its taste as milky vanilla with a type of burnt crust on the top and the rest similarly sweet and soft as a pudding.

You can hear cars and motorcycles passing, as well as people chatting around. You can even see a car passing by with the trunk open as if they forgot to close it or are just moving somewhere nearby. Music is played in a nearby store. It is a trendy song called “Like That” from Doja Cat with Gucci Mane, and far away, you can hear a pounding of the bass of another song that is difficult to recognize due to its distance. Both come together, making a mix of cacophonous sounds. The different cars also make diverse sounds depending on their size and engine; some rarely make a sound, others do as if trying to make themselves known.

Two men get inside the store that I am working at, which sells beach essentials. They are about 175cm and a bit heavy, looking about 90kgs to 100 kgs. One is older than the other by the looks of his whitened hair. The employees in the store approach them and take their temperature one by one as they offer some hand sanitizer. It is a protocol now, with Covid-19 taking over the world. They wear face masks and go around the store trying on hats. They choose what they want, buy and then leave, leaving a “thank you” behind.

Past 12 pm, more people start coming into the store; now, more people walk down the streets. The sun is now shining high with more silver rays than golden. Moreover, the noise of people talking through phones, to each other, and to employees make it hard to concentrate on just one conversation. There is a baby crying and another one trying to get into the carriage of the crying baby. Most people are dressed in jeans as if they are part of a uniform. Different shades and shapes, but they are made of denim all the same.

Towards the end of the day, the sky starts getting dark with the rays of sunlight almost gone. There is just a dim light that potentially signify that the sun is fading away slowly. It is 6:12 pm right now. People are passing; many of them have plastic bags filled with merchandise that they bought. People no longer look in the stores with curiosity to buy something. It is almost the end of the day. Guadalupe, one of the employees, gets up as her boyfriend comes to pick her up at the front of the store. She goes to him.

Furthermore, Dona Maria comes to him, he asks, “how much do I owe you?” I cannot hear, but I think she tells him how much. Dona Maria leaves after that, and Guadalupe goes to him again. Unprecedentedly, people start coming into the store. She is caught with wanting to be with her boyfriend and needing to attend to the clients. He leaves, waits outside where he works for his job is at the store next to ours. People are just waiting for the day to end. It is near to closing time now. The clock shows 6:17, only 13 minutes to close for the day. The closing and opening times vary between stores and even vary between small streets in the area. Although some stores decide to open earlier and close later for economic purposes, others are forced to close down earlier while there are still people in the streets. This is to avoid being robbed at the later hours when the streets lie in solitude.

4.2 Introduction of Interviewees

The introduction of the interviewees serves the purpose of showing the background of some people who work in the informal sector and the factors they have in common. Also, it helps look at how they are connected and the cycle of interaction. The interviewees' background is important because there has been debate about who are those who work in the informal economy (Gurtoo & Williams, 2009; Williams & Round, 2009), and to understand the informal economy, we need to understand its actors. The main interviews used for the thesis were the 2nd and third sets of interviews introduced in the next session. In the 2nd set of interviews, Juan, Doña Maria, and Guadalupe were interviewed. The 3rd set of interviews was only managed with Doña Maria and Guadalupe because Juan decided not to participate.

4.2.1 Doña Maria

Doña Maria used to live in Obregon when her girls were young. She explained that it was very quiet back then, and although there were “malvivientes” (e.g., drug addicts, drunks), they left other people in peace. The neighborhood she lives in now is far from Obregon, where there are also “malvivientes”. She rents her house, and her three dogs protect it when she is at work. Doña Maria starts her day at 6 am. She wakes up and turns on the stove, starts cooking, and finishes at about 8-8.20 am. Doña Maria is an informal kitchen entrepreneur or self-employed in the neighborhood of Obregon, and has been

working in the neighborhood for 17 years. She buys her ingredients the night before after leaving the neighborhood of Obregon and places great emphasis on hygiene, explaining that she never brings leftover food from the day before. She wishes that everyone had the same standards because many sicknesses come from lack of hygiene. Doña Maria and her husband arrive in Obregon at about 9.30 am and start selling food through their van to anyone willing to buy, but mostly to employees in the neighborhood of Obregon. They come to her, and she gets the food ready and starts to give it to the hungry employees standing next to her van. The employees choose the type of taco they want for their breakfast and can choose from meat, potato, eggs, cauliflower, depending on the menu of the day. Then the employees can either take the food to their workplaces or make an order and wait for it to be delivered at their workplace.

4.2.2 Juan

Juan wakes up at 7 am and goes to Felipe Angeles, a market, to buy all the ingredients needed for his kitchen. He and his mom are cooks and own a formal business in Obregon selling food. He goes from the market to prepare for everything to sell for breakfast, which business starts at 10 am. Then he delivers orders and finishes at 12 pm to start preparing for lunch business, and his day ends at about 3-4 pm. Towards the end of the day, he starts calculating how much he is to charge at the end of the week and how much he is to charge the same day and collect money for the day from people who bought from his kitchen during the day.

Juan lives in Obregon with his whole family and explains:

"My neighborhood is here practically. The neighborhood is downtown, and at nights there is nothing. Only entertainment, and I don't know. It's a touristic zone and you never get bored. The people, the people, although I live downtown, a lot of people think its chaos, yes, but people do not mess with you if you don't mess with them. If you mess with them, you will have problems but apart from that at nights you can go around safely" (Juan Interview,2020).

4.2.3 Guadalupe

Guadalupe wakes up and prepares for the day to go to work. She is an informal employee in Obregon and works at a store in the neighborhood. She walks to Periferico Highway to take the bus and waits until the bus comes for a few minutes and gets on. The ride is 40 minutes, and she goes running to work to arrive at 9 am and starts to work by opening the store and sweeping or moping. Throughout the day, she attends clients, organizes merchandise, and writes receipts.

Guadalupe has a big family of 11 siblings, although they do not all live together. Her father has a formal job at SIAPA (Sistema Intermunicipal de Los Servicios de Agua Potable y Alcantarillado or a company that takes care of drinking water, sewage, and water sanitation), and her mother is self-employed in the informal sector selling clothes at a tianguis. They live in a neighborhood where many people have low resources. She explains

"There are many people with low resources. Many people like that. There are not many 'cholos' (gangsters). There used to be many and many robberies... but not anymore. But usually its very lonely. It is not like, there are many people when the tianguis is up but only then. 'Osea', now is better, is calm, but is you go around at 12am of the night, you might get assaulted...The streets are long and made of cobblestone and there is alot of small houses.... But there are also uglier streets. Ugly like they have, well yes is only dirt and big rocks and cars take long to pass. There are lots of potholes? Yes, those also...and because the ravine is there, well also. When it rains it doesn't get too ugly, but all the water goes down and it harms many people. There is still alot of people living there and well when it rains all the water goes down" (Guadalupe Interview, 2020).

4.2.4 Interviewees placement in the Informal Economy

Table 4: Adapted from the Hussmanns Matrix (2004)

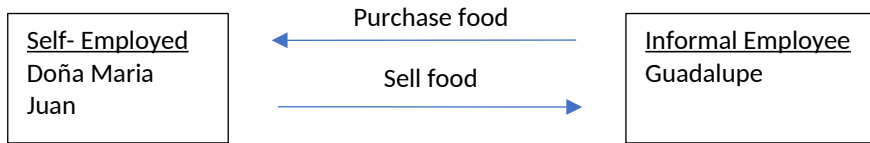
	Jobs by Status of Employment								
	Own-account workers		Employers		Contributing Family Workers	Employees		Members of Producer's cooperatives	
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal
Formal Sector Enterprises	n/a	(formal) Juan	n/a	formal	Juan	Guadalupe Juan	Formal	n/a	formal
Informal Sector Enterprises	Doña Maria	n/a		n/a	Doña Maria				n/a
Households		n/a	n/a	n/a			formal	n/a	n/a

The table above shows the placement of interviewees in the Informal Economy according to the Hussmanns Matrix (2004). Starting from the right, Doña Maria is a self-employed entrepreneur in the informal sector. Juan is a self-employed entrepreneur in the formal sector but has a place in this research because he has informal workers in his business. He also has a family member contributing to his business as well as Doña Maria, who has one of her daughters helping her out from time to time. These family workers are informal because they are not registered as employees, do not sign contracts, and do not have social security. Lastly, Guadalupe is an informal worker in a formal business.

4.2.5 The Way Interviewees are Connected

Doña Maria and Juan sell to employees working in Obregon or others who would like to buy food. Furthermore, Guadalupe is an employee who buys from them and mostly buys through the system of “fiar.” Doña Maria and Juan are connected because they both sell food and through an established network of people who also sell food in the neighborhood. It is quite a simple connection, but outside they are also part of different circles within the neighborhood.

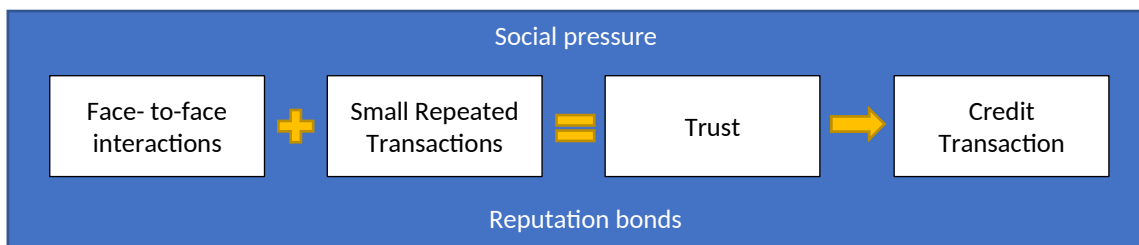
Figure 2: Simple Explanation of Interaction between Interviewees



4.1 Informal Institutions That Hold Together the Informal Economy

While going through interviews, four informal institutional themes kept appearing. They were defined as social exchange, trust, repetition, and culture. One exciting aspect about informal institutions was that they do not work alone but together and are connected to maintain society. An example is credit transactions, transactions where you receive your product first and pay later. A credit transaction in the informal economy can be made with the premise that trust and reputation are in place. Reputation and trust can be built through repetitive face-to-face social interactions—these need to be in place because the informal economy lacks contract enforceability and verifiability through legal frameworks. The contracts in the informal economy are informal; in other words, these contracts are not written down and therefore lack the legal authority that can be verified by a 3rd party (Gil & Zanarone, 2017, p. 142). Enforcement of informal contracts is different from formal contracts, where a court or an arbitrator can verify them. These enforcement needs to be self-enforcing. That can be done through sanctions (Williamson, 1993, p. 471) or by reputation bonds and social pressure (Bernstein, 1990 cited in Williamson, 1993, p. 471). Nonetheless, these enforcements are based on the premise that the buyer and seller will want to preserve the ongoing contractual relationship.

Figure 3: Example of how informal institutions make a credit transaction possible



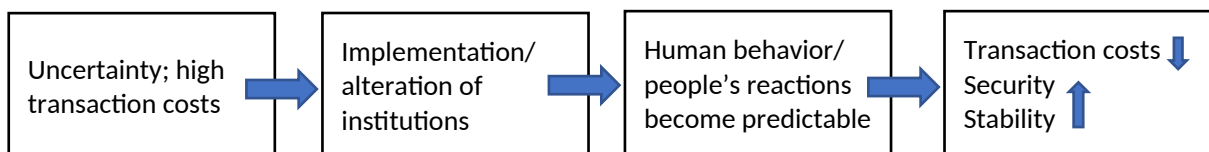
In the following section, we will look at how the informal institutions, especially trust, social exchanges, repetition, and culture, hold together the informal economy of Obregon. We will start defining trust and its role in lowering transaction costs in the informal sector, especially in the system of “fiar.” Later, we will give accounts on how it is utilized in the informal sector of Obregon.

4.3.1 Trust (“Confianza”)

Trust is not blind faith in the informal economy. In Spanish, trust is “confianza.” To ask someone for a favor or service, there needs to be a type of “confianza” in the informal economy. In the informal sector, “confianza” is related to social closeness, and sharing categories of expected rights and duties. Trust enters a relationship when an individual feels confident that the other will perform an exchange (Lomnitz and Sheinbaum, 2004, p. 6). “Trust then, is a relational response, not a result of blind loyalty that permits people to take risks in dealing with each other” (Rose-Ackerman, 2001, p. 543). This trust regulates what is to be exchanged, what degree parties are involved and brings a social relationship to the next level. These relationships can also become “friendships with symbolic content” (Lomintz & Sheinbaum, 2004, p.6).

So how does trust lower transaction cost? Transaction costs are the costs that arrive from enforcing contracts that are the basis of exchange (North, 1984, p. 7); these can be information costs, enforcement costs, and costs incurred from trying to maintain order and law (Dobler, 2011, p. 20). In order to reduce these transaction costs, informal and formal institutions can be used (North, 1990; Coase, 1960). Efficient and inefficient institutions place constraints to decrease risk and therefore transaction costs and give rise to security and stability. Institutions are important because they make human behavior predictable. Moreover, here is where trust comes into the picture. When human behavior becomes predictable, we can trust that people will follow that pattern.

Figure 4: Emergence and Alterations of Institutions by Dobler 2011 p. 21



In the next section, we will see how trust plays a part in the informal economy. The primary example that will be used is the system of credit or “fiar.”

System of “Fiar”- Seller’s Point of View

Doña Maria has a “fiar” or credit system that is available for her buyers. They can buy food for a week or two, and when it is the day when they receive their salary, she goes and collects what they owe her from what they bought during the time. The transaction costs for Doña Maria are the risk that buyers do not pay up or that they will stop coming one day and therefore stop paying. This system is not only her doing, but it is widespread in the area of Obregon. It is the same or similar business model that Juan uses and other vendors who sell snacks or flavored water daily. Although everyone makes slight changes to this business model as they see need depending on their type of business and the amount of trust they have.

One point of view of looking at “fiar” is that of the seller. From Doña Maria’s point of view, the concept of “fiar” came naturally.

“A person adapts, you give them credit because what they earn in a week doesn’t last them. So, for Monday, Tuesday, you don’t have enough money. Well you are not just not going to eat. If money doesn’t last, they still need to ask and borrow money from their boss. Well, one just can ‘fiar’ and on Saturday you pay, it’s the same” (Doña Maria, Interview 2021).

Doña Maria has worked to adapt to the financial situations of those she caters to. If they receive their salaries on Thursday, Doña Maria receives what she is owed on Thursday. If it is on Saturday, she receives it on Saturday. To keep this system, she keeps two notebooks where she writes how much everyone owes her, and in another, she writes what day people are going to pay. However, this was not how it was from the beginning. At first, everyone who bought from her needed to pay the very same day.

Nevertheless, people would say, “I don’t have money” or “I don’t have enough,” and soon she told them, “Okay, you can pay me the day when they pay you.” There seems to be this system that adapts to the convenience of those the seller caters to. However, for this system to work, trust needs to be in play.

“Confianza” or trust is needed when actors want to enter into a credit relationship with vendors who give credit in the neighborhood. This “confianza” at the end of the day becomes a basis of informal exchange embedded into cultural institutions such as family, friendship, and other types of relationships where trust and loyalty are the main principle among its members (Lomnitz & Sheinbaum, 2004, p. 8). Doña Maria and her customers have a special kind of relationship that she calls “friendship.” Lomnitz and Sheinbaum (2004) explain, there are three tiers of relationships inside trust: “close friends,” the “friend,” and “the acquaintance” (p. 6). Between these tiers of friendship, the actor depends on which tier it belongs to in that particular relationship and is allowed or not allowed for certain favors. This kind of trust can integrate and discriminate between actors and, by giving privileges, can even induce loyalty. That is why some buyers can call on favors from her asking her to ask another food vendor for a menu they are craving at the moment. However, instead of paying that other vendor, they can instead pay Doña Maria with the “fiar” system that they have with her.

As much as it is possible to develop trust and even stretch trust, it is also possible to lose that trust. This is because trust is either “lost and won, given or taken away” (Lomnitz & Sheinbaum, 2004, p. 6). Therefore, the reason why people can also lose their credit with Doña Maria. When Doña Maria decides to “fiar” to a new buyer for their first week, she gives them food and waits until they pay on the day that they receive their salary. If they do not pay, she keeps going to their workplace until they pay.

Nevertheless, once she starts doing this, the trust forming dissolves and does not give them credit again even after they pay in the end. However, the highest risk is when they are laid-off or stop working because they stop coming to Obregon and not paying her. She explains that sometimes they pay before they leave, or people who come back to the neighborhood come by her van and give her what they owed her. This helps ensure that trust is kept and keeps developing or at least stays in place to be able to “fiar” from Doña Maria, making the trust arrangement self-enforcing.

David Kreps (1990) explains this in a one-sided version of a Prisoner’s Dilemma game where players A and B are in the Prisoner’s Dilemma game where both players can decide whether or not to trust the opposite party. First, A must decide whether to trust B or not trust B. If A decides not to trust, there is no transaction made, and therefore both win nothing. If A decides to trust B, then B can decide to honor that trust or abuse it.

If B decides to honor that trust, both parties fulfill the contract, and a fair transaction is made. However, if B decides not to honor that trust and then the contract, the trust is broken. B can maximize profits in a single game, but it would have a different outcome if the game needs to be repeated.

If the game is played repeatedly, A can tell B that they will trust B with the hope that B will honor that trust. Moreover, keep trusting B as long as they do not abuse it because if they do, they will never trust them again. If the game is played repeatedly and B needs the trust arrangement to be in place for his benefit, the probability is high that B will not abuse that trust. Furthermore, this is the same in the informal economy; if buyers need to keep making a transaction with Doña Maria, it will be much more difficult to abuse that trust they have built with her.

Trust is essential in the informal sector, and in the system of “fiar,” trust does not work alone. As explained earlier, informal institutions work together to maintain order in the informal economy. Moreover, another informal institution that complements trust is repetition. In the next section, we will see how repetition helps build up trust and how it is used in the informal economy.

4.3.2 Repetition and Reputation Building

The type of relationship a seller can have with a buyer can evolve through time. This is a slow process where small transactions are made that need little trust and transaction costs involved. However, this gives way for a trust that allows relationships to build further and therefore also engage in higher-risk transactions (Blau, 1968, p. 454). This slow cumulative process of repetitive transactions makes an actor more particular about the other person through repetitive models of the other person’s behavior that fosters trust. These repetitive models of a person’s behavior also build up their reputation (Burt, 2000, p. 34).

Furthermore, this reputation can dictate the kind of transactions that an actor can have with the other party. It is important to note that reputation can be used as a form of enforcement in the informal economy (MacLeod 2007). If a party decides to breach an informal contract, the harmed party can damage the reputation of the breaching party. Moreover, in the informal economy, reputation is an essential factor to build or break trust.

In the informal economy of Obregon, the type of reputation that is mainly built is direct reputation. Direct reputation is formed when parties play the same game or duplicate transactions repeatedly (Bohnet & Huck, 2004, p. 362). In the next section, we will look at how repetition and reputation play in the informal economy of Obregon to build up trust. Since we have looked at the system of “fiar” from the sellers’ perspective, we will also look at it from buyers’ perspective in the next section.

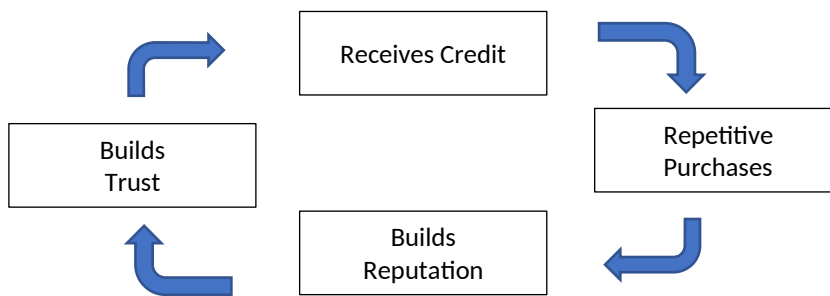
Buyer’s Point of View of “Fiar”

For Guadalupe, one of the most important factors for buying from people selling on the streets is credit. Although she does not often buy from Doña Maria because she is trying to be economical with her money, she says that “fiar” is crucial because sometimes you do not have immediate money. Although she may not buy from Doña Maria often, Guadalupe does buy “dulces” (candies or snacks) from another informal entrepreneur who comes by to the store where she works every day. This credit trust relationship is based on repetitive transactions, she explains.

“There are people who sell ‘dulces’ and don’t give us credit, so we don’t buy from them. We go with the person who gives us credit, and it is better that way because every day you buy from them. So, then they end up earning” (Guadalupe, Interview 2020).

By giving credit, trust is formed between both the buyer and the seller, leading to repetitive transactions. It is not possible to keep giving credit without trusting the buyer, and the buyer keeps buying to build up that trust by repetitive purchases that even lead to daily purchases. This kind of trust is built up, but repetitive transactions are where the buyers build a reputation with the seller. This reputation building is based on whether or not the buyer has breached the agreement with the seller (MacLeod, 2007, p. 596). It is a cycle whereby receiving credit buyers decide to make repetitive purchases, building up a reputation with the seller. That reputation leads to trust that closes the cycle by receiving the credit from the seller again. Furthermore, in turn, it also helps sellers anticipate and plan production on, in this case, food (Macchiavello and Morjaria, 2015, p. 2916).

Figure 5: A cycle of trust and reputation



This reputation that is built can be used as enforcement when the buyer breaches the credit contract with the seller (MacLeod, 2007). In this case, the seller can harm the buyer’s reputation by telling other buyers that the buyer has not paid. This causes damage to the reputation of the breaching party that not only breaks trust with one seller but can also impede trust-building future transactions with other sellers. However, since these are informal rules and not written down, it depends between sellers to whom they will give credit and how long it takes to build a reputation. Because even though one seller gives you credit, it does not mean another seller will do the same. Trust and reputation can be transferred but do not always happen that way. This can be seen in how Guadalupe buys from Doña Maria but does not buy from Juan.

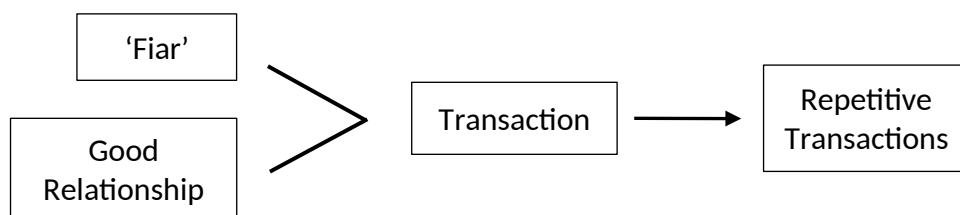
“But I don’t know, osea, he is one of those people that if you do not buy from him often, he won’t ‘fiar,’ although you have been here (Obregon) a long time. Because the times when he ‘fiar’ to us was because our co-worker ordered food but no. So, I don’t order food from him for the same reason. Because, sometimes is like, even though they know you and know all the times that you have been working here, and they don’t ‘fiar’ you.” (Guadalupe Interview, 2020).

There are sellers like Doña Maria, who, as long as you pay her on time, will keep letting you buy from the “fiar” system and others like Juan, whom if you do not buy too often and keep repetitive transactions, they will not give you credit. It also seems that reputation building in the neighborhood of Obregon can be done through repetitive transactions but also by being at a workplace for a long time and letting the seller know

you better. For Guadalupe, it doesn't feel just that although she has built a reputation that it doesn't always translate to trust and, therefore, credit. So, her solution is to not buy from sellers who do not give her credit.

Another reason that Guadalupe takes in mind when buying from somebody is to have a good relationship. For Guadalupe having a good relationship seems to be as important as being able to receive credit. It also seems that when they stop buying, sometimes those "friendships" or relationships might dissolve. Guadalupe used to buy "agua" (flavored water) almost every day, but the sellers stopped coming to sell to her since she stopped buying. Therefore, the friendship seems to have come to a stop, or at least for the time being.

Figure 6: Informal Institutions that Buyers take into account to make repetitive transactions



In an ideal modern society, actors should be able to use formal institutions, and informal interpersonal networks should be only needed for social aspects of life such as kinship and friendship. However, in the informal economy and many developing countries, the reliance on the informal interpersonal network is crucial. Moreover, on the basis of the informal economy is interpersonal trust for the exchange of goods and services because it is centered on trust-based social networks (Lomnitz and Sheinbaum, 2004, p. 7). Furthermore, due to the vast corruption and inefficiencies from the government or state, personal and interpersonal networks prioritize nationalistic ideologies. (p. 8).

In the next section, we will look deeper into how social relationships connect actors to make transactions possible and enter into the informal economy, how the network between sellers lowers transaction costs and helps the broader informal economy cooperate and can even earn secondary income for people willing to take advantage of it.

4.3.3 Social Exchange

Granovetter (1989) argued that economic transactions were embedded into the social structure. The homo economicus, the rational man, that we often refer to is criticized by many sociologists because they explain that it is impossible to separate the economic element while ignoring social life as a whole (Durkheim, 1888, p. 49-50; Granovetter, 1985). For Bourdieu, the economic actor should not act in a rational self-interested manner but in a reasonable manner which would be a balance of personal goals and fairness.

So why is embeddedness critical to understanding the informal economy? Embeddedness is essential because social interactions form informal institutions that hold together the informal economy. Economic transactions are possible through social relationships rooted in reciprocity and not just profit maximization (Granovetter, 1985). When members of the informal economy make transactions, it is not always just for the goodness of one side; instead, it considers both sides. Reciprocity was seen in the system of “fiar” where buyers receive credit to eat through the week or until they receive their paycheck, and sellers can sell to them throughout that time and therefore make more sales than if they had not given them credit. This also makes possible social interaction that may form relationships between the sellers and buyers.

These social relationships can also determine whom we trade with and how we interact with them. The basic principle of the Social Exchange Network (SET) is that for relationships to develop into trusting, reliable networks; they need to abide by specific “rules” of exchange. These rules and norms become “guidelines” that direct exchanges between individuals of specific relationships (Nee & Gram, 1998, p. 875). In the system of ‘fiar,’ the rules that the buyers have to follow are: make repeating transactions and pay in time. The rules that the seller has to follow are: to give them credit and collect money when it is their payday. The third rule that both sellers and buyers have to follow is also to maintain a good relationship. Although face-to-face social exchange and reciprocity seem to have less room in today’s developed societies, the informal economy is an excellent example of how it is still alive even though the impersonal marketplace seems to dominate the economic sphere of modern life. Moreover, to understand the informal sector is vital to study the informal social links such as kinship, friendship, and neighborhoods (Gaughan & Ferman, 1987, p. 20).

In the subsequent section, we will look at how social relationships were a key factor to the entry in the informal economy, how networks between sellers can help lower transaction costs and form cooperation.

Role of Social Relationships in Entry to the Informal Economy

When Juan lost his “puestos” (informal stands), where he sold women’s jeans, when the government decided to get rid of them, he lost money and his livelihood. During this time, a lady came as asked him and his mom, “why don’t you sell lonches (a bread with meat)?” (Juan, Interview 2020) and offered them a stove and a store. Furthermore, that is how they started working in the food business in the neighborhood of Obregon. Now he sells more than lonches; he sells milkshakes, hamburgers, tacos, foods, and others.

Although much literature in classical and neoclassical economics assumes that the self-interested man is minimally influenced by social relations (Granovetter, 1985, p. 481), we can see that the opposite happens in the informal economy. When Juan lost his stands and business, someone offered them a new way to make a living. Moreover, although a different situation, Doña Maria also started her business in the informal sector through social relations.

“‘Osea’, the same people made me come back to the food business area and bring them food here in the street. And that’s when I started to sell on the street” (Doña Maria Interview, 2020)

Doña Maria had dedicated herself to domestic labor after her mother passed away. She had now married again, and her new husband used to go to Obregon to work. However, she noticed that her husband would not eat without her, so Doña Maria started bringing lunch and eating with him. As time passed, people started asking her for food. They would say, “can you give me a taco?” Later on, they started telling her that she should bring food to sell. So that is what she did. Now, she sells food from her van in the main street in Obregon. This is another example that shows how social relationships are essential in the informal economy, especially when starting out. For Doña Maria, it was not

that she was looking to work or start a business in the informal economy; she explains that it was the same people in the neighborhood of Obregon that pulled her into the business.

Another example is Guadalupe. In her interview, she explained that she worked in Obregon because people told her that in downtown there were lots of jobs.

“I came here because people used to tell me that in downtown, I would be able to find a job...in downtown is like easy to find a job” (Guadalupe, Interview 2020).

Many people come to downtown or the zone of Obregon because there are lots of jobs offered. It is information that is widely spread out and that people share. Similarly, people that Guadalupe had social interactions with told her that downtown (where Obregon is situated) was where she could find a job, which influenced her to seek a job in Obregon.

“Because you can find everything. Job that you are looking for, you can find it. And also, many people come to find a job from somewhere else. You work for a while and earn and you invest it” (Doña Maria Interview, 2020).

The easiness of entry and the number of jobs offered seem to be what attracts people who work in Obregon and downtown. People can settle for working at an informal job or earn experience and gain a better job or even earn money to invest it in something else. It is important to note that much of the informal workers, self-employed and wage-earning, tend to come from low education and are from the low resource neighborhoods. Maloney (2004) notes that the voluntary worker in the informal sector does not always mean that they are comfortable or happy. However, it can imply that they would not always be in more favorable circumstances in another sector. Many might just be trying to make the best choices according to their education level (p. 1164).

One explanation for moving to the informal economy can be that actors see informal employment and the market as an alternative to other low-paying marginal jobs (Gaughan & Ferman, 1987, p. 23). It seems that they choose to be in the informal economy sometimes over being in the formal economy because they see an opportunity. Some people like Juan and Doña Maria have the opportunity of being entrepreneurs and having their own businesses. At the same time, in the case of Guadalupe, she decides to find work

in the informal economy because there are many jobs available in it. For Roberts (1989), the advantages of the informal economy are apparent: low overhead costs, small capital and space required, relationships that give access to labor, credit, and economic information (p. 41). For Mexico, some of the reasons that push people towards the informal economy are non-binding minimal wages, unions that, rather than raising wages, focus on preserving employment, and wages seem to fall during economic crises in the formal sector (Maloney, 2004). This is reassured by Portes and Haller (2005). They explain that societies that rely on themselves during economic downturns and crises view the informal economy as a “normal part of life” (p. 411).

Network between Actors

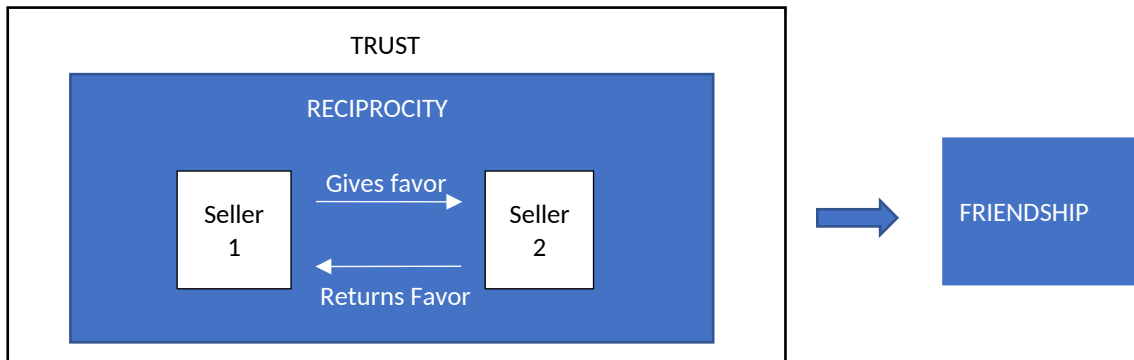
“A wide range of informal economic activity is of the social variety, part of the cohesive force uniting people of all societies founded upon kinship and community” (Gaughan and Ferman, 1987, p. 25). Furthermore, this societal, economic activity is also very prevalent and vital in Obregon. Because my interviewees were chosen from the individuals I had access to, the fact that they are somehow “related” is not so surprising. However, it is not too hard to have connections inside the neighborhood of Obregon. Doña Maria knows Guadalupe because she sells to her, and Guadalupe works in a store across from where Doña Maria parks her van to sell. The way Doña Maria got to know Guadalupe was because she already knew another girl who worked in the same store as Guadalupe. Furthermore, Guadalupe knows Juan because she used to buy food from him. Moreover, Doña Maria and Juan know each other because they are part of a network between those who sell food in the neighborhood.

“All the (food) sellers from around here get together” (Doña Maria, Interview 2021).

When food vendors sell out all their food for the day, they might call on a fellow (food vendor) and buy lunch from them. Also, if a buyer wants to buy from another seller, the buyer might ask Doña Maria, “Call them (another seller) and ask them (for specific food), and I pay you later.” This is possible because they have a network between the food vendors. Although Doña Maria says that food vendors have to always pay each other, but

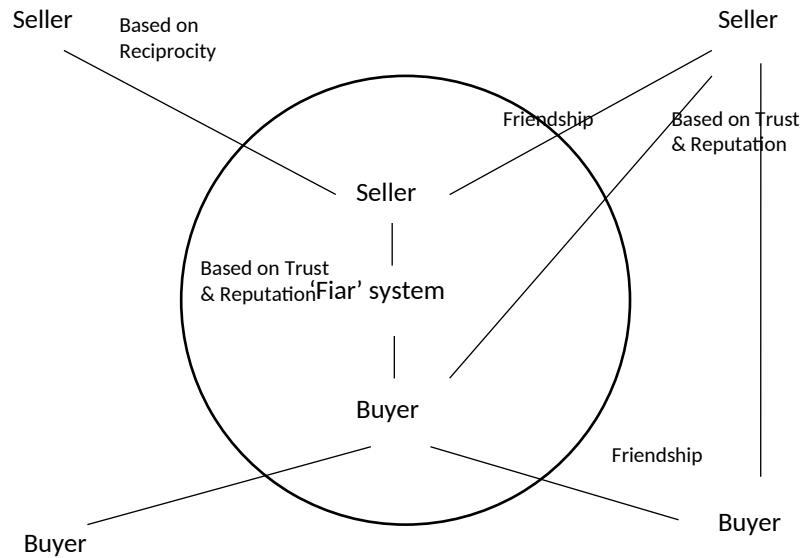
they might also give each other favors such as paying what they owe the other food vendor in small installments or giving each other a longer time frame to pay back. This is social interaction built on trust and reciprocity.

Figure 7: Reciprocity and Trust between Sellers



Charness and Dufwenberg (2006) explain that this type of cooperation between actors is much more possible due to communication between the actors, especially from promises that enhance trust and efficiency (p. 1595). The network between food sellers in Obregon also helps in sharing information and therefore enhances communication between them, which aids cooperation. The sellers share information if they know if someone was either laid-off or quit their job. Moreover, if the buyer did not pay up, they also share that information. Also, they might come over to Doña Maria's van and ask her for a soda, cigarette, or a bottle of water. They will help each other but charge for anything that they have asked. This forms a friendship by working in the same neighborhood, which is not exactly like a normal friendship but a businesslike friendship based on reciprocity. However, these social relationships where sellers interact and share information can also be seen as a form of enforcement for buyers. When sellers share information, they can also share information of who paid and who did not pay, which could strain future transactions for buyers who breached the agreement. So not paying one seller could have implications of trust, reputation, and future transactions with other sellers in the neighborhood.

Figure 8: Network of Sellers and Buyers



Working in Obregon does not only form friendships between sellers but also between sellers and buyers.

“Yes, one makes friendships with several people. Just that if they start giving you nicknames you stop them” (Doña Maria Interview, 2021).

Doña Maria knows and has friendships with her clients. The act of buying and selling seems to evolve into something more than just business. The constant interaction between buyers and sellers forms friendships to even share more personal conversations. However, that does not mean that it does not come with limits. For Doña Maria, there is a fine line that people have to respect in order to keep their friendship, and that is not to call her nicknames. This is a constraint that people need to respect to enjoy their friendship.

Through social exchanges and friendships, it is possible to foster cooperation between actors in the informal economy. Other types of cooperation that can be seen in the informal economy of Obregon will be described in more detail in the following sections.

Cooperation with the Wider Network of the Informal Economy

The informal economy does not exist independently, which is quite noticeable since social exchanges are quite crucial in the sector. Through social exchanges, there are repetition of transactions that create trust that reduces transaction costs, and forms cooperation (Fukuyama, 1995). North (1990) explains that cooperation comes when actors repeatedly interact and after having enough information about each party and when the group is small (p. 12). One of the things that makes the informal economy possible is cooperation. Due to cooperation, street vendors can avoid the patrolling officials, and due to trust between members of the neighborhoods, it is possible to keep their businesses afloat. These are also called “entrepreneurial networks” (Anderson & Jack, 2002), where self-employed entrepreneurs build relationships with other entrepreneurs and even potential moneylenders. Unlike other business transactions in the informal economy, it is essential to have trust and have face-to-face interaction. An example would be how actors in the informal sector of Obregon exchange information, especially in the case of Doña Maria, where she says that they exchange information about an employee who was fired or stopped coming to work. Gaughan (1987) calls this mutual aid.

Juan explained that about two years ago, public officials from Mexico’s Tax Administration Service (SAT) came to Obregon to check if employees had social security and how everyone told each other to hide their employees who did not have social security.

“Did you know that a lot of the people that where, the ones from SAT, (came and were checking) who had social security and who did not. Ah, well people, many people started ‘have you seen those people? ‘yes, they are around here.’ ‘Ah well, its good that you are telling me, to hide the employees’... Ya todos nos hechamos la mano, edad? (We all help each other out, right?).” (Juan Interview, 2020)

Since many employees did not have social security, people cooperated in the neighborhood to give each other the information. So that employers would hide the employees who did not have social security and therefore would not have to pay fines. This type of cooperation is possible because many people are in the same boat in the neighborhood of Obregon.

Many employers do not give social security to their employees. From the first set of interviews, it was found out that only 3 out of 11 employees that were interviewed has social security. So, the vast majority of the employees might not have social security, leading to many fines if found out by government officials. However, cooperation like this is also possible because some informal workers might be looking to do a favor for some business owners. It might not generate anything in the short run, but in the long run, it might foster a good relationship where it is possible to ask for favors sometimes.

North (1990) expressed that solving the problem of human cooperation is the key to making profit in trades. Trust is needed to make these kinds of transactions. In the setting of the informal economy of Obregon, we can see that human cooperation is done by sellers adapting to buyers and buyers adapting to sellers; as well as the network of sellers exchanging information and network of business owners and self-employed informal workers who may exchange information during times when information is especially valuable. This helps reduce risks and uncertainties and fosters relationships based on reciprocity and trust.

Social exchanges in the informal sector of Obregon can bring cooperation like those explained above, but they can also be used to generate more profits at times. These interactions and relationships can also be used to create secondary income, especially for those self-employed in the informal sector. In the next section, we will look into how relationships can bring about secondary income in Obregon.

This thesis does not endorse the hiding of the employees or not offering social security. Instead, tries to understand the informal economy as it is. In later sections, it will explain more in depth why some employers decide to provide social security or not.

Secondary Income

People in the informal sector seem to be able to have more than just one job. Moreover, at least two of the three interviewees in the second set of interviews had secondary jobs that brought additional income, and one was contemplating starting later on. Part of the culture of the informal economy seems that there are fewer boundaries of starting something new while working on an already established job. Also, the fact that there are no formal rules might help the flexibility of the sector. The ILO (2002) stated that the informal sector posed a great business potential due to its creativity, dynamism, and

innovation (p. 54). In the case of Doña Maria, she gathers cardboard and sells it, and also sells “huaraches” (sandals) and other products to her existing clients. In the case of Juan, he explains that it is not one thing that he does but many.

The way that social relationships and especially the relationship of buyers and sellers help Doña Maria earn a second income is simple. The relationship starts as buyer and seller. If the seller is an employee at a business or an owner of the business and knows that she takes cardboard and sells it, they will almost always save the cardboard and give it to her. For the business owner and employee, it is something that they had to get rid of. But the point is that when you have a relationship with the employees, they will give the cardboard to you and not someone else because there are other people in Obregon going around gathering cardboard to sell also. This type of action forms a relationship with more than just one level of reciprocity between buyer and seller and now one of giver and receiver. Because they already have a good relationship with Doña Maria, reciprocity comes as a natural act, not expecting much than what is already established in this case.

In the case of Juan, he takes his secondary income to a different level by doing many things instead of just selling a determined item.

“Now, I do everything... Since, two months ago, I started selling practically everything. If you tell me you need a store, I will look for stores. Everything... Thanks to the kitchen, it has opened many doors” (Juan, Interview 2020).

Juan’s secondary income is centered on information. In Obregon, most times, establishments do not have a sign stating that they are looking for someone who rents. Most contracts are made when there is still a business working at the establishment. So, finding an establishment to rent is difficult, and connections are crucial. This is where Juan uses his social networks. When someone tells him that they are looking for an establishment to rent, he uses his social networks to find a business owner thinking about giving up their place. Furthermore, in the process of connecting them, Juan can receive a commission.

For Juan, being friends with everyone means that you have a wider audience of people who could help you generate profits.

“You talk and become friends of everyone. Everyone is going to generate; they are going to help. If you win everyone, everyone becomes your friends” (Juan, Interview 2020).

For Juan, it is about winning people, not just casual relationships, but he thinks you have to win their friendship. Moreover, once that friendship is in place, any of those relationships could help generate money because information can potentially be used to generate money, and that information is in people.

Doña Maria and Juan use existing networks that they have formed throughout their time in Obregon for making secondary income. Social networks and knowledge of the neighborhood seem to help some informal economy people earn secondary income if they want to take advantage of it. Formed networks while working in the informal sector, many times opens its actors to new opportunities to earn a second income. This seems to be done because there are already established social relationships, and reciprocity is in place with other people in the neighborhood. These social relationships and reciprocity become an asset that can be cashed in to generate another incoming stream.

Also, Guadalupe, who does not have a secondary job, expressed interest in earning a second income through selling in tianguis (markets) because she has many family members who do it. Also, her kinship with those members of her family might facilitate her entry into the market. Although I did not ask why the interviewees were interested in a secondary income, it might be because their primary income is not enough or because they want more money to use elsewhere or save. However, it is interesting the flexibility and opportunities that the informal economy can bring to those ready to take advantage of it.

Until now, we have taken a look into how trust, reputation & reputation building, and social exchange work in the informal economy of Obregon through the experiences of our three interviewees. In the next section, we will look at what kind of culture informal economy has in the neighborhood and how it influences its actors to think and act the way they do. We will shortly define culture and then dive into seeing how religion plays a part in influencing people’s decisions, how they view the informal economy, and what shapes their thoughts. Lastly, we will look at the philosophy of work that they have.

4.3.4 Culture

Informal institutions can also be used interchangeably with “‘routines’, ‘customs,’ ‘traditions’ and ‘culture’” (North, 1991, p.83). Culture is the “transmission from one generation to the next, via teaching and imitation, of knowledge, values, and other factors that influence behavior” (Boyd and Richerson, 1985, p.2). Culture matters because cultural differences play a role in why economic development differ between different societies (Dobler, 2011, p. 6). The aspects of culture that form economic institutions and affairs are less understood, and it is suggested to study it with economic sociology through interdisciplinary research. DiMaggio (1994) states that “culture plays many roles in economic life: constituting actors and economic institutions, defining the ends and means of action, and regulating the relationship between means and ends (p. 47). Culture defines human behavior, and human behavior determines the economy (Dobler, 2011, p. 6). In the informal economy, cultural capital (forms of knowledge or style) and other cultural resources (distinctive forms of speech) are used to interpret each other’s character and intentions (Bourdieu, 1986; DiMaggio and Mohr 1985), and these form bonds that strengthen social ties (Waldinger 1990).

Culture is important in the informal economy because it helps us define the goals and reasons for an action if we understand the culture. It helps define why people do certain things and behave a certain way. Moreover, because people use this cultural capital to interpret each other, their intentions and personalities. Many cultural traits are hard to define and evolve through time (North, 1990). So, if we say that something is part of the culture of Obregon, this has a reason and might also have been part of the history of Obregon. Something that was influenced by other cultural traits in the area. Cultural traits do not change easily and evolve slowly even when reacting to constraints in the formal sector. The culture of Obregon will be identifiable because it is formed and evolved through interactions as much as it influences the actors in Obregon; it is also influenced by the same people (Granovetter, 1985, p. 486).

In the next section, we will see how religion and other informal institutions shape the way people look at the informal sector and its role in influencing work.

Religion

Religion is an essential aspect of culture and is a factor that shapes economic performance (Weber and Kalberg, 2013). About 82% of Mexico was Catholic in 2010 (INEGI, 2010), and although less people practice it these days, its influence over people persists. Guadalupe and Doña Maria expressed that they were Catholic but when asked if they thought their beliefs or religion influenced any of their decisions their answer was “no.” However, religion is known to influence traits such as honesty, work ethic, savings, and trust (McCleary and Barro, 2003, p. 771). Between the two, only Doña Maria attended mass. McCleary and Barro (2003) state that church attendance affects individual and economic traits. From the interviews that were done, it is hard to know how religion shapes interviewees and the decisions they make as well as their thinking. However, through past research, we can expect that religion might have influenced what they believe is good and bad (Hofstede et al., 2005, p. 14).

The following section will look at how actors view the informal economy and how those views might also be influenced by religion.

View of the Informal Economy by Those Who Participate in the Informal Economy

“It bothers me a lot people who remove people (informal stands) ...It bothers me a lot, because I tell myself, they are working well and suddenly ‘move’? I don’t know, ‘you cannot be here’ or something like that. I mean, one does it with the effort of taking their family forward, I don’t know, their debts and someone to come and take it from you? Osea, I know that it is their job because sometimes I also have asked myself ‘why are they like that’ or why if they are selling why do other people come and tell them ‘you know you cannot be there.’ And well it is true, osea, a lot of people pay taxes and they see this other person that is working comfortably and doesn’t pay anything. And the others who have their stuff well organized are paying taxes. I say well, well now why talk. But to me it seems good. Because my mom has always been a merchant and sells at the tianguis and all that. And yes, she is registered but sometimes does not have licenses. And you do it with the effort and hope of getting 100 pesos (5 dollars) at least. Because right now with how the situation is, it is very difficult also. The tianguis are very idle and even the streets (of downtown) are idle now” (Guadalupe Interview, 2020).

The fact that Guadalupe has a close family member working in the informal economy and growing up watching them might also influence how she looks at the informal economy and those who work in it. Due to her experience, Guadalupe does not think negatively about the informal economy; on the contrary, she looks negatively at those who work for the government and tell informal workers or street vendors that they cannot work where they do. It seems that trying to make a living is a stronger argument than abiding by the rules and regulations that the government proposes. So, wondering how she thought about other work that is not abiding by the laws, such as robbing or drug trafficking, she was also asked what she thought about them. She responded,

“Well right now there is a lot of people who wants to earn easy money. Many thefts, a lot of things like that, scams and all that by my neighborhood. Well, for the majority of the time I prefer a thousand times to be well (doing an honest job) than to be doing those types of things. Because there is a lot of people in the “narcotrafico” (drug trafficking), and that seems bad to me” (Guadalupe Interview, 2020).

Although how money is earned both ways is not precisely abiding by governmental laws, she clearly distinguishes between working informally and illegally. Following the idea that informal and illegal are different was also how Juan viewed them.

“They (illegal economy) are in their own business and we are in our own business” (Juan Interview, 2020).

It shows a separation of the two economies. People in the informal economy of Obregon mainly do not get involved in the illegal economy. They might both have their business in the same area but are separate businesses. Nor do they work hand in hand. Informality is about working hard but not doing what we morally think is bad, whereas illegally are those things that we morally think are bad.

Moreover, this morality might come from culture and also by what is placed by religion. Roman Catholicism is the dominant faith in the country, and according to the Bible, things such as theft, scams, and things that are gained dishonestly are sin (Proverbs

10:2-3; Exodus 20:15; 1 Corinthians 6:9-10). Moreover, although 80% of Mexico is Catholic, the way they interpret different passages and rules in the Bible depends on the culture and generation. Not all the things that are said in the Bible abide in modern Mexican society, but some laws might play a part in influencing how society thinks and is shaped.

In the case of Doña Maria, she did not see much difference between a formal job and an informal job.

“I don’t know but the formal, is just that because you are working at a store, the informal well because one is one the street or at a tianguis, you are like that. Anyways, anyways they impair you with taxes” (Doña Maria Interview, 2020).

It seems that for her, the difference between formal and informal job was that at a formal job, you were working at an established place and the informal at a place that was not established. For the most part, the interviewees taking part in the informal economy did not see a big distinction between being a formal and informal worker. It is work for them and a way to take their families forward. The emphasis seems to be placed on working hard to provide for the family and not on paying taxes or being acknowledged by the government. All of that seems to come second. However, there is indeed a lack of security in the informal economy and this lack of security does come from not being protected by the government. It seems that some of these people do need to generate to live day today. Losby et al. (2002) explain that people work in the informal economy due to a necessity, as the only resort, or as a better option than low-wage formal work (p. 18). Jensen et al. (2002) found that the two most significant reasons people in nonmetropolitan Pennsylvania did informal work were to help out their neighbors, and the second was to survive. Although none of the interviewees expressed the need to help out their neighbor as a reason to work informally, the results do coincide with the need to survive. The thought that people are predisposed to maximize their profits with the resources they have (Dobler, 2011) might also influence people with lower resources to work in the informal economy.

Culture of Work

“Everyone works, it’s the law, it’s our law. If you don’t work, you don’t eat. That has always been our law. If you don’t work, you don’t eat. You work you eat, you work, and you have everything, you work, and you have a phone. You work and have a car and all. If not, don’t come and rot the rest of the apples. That is, it, that is our family. The person who works it works out well. If not no. That is our law. Yes, yes, it is a normal Mexican family.... But, on Sundays, we don’t touch anything. Yes, everyone in the house, we go somewhere. That is our law” (Juan, Interview 2020).

Work seems to be an essential part of people’s lives in the informal economy. This sense of work and the importance of work was passed down from family. Like the quote above, Juan’s family places great importance on work and a sense of pride in working and earning their own money. This is similar in Doña Maria’s case also.

“My mom, rest in peace, worked well. She liked a lot to work” (Doña Maria, Interview 2021).

Similarly, but different, we also have Guadalupe. For her, something that has been passed down in the family is working in markets called tianguis.

“Everyone in my family sells in the tianguis. Always, always, everyone. My uncles, cousins, my grandmother, all the time. My brother. My nephew is 15 years old and already has a stand. Everyone sells clothes and always all the time. I think that even I will maybe, some day of my life will become a merchant...Because everyone in my family does it, all the time. My uncle, my mom, my cousins go there (tianguis) also. Always, they have their job, but they also sell. Therefore, I believe that is how it goes. For generations, it is the only thing. Everyone’s ‘tiangueros’” (Guadalupe, Interview 2021).

The fact that most of her family members work in the informal economy seems to make working in the informal economy something natural for Guadalupe. There seems to

be a culture of working in the informal economy and not thinking about it as something negative but as a means of making even an honest living. Having many family members taking part in the informal family also influences her in wanting to be self-employed in the informal economy and becoming a merchant someday. Family culture seems to be a factor that influences people into working in the informal economy.

In this section, we were able to see how culture influences people's thoughts of the informal economy and their choice of work, and what they think about work. Culture is different in every family; however, the three interviewees grew up in families where they encouraged and valued work. This is hard to generalize. However, it might be possible to say that many of those in the informal economy do value work and work hard.

4.4 How Formal Institutions Drive People into the Informal Economy

During the interview analysis, the three main formal institutions that were focused on were the government, social security, and taxes. The analysis showed that people are driven to work in the informal economy when formal institutions do not fulfill their assigned tasks. In the 2016 National Survey of Economy and Work, which asked people who or what was responsible for social problems, 50% of respondents answered the government. When the survey asked how to finance social polities, 26.3% of respondents answered that the government should not steal and 25.8% answered that taxes should be raised towards the rich (Gonzalez et al, 2015, p. 75).

In this section we will look at how three formal institutions drive people into the informal economy. The main drivers that will be addressed are the government, social security, and taxes. We will also look at how people in the informal sector of Obregon respond to formal institutions and sometimes even substitute them. The responses of the survey can be seen as a portrayal of the informal economy of Obregon.

4.4.1 Government

"The government is not fair" (Doña Maria, Interview 2020).

When Doña Maria lost her first husband, she went to get help from the government as she was left alone to take care of her children. The government denied her assistance although three to four families in the same area received help. Doña Maria was working

and providing for her children, but the government told her she did not need it. This experience shaped how she views the government quite deeply and a reason why she does not trust it and does not feel the necessity of becoming a formal business.

Portes and Haller (2005) state that the welfare system and the role of the government are important in the formation and persistence of the informal sector (p. 411). In countries like Germany and Britain, the informal sector does not thrive as in developing countries because the welfare system is able to weather economic downturns and provide unemployment benefits (Roberts 1989, 1991) (Leonard, 1998). On the opposite end, societies that are accustomed to relying on themselves and not the government during economic downturns or life crises view the informal economy as a "normal part of life" (Portes and Haller, 2005, p. 411).

Although Doña Maria did not start working in the informal sector of Obregon right after being denied help from the government, the incident seems to have impacted her to not trust the government. In turn, she does not feel guilty for not paying taxes. She says she pays taxes by paying her van's parking fee. The interview was done right before the first lockdown in Guadalajara, and she expressed:

"I feel bad because we cannot work, and we do not have other means to stay at home. And the government says that they will help, that is going to support you, but is not true. I don't believe nothing now" (Doña Maria, Interview 2020).

Social psychological research on trust has mainly focused on the willingness of individuals to obey laws established by diverse authorities (Tyler & Lind, 1992). One of the most reproduced results shows that actors who view authoritative figures as fair tend to accept outcomes from them (Eek & Rothstein, 2005). Societies with high trust in others tend to have greater economic growth (Knack & Keefer, 1997). The willingness of citizens to obey the law is closely related to the ability to trust authorities who implement those laws. So, in cases such as Doña Maria, the willingness to follow the law is connected to whether she believes she is being fairly treated by the government and whether the government is trustworthy or not.

Guadalupe is not very positive about the government either. She explained that schools are supposed to be free in Mexico, but the truth is that you have to pay.

"It is supposed to be from the government, and they have to help you or so. But no, in elementary school, according to that is supposed to be cheaper. But no, they ask you for many things, such as toilet paper for the school, soap and I don't know what else.... Bad (government) because there are more poor than rich people. There is a lot of people who are struggling.... No, it (the government) doesn't help with anything." (Guadalupe Interview, 2020).

A repeating theme that the interviewees pointed out was that the government does not help. The failure of government to deliver basic needs and protections gives it a bad reputation. This can skew the perception of economic incentives and gives reason for informal workers to remain in the informal economy (Perry et al., 2007, p. 8).

Trust in government institutions has been a topic of much attention in recent years (del Castillo & Guerrero, 2003; Della Porta 2000; Anderson & Tverdova 2003). In Mexico, only 16% of the population trusts the political parties. It is higher than Brazil with 7% but much lower than Chile and Uruguay, where 40% and 39% of the population trust political parties (Moreno and Mendizábal, 2018). The interviews highlighted that institutions' behavior influenced the way the interviewees think about and trust them. The interviewees' trust in governmental institutions were shaped by past experiences. As Portes and Haller (2005) stated, societies who have to rely on themselves during crisis view the informal economy as normal. Taking part in the informal economy is not unheard of, but seen as a means of making a living when most necessary.

There is also a culture of evasion of government authorities for people working within the informal economy. Doña Maria has to close her van whenever "ayuntamiento" (city officials) pass by checking that everything is in order according to law.

"Inspectors pass and the only thing I do is close. I tell the employees (buyers) 'wait a little bit.' Why? To evade fines" (Doña Maria Interview, 2020).

4.4.2 Social Security

Guadalupe has never had IMSS (social security) in any of her jobs. She had three jobs prior to her current one and not one offered or asked for her social security. She

explains that she likes the idea of having IMSS and would like to have it, especially INFONAVIT. INFONAVIT is a Mexican state institution that ensures the right of housing for workers (INFONAVIT, 2021).

"Because it's very good, they give you a house of INFONAVIT. I don't know how many years you have to work; I mean, the social security are points that they give you. I think its after 3 (years) when you start getting a quote for your house. They gift it to you also. It is not big nor very pretty, but you say 'something'. If not for you it could serve somebody and then you can rent it and get money and take advantage of that house. And if something happens to you, you have your social security. To me, it is very good" (Guadalupe Interview, 2020).

Similar to Guadalupe, most of the respondents from the first set of interviews who did not have IMSS responded that they would like to have it and INFONAVIT. Only one of the respondents answered that they did not mind not having IMSS because the service was poor and ran out of medicine often.

For Doña Maria it's a different story, since she is self-employed, and her business is informal. She does not have any insurance. She used to have “Seguro Popular,” the national social security program, but she said that the government took it away.

" I used to have it for a time, but they took it away...No (nobody has it), now I don't know, we are going to get informed how they are going to keep attending us. But they haven't told us. With this crisis (covid-19) and there is no 'seguro popular'. Now if you have (money) for a doctor you can get cured but if not, you are left there" (Doña Maria Interview, 2020).

There could have been a misunderstanding and lack of communication between the formal institutions that take care of social security and its beneficiaries. The social security program “Seguro Popular” was replaced by INSABI (Instituto de Salud para el Bienestar or The Institute of Health for Well-being) in January 2020 (Reich, 2020). In February 2020, the government of Jalisco (the state where Obregon is located) expressed that they would not be participating in INSABI (Toral, 2020) but later announced that it had joined

it about April 2020 (El Informador, 2020). It seems like Doña Maria was one of the many Mexicans who were confused about what happened to the “Seguro Popular” and what its replacement would be. Adding to this confusion was the decision of the state of Jalisco to not join the INSABI for at least 4 months.

The INSABI was created to reform the public health care system by the government of President Andres Manuel Lopez Obrador also known as AMLO and to eliminate the national social security system “Seguro Popular.” The president criticized the institution by stating “ni es seguro, ni es popular” (Politico MX, 2018) meaning “it’s neither safe nor popular.” Five main criticisms of AMLO were that it did not really offer coverage to the whole population, did not offer universal coverage of services, out-of-pocket spending was still not reduced enough, corruption, and that it did not improve people’s well-being (Reich, 2020, p. 2). The problems with the new system were that it was implemented before it was ready and had similar flaws as the Seguro Popular. INSABI’s policy statement is “todo para todos” (everything for everyone), but it offers the same products as Seguro Popular. The main difference is the centralized model of healthcare that decreases reliance on private facilities and companies. Reich (2020) explains that this comes from the train of thought that views the private sector as “neoliberal” and the basis of corruption (p. 8). Both media and researchers view Seguro Popular as similar to the INSABI or maybe less stable due to it not being improper design (Reich, 2020; El Universal, 2020; Andrade, 2021).

However, it could be noted that the offering of universal health care for everyone might take from the incentive of joining the formal sector. Universal healthcare is good but might sometimes be a reason why people do not feel the need to join the formal sector if they are already receiving healthcare service, nonetheless. Or some people might even drop out from the formal social security system to join it, which was originally intended for the marginalized (Parlevliet et al., 2008).

Juan is an interesting case because, as a business owner, he planned to get social security for his mom and himself but did not offer it to his employee.

"Actually, the ones who are going to get social security are me and my mom. To generate, how do you call it? I don't know how its named, its points for a house, for

INFONAVIT. And yes, I need it, more than anything, get a house now" (Juan Interview, 2020).

For Juan, when it comes to offering social security to employees, he views it as something that should be earned rather than given to everybody from the beginning. When asked why, he answered:

"Because they don't last long... I mean, if we wanted, we could give them social security...Five months would be okay to give them social security. It would be more like the choice of the employer. 'You know, it interests me how you work, I can give you this, this, and up to that.' (Explaining a situation) Offer it and if they accept 'arre' (get on with it), when they last a year and keep working well, 'here a little bit more, how do you see it, social security'" (Juan Interview, 2020).

There seems to be a culture or belief that one has to earn his or her social security, similar to gaining a higher salary after staying at one establishment for long enough and earning trust. And to earn that trust it might take about five months for the employee. To reach trust, reputation is important as reputation systems help build trust. Direct reputation building can be done by actors playing the same game or transactions repeatedly (Bohnet and Huck, 2004, p. 362). Individuals respond strongly to direct reputation building and past experience becomes an important factor for those who are deciding to trust or not the trustee.

During the Covid-19 lockdowns in 2020, Juan did not offer social security to his employee but expressed that he was willing to offer a week's salary.

"You give them a 'paro' (favor). 'I will pay you one week and just that, I can give you a favor and pay you one week but more I can't. Because where am I going to get the money? You understand? That is one, in the informal well, until the coronavirus kills us, we are going to work.... Why? Because we need to generate money every day" (Juan Interview, 2020).

Social interaction between the interviewees and their employees may make it possible to do favors for one another. Such as Juan, who was not offering social security or benefits to his employees but was willing to give them a week's salary during the lockdown. What is interesting is that, more than feeling that he should abide by governmental guidelines, Juan views himself as doing a favor out of goodwill for his employees. This shows how the informal economy can pivot during economic downturns, which seems to be more social based. However, these pivots may not compare to the security that the formal sector offers its employees as a natural aspect of work.

The fact that the informal sector does not offer IMSS and INFONAVIT is a big downside for those taking part in it. As the interviews were done during the Covid-19 pandemic in 2020, Doña Maria was worried about her social security. The timing of the Mexican government's transition from "Seguro Popular" to "INSABI" during the pandemic likely increased confusion. Guadalupe expressed the desire for IMSS and INFONAVIT and even Juan who had not offered them to his employees saw the benefits and wanted to get it for himself and his mother.

During the pandemic, there was a lack of not only IMSS and INFONAVIT, but also employers' offering wage compensation for employees during lockdown.

"The stores that are closing, to the workers they (the employers) are only giving what they worked for these past few days. They are not telling them 'hey you know what, we are going to be off work for some time, have this money in advance so that you can use it to cover your expenses while we don't work'" (Doña Maria Interview, 2020).

Although this was not the case of all the stores in the neighborhood, it did happen to many employees during the covid-19 lockdowns. The lack of security during crises is a problem when working for the informal economy. While you can have some employers that will help you out through the crises, others will not. Also, self-employed entrepreneurs in the informal market, are left to make ends meet somehow. They need to have savings or resort to something else to make money.

Although the government has a long way to go to establish a better infrastructure for health and welfare, when it comes to IMSS and INFONAVIT and security of the

formal sector, the guarantee of security is much higher in times of crisis than the informal economy. Although the informal economy might have its own pivots for times of crisis, it might not work as effectively as those that the government prescribes for formal employment.

4.4.3 Taxes

When Doña Maria was asked if she paid taxes, she explained:

“Directly, no. But if you think about it, all that they charge you in parking. I don’t leave it in the parking lot. I am paying it, my parking and all that where does it go?” (Doña Maria Interview, 2020).

She and her husband leave their van parked in the main street of Obregon, where the parking is owned by the city and will be fined if not paid. However, her last question was interesting because she implied that she was paying taxes, whereby law she was not paying taxes towards business profits.

Tax morale is the natural motivation to pay taxes (Torgler, 2002). Research shows that they call “honest taxpayers” who are just inclined not to evade taxes (Long and Swingen, 1991). At the other end, there are “tax evaders” who are believed to have low tax morale and weigh the benefits of complying against evading taxes (Torgler, 2003). Low tax morale has been linked to tax evasion (Brink & Procano, 2016), higher participation in shadow economies (Halla, 2012), and undeclared work (Williams & Horodnic, 2015). However, it is also stated that the effect of tax morale on the shadow economy could also be the inefficient administration of the tax system (Halla, 2012, p. 3). Williams & Horodnic (2015) express that to improve tax morale, there needs to be fair treatment of citizens in a responsible manner, fairness in the amount of taxes paid compared to other citizens, and efficient administration of taxes so that citizens can receive goods and services. Moreover, this is the case of Doña Maria, above it was stated that she thinks that “the government is not fair.” When she was looking for help from the government, she was neglected, and therefore she now thinks that paying taxes has no direct benefits for her. This leads her to not comply with taxes and to even think that paying parking space in the city is similar to paying taxes to the government. For Doña Maria, it seems that one of

the most important things for her to change her tax morale is the goods and services that the government offers. Although there are people who will pay taxes even without evidence of efficient use of taxes they pay, many of those in the informal economy might have a hard time paying taxes when they feel they are wronged.

For Juan, he explained that he was registered in the SAT (Servicio de Administración Tributaria or Mexico's Tax Administration Service).

“Yes, like everyone, registered at the SAT. Ah okay, I mean. I have to pay taxes, have to generate profit, save receipts, show expenses, In it, osea, all good” (Juan Interview, 2020).

The attractiveness of being able to afford a house if signing up for social security seems to have influenced his decision of applying for social security and could be an incentive for joining the formal economy for some informal entrepreneurs. Although some people in the informal economy might have low tax morale and weigh the benefits of paying and taxes, it seems equally important that the government is also giving taxpayers fair services for paying taxes to build trust and incentives for joining the formal economy.

4.5 Implications of Findings for Formalization and Sustainability

Much of the discussion for sustainable development of the informal economy centers on formalization. The formalization of the sector is advocated due to its lack of security, social security, bad working environment, and exploitation. International organizations such as the World Bank and ILO argue for its formalization (ILO, 2013; Perry, 2007). Other researchers argue for its disappearance due to the spatial and social segregation it promotes between those who have much and those who have less, resulting in social injustice and a step backward towards social equity and social sustainability (Briassoulis, 1999). However, one thing that we do overlook is the diversity of the informal sector. While there are factories where owners take advantage of their workers and make them work in horrible conditions for low pay, other self-employed people sell food on the streets and make a living to bring their families towards a better future.

As we saw in the findings above. Two out of three interviewees had experience in the formal sector but decided to leave it for different reasons. Juan used to work in a warehouse of the Coca-Cola company. However, he explains that he did not like it.

“In fact, I did not like it for that. I did not like the environment of the work. I did not like it, too much pressure. I did not feel satisfied” (Juan Interview, 2020).

About being a self-employed businessman in the informal economy and later in the formal economy, Juan explained that he felt satisfied.

“This fills me, being with the people, selling, I like it a lot” (Juan Interview, 2020).

From the interview with Juan, we can see that he was looking for more than just a decent job with social security and benefits. For him, what was important in a job was that it suited him and to feel comfortable and satisfied. Many entrepreneurs in the informal sector choose to be in the informal sector, and therefore Maloney (2004) argues that it should not be treated as “inferior” (p. 1162).

Doña Maria also has experience in an established business and the informal economy. However, she also talked about why she left the formal economy and her established business.

“I tell you... I had an established business but also how can I tell you, I had to pay rent, pay employees. And it was a lot. So much that to tell you, for debts from another person who had been in the same establishment before me, they closed it down. I had to go around, around and here they opened another store for me and had to get on it again. But yes, I know of everything, being in an established business and like now in the informal economy in the street...I left it (established business) because I had too much pressure from the person who rent it to me...on Fridays which is the day when there are most people... he(owner) used to come at midday and tell me ‘you have to go and wash the bathroom.’ And then he started with ‘you have to be from 8am to 8pm and from Monday to Sunday.’ And you are paying rent, they don’t have any right to demand the days you should work if you

are paying rent. And it was then when I said ‘you know? No, I can’t, here are the keys to your establishment and I don’t want anything from it’” (Doña Maria Interview, 2020).

She expresses that she is much more comfortable in the informal economy, where she can call in the hours and not get stressed.

“And you can see, here in the street, I come and work a little while, I bring them food in the morning.... And later I entertain myself, as you can see with my cardboard and other things also, I entertain myself the whole day. But I don’t have that stress anymore of ‘I have to be there.’” (Doña Maria Interview, 2020).

If we want to move the informal sector to the formal sector, we not only need jobs with social security and benefits but if our goal is to move everyone to the formal sector, there needs to be more. More from the government by making formalization easier, being transparent with taxes, less corruption, well-established welfare, and creating jobs that are satisfying for people. Even though people have low education or are poor, it does not mean that they will always choose to do a job that just pays the bills. They also look for satisfaction, of less pressure, to enjoy their work. Moreover, these new jobs need to be within reach of people who would otherwise work in the informal sector. If it needs too much education and more work experience, it is hard for people with low resources to get those jobs. Suppose these and more reasons that drive people towards the informal economy are not solved. In that case, it is hard to obtain total formalization because the informal sector can be a better or easier choice.

The 2030 Sustainable Development Agenda argues for Decent Work and Economic Growth (Goal 8). Decent work is based on employment generation, rights, social dialogue, and social protection (ILO, 2013). Although, decent work should be a major priority, it will not come easily (Perry, 2018) with the problems that we have, especially in developing countries where much of the structure still needs to develop and is hard to achieve. We should aim for decent jobs, but we should also try to find better ways to work with the informal economy. Instead of looking for complete eradication, we should also find solutions that will make those informal jobs more decent.

The 2030 Sustainable Development Agenda also advocates for No Poverty (Goal 1). The ending of poverty is also closely linked to employment. We should note that employment will be up to some extent, always be linked to the informal economy as well as the formal economy. Keith Hart argued for the informal sector and its “openness of mind” that might potentially solve unemployment in Kenya (Hart, 1972). Moreover, as we have seen in its history, the informal sector grew out of a need for jobs that the formal sector could not meet. Furthermore, today, we cannot say that that is not the case. In the 13th National Survey of Economy and Employment in Mexico, the found out that 75% of people responded that the reason why 60% of Mexicans work in informality was due to the economic politics of the government and because businesses did not generate sufficient formal jobs (Murayama & Gomez, 2016). Something that we need not forget is that the informal sector was born out of a need.

In the history of the informal economy, we saw how the informal economy was ignored by governments and economists because they believed that it would be absorbed by the formal sector, but it was not. Although our foremost goal is for its formalization, we also must acknowledge that it will not disappear. And if it is not going to disappear and we should be making better policies to make the most of its potential and the benefits it can bring to its actors while also tackling the problems of sweatshops, lack of social security, bad working environments, inequality, and workers being taken advantage of.

Ruzek (2015) advocates that the informal sector could provide a ground-up approach for sustainability by using its social capital, small markets, and eco-localism (p. 31). Social capital is the “links, shared valued and understandings in society that enable individuals and groups to trust each other and so work together” (Keeley, 2007, p. 102). In the informal economy, these have been built through constant interaction, repetitive exchange, and transactions that have formed networks that connect people (Putnam, 1995, p. 67; Knack & Keefer, 1997, p. 1252). However, he does not provide any concrete ways this could be done. Therefore, more research on how informal economy could be beneficial towards sustainability needs to be done.

Throughout the findings, we saw that some formal institutions push people towards the informal economy. The biggest problem seemed to be the inefficiency of the government. Although we need policies for better jobs, we also need to change the system where the government can offer good services and justify collecting taxes. Institutions such

as INFONAVIT are already good examples that can move people towards the formal economy due to its benefits. We need more institutions that people can access easily and bring trust to the government.

The link between the informal economy and sustainable development is still under-researched, especially in the area where it could also be beneficial or could work together towards it. Maybe instead of eradication, we could already use some of the potential it has towards sustainable development.

5. Conclusion

5.1 Summary of Findings

The findings were divided into 3 main parts. The first part was under the title *How Informal Institutions Hold Together the Informal Economy*. The informal institutions that hold together the informal economy in Obregon were trust, repetition and reputation, social exchanges, and culture. The main system that was explored was the system of “fiar” in which a seller gives a buyer credit so buyers can buy from sellers and pay when they receive their salary. This system of although simple, it uses different informal institutions to work properly. The biggest constraint is trust. Trust enables the initial transaction and then reputation is built through repeated interactions forming a history of interactions. Trust can exist without repetitive transaction such as for one-shot interactions, however repetitive transactions can help by building trust further as well as building reputation. So later on, buyers can use this reputation to ask for other kinds of favors from the sellers.

All of the informal institutions that made the system of “fiar” possible are also embedded in social interaction. These face-to-face interactions help with getting familiar with each other further lowering transaction costs. Through these interactions, another door can be opened for other favors that also benefit the buyer and the seller. Where it is possible for the seller to get a second income either through the accumulation of information through social interactions or more tangible assets such as the buyer saving cardboard boxes so that the seller can later sell them to a recycling center. By these non-monetary favors buyers can also raise their reputation with the seller.

Social interactions also arise through networks between sellers where they share information and small favors. Different social interactions can be formed when sellers also enter into “fiar” contracts with each other with the potential of raising sales. This in turn has the potential of building stronger bonds between sellers. There is also a larger social network that not only involves informal sellers and their buyers but also owners of formal establishments in Obregon, where people give each other a “hand” and cooperate when there are governmental checking about policy enforcement or changes in the region. This cooperation also forms trust and reputation between each other as it makes social interaction more natural.

Another prevalent finding was the informal institutions that contribute to *How Informal Institutions Hold Together the Informal Economy* was the factors that influence

how actors think about it. These factors were embedded in religion, work, and family that forms culture. The interviewees did not view the informal economy in a negative manner but viewed it as a normal means of making a living and taking their families forward. These views were influenced by family and past experiences. Having a family member working in the informal economy made their views toward it normal and did not view it much different to that of the formal economy. Religion seemed to help shape the difference between the informal economy and the illegal economy, separating the two. By adhering to Catholics views of right and wrong, people divided what was crime (illegal) and nonregistered work (informal economy).

The second part of findings was titled *How Formal Institutions Drive People into the Informal Economy*. The major formal institution that drive people into the informal economy was the government, social security, and taxes. This was important because we often talk about formalizing the informal economy but if the same institutions that are supposed to formalize are pushing people towards informality then we can see where some problems lie. What was found out was that the main driver of people towards the informal economy was the government itself. The lack of well-established welfare programs, funding, and corruption in its systems. However, there were some factors that did attract people towards the formal economy, these were IMSS (social security) & INFONAVIT (housing plan). The chance of having a home of their own one day did encourage an interviewee to get IMSS & INFONAVIT and other interviewees were positive about the idea. Nonetheless, the potential that the national healthcare system could deter people from having to join the formal economy because people do not need to be affiliated to a formal job to receive its services was also explored. Taxes did not seem to be a factor that drove people especially toward the informal economy. Nevertheless, the mixture of taxes and low-quality services might influence people to not join the formal economy. One interviewee stated that taxes were burdening. This could be because she was not able to receive help from the government when she most needed it. This experience seems to have influenced in not wanting to pay taxes. Offering of fair services and welfare might be an important factor for people to trust and join the formal economy and pay taxes.

The last part of findings focused on the implications that the informal economy had towards sustainability, specially formalization. Many international organizations such as the ILO and World Bank are pushing towards the formalization of the informal economy.

However, throughout analysis I was able to find out why people had joined the informal economy of Obregon. This was due to lack of satisfaction with their high-pressure formal jobs, distrust in the government, and job availability. But when it came to formal institutions driving people towards the informal sector the government's inefficiency was the biggest issue. Although we strive for the formalization of the informal sector, there also needs to be an acknowledgement of the informal economy and better use its potential for sustainability. Ruzek (2015) states the potential use of social capital, small markets and eco-localism towards sustainability, nevertheless, concrete models are still lacking. Thus, I agree that there is still a great need for much research to be done in the area of sustainability and informal economy.

5.2 Theoretical Contributions

The results of the study were guided by the main research questions:

What kind of informal and formal institutions influence the informal sector and how do these factors motivate or force participation in the informal economy?

The data that arose from the study offers several theoretical contributions. First, it fills the gap between economics and economic sociology by using informal institutions as part of the analysis framework. By doing this, I want to contribute to the institutional theory that places informal institutions that was normally thought a part of sociology also a part of economics following the examples of North (1990), Coase (1984), Smelser and Swedberg (2005). Taking a slightly different direction from Williamson (2000), since he places informal institutions only as part of sociology.

Second, it adds to the academic literature of defining informal institutions (North, 1990; Raiser, 2001; Lauth, 2000; Hodgson, 2006). Institutional analysis and theory can be hard to implement because formal institutions are easy to distinguish but informal institutions are harder to classify. However, by finding subcategories for informal institutional analysis we might be able to make it easier to use and also distinguish informal institutions. This study also adds to the slowly growing literature of institutional analysis for economic growth following the footsteps of North (1990) and Dobler (2011). It differs in that the scale of the phenomena was used to analyze was much smaller and this

study did not analyze the economic impact for the economic growth of a whole country or economic region.

Third, the findings of informal institutions contribute to understanding better the informal economy and how its actors get and work together making possible relational contracting (MacLeod, 2007). It also helps understand that it is not one or two informal institutions that hold the informal economy together but various and that through those institutions a broader picture can be seen where even the formal economy becomes involved. But not in the traditional sense where the informal economy only feeds the needs of the formal economy by providing cheap labor (Roberts, 1989). But also helps understand that it is not only about economic means but also about social interaction, reciprocity, and repetition of interaction that hold and maintain the informal economy. The results are in line with Odera (2013) who studied trust as an informal institution in the informal sector of Africa, however this study was more centered in finding the different informal institutions which guided it to finding more instead of choosing only trust. Also, it followed some of the footsteps of Dobler (2011) by analyzing the formal and informal institutions that affect an economy. Although Dobler was analyzing the economic growth of the MENA Region, whereas I only focus on the neighborhood of Obregon. But the findings most closely complements the findings of Lomnitz & Sheinbam (2004), who found that trust, social networks, and loyalty are important components for the survival of the middle class in Chile. However, it differs in that their research was based in political favors between middle and upper classes, but this research focuses on transaction between people with lower resources in the informal economy.

Fourth, this study contributes to the literature of the informal economy whereas most studies do not tend to ask those in the informal economy what they feel about the informal economy. We have heard about what many researchers and international organizations think about the informal economy (Briassoulis, 1999; ILO, 2013, 2019; Chen, 2012; Bangasser, 2000) but not so much listened to what the informal workers think and what are the aspects that shape those beliefs. This study tries to broaden the perspective towards the informal economy through views from the informal workers themselves.

Fifth, this study also adds to the understanding of why informal institutions and informal institutions are pervasive (North, 1990; Dobler, 2011). Although we have not

reached the full understanding why informal institutions are so pervasive, by constant research and interest we might be able to get a step closer each time. This study adds to understanding how informal institutions hold together the informal economy and therefore lets readers understand through connections how changes in the informal institutions seem difficult and why it is possible to survive for such a long time with slow changes.

Sixth, this study focuses also on the aspects of how formal institutions might drive people towards the informal sector. Most research focuses on how the informal economy needs formalization (Perry, 2007; ILO, 2018b; Briassoulis, 1999) but places less emphasis in how formal institutions might drive people towards it. And by having more detailed accounts it is possible to understand more in-depth what might be some factors that policy makers can take into account so that people do not turn to the informal economy. It also contributes to literature that places importance at how formal institutions might drive people into the informal economy (Porter & Haller, 2005; Roberts 1989; Leonard 1998) but differs that it gives detail accounts of individuals who have actually been driven by formal institutions to the informal economy.

Lastly, it adds to the aspect of sustainability by understanding more in depth about the informal institutions of the informal sector. It is possible to start thinking about concrete ways where we can also place the informal economy in the picture of sustainability with some of the findings being a steppingstone. It also tries to provide a middle ground between the view of eradication or total formalization (Briassoulis, 1999; ILO, 2013) and the perspective that views the informal economy as full of possibilities for sustainability (Ruzek, 2015). By having a middle ground, we might be able to come up with different way of thinking about the informal economy that does not only rest on contrary ends but an opinion that understands both and searches for the best solutions.

5.3 Limitations and Future Research

The method of study does come with limitations. First, it is a single case study that although it allows us to explore the richness of the experiences of interviewees in the informal economy, the number of interviews, 3 in-depth interviews, results in lack basis for generalizations and fails to capture the wider part of the informal economy. However, by looking that the findings are similar to that of Lomnitz & Sheinbaum (2004) it is possible to say that it can be used to understand other parts of the informal economy as well. But

since it was mostly focused on the food vendors and one informal worker which is quite a small part sample and a similar study in a bigger scale with diverse informal workers could help collect more opinions and experiences to broaden the spectrum of understanding of the informal economy. It could also be a multi-case study that studies the informal economy in more than one place and the comparison of the findings could bring a bigger picture to understand the informal economy.

Second, it is a qualitative study and one limitation of qualitative studies is that they are not used for testing of theories (Creswell 1994). However, the potential of qualitative research is to be able to enhance our understanding of existing theories (Pratt, 2009).

There also needs to be more research in the area of informal economy and sustainability. Pushing only formalization forward can leave many behind and in the shadows again as when the informal economy first emerged after WWII. By making the goal formalization but understanding the reality of the perseverance of the informal economy, there needs to be more research that addresses both views and brings solutions in a middle ground.

Over half the world's employed population takes part in the informal economy. However due to its vastness and diversity, it is a common result to have limited understanding of the phenomena. Since the concept of "informal economy" is used to cover a range of situations and activities, there is need for further research that study different aspects, circumstances, and types of work to gain deeper and realistic knowledge that could be used to make improved policies. Therefore, this study was guided by individuals who work in the informal economy in Mexico and convey their personal views of what the reality is in the sector. However, it is complicated to generalize what informal economy is based on a few interviews and thus, if wanting to move forward towards providing decent work for everyone, specific attention needs to be paid to ensure we gain even greater knowledge towards it. The informal economy has been homework since the 1960's and in order to achieve sustainable development, it needs to be thoroughly addressed since it is linked to decent work (SGD 8.3), poverty (SGD 1), gender equality (SGD 10), institutions (SGD 16) and partnerships (SGD 17). The informal economy will not disappear in day and neither is sustainable development achieved in the same way. Like Fabienne Fredrickson says, "The day you plant the seed is not the day you eat the fruit." Ultimately, to achieve both goals, we will have to take one step at a time. It will be a

process of finding the right methods, application, learning, partnering, and patiently waiting while moving toward the goals to ensure no one is left behind in the future.

References

Abramo, L., Cecchini, S. and Morales, B., 2019. Social Programmes, Poverty Eradication and Labour Inclusion. Lessons from Latin America and the Caribbean. *_Lessons from Latin America and the Caribbean (May 30, 2019). Social programmes, poverty eradication and labour inclusion Lessons from Latin America and the Caribbean_*.

Alesina, A. and Giuliano, P., 2015. Culture and institutions. *_Journal of Economic Literature_*, *_53_(4)*, pp.898-944.

Anderson, A.R. and Jack, S.L., 2002. The articulation of social capital in entrepreneurial networks: a glue or a lubricant?. *_Entrepreneurship & regional development_*, *_14_(3)*, pp.193-210.

Anderson, C.J. and Tverdova, Y.V., 2003. Corruption, political allegiances, and attitudes toward government in contemporary democracies. *_American journal of political science_*, *_47_(1)*, pp.91-109.

Andrade, J., 2021. *_INSABI tan parecido al Seguro Popular_*. [online] Forbes México. Available at: <<https://www.forbes.com.mx/insabi-tan-parecido-al-seguro-popular/>>

Arias, P., 1980. *_El proceso de industrialización en Guadalajara, Jalisco: siglo XX_*.

Aristotle, & Ross, W. D. (1954). *The Nicomachean ethics of Aristotle*. London, Oxford University Press.

Bangasser, P.E., 2000. *_The ILO and the informal sector: an institutional history_* (pp. 1-64). Geneva: International Labour Organization.

Becker, K. F. (2004) 'Fact Finding Study: The informal economy', Swedish International Development Cooperation Agency (SIDA)., (March), p. 76. doi: 10.1108/01443330010789214.

Blau, P.M., 1968. Interaction: social exchange. *The International Encyclopedia of the Social Sciences* (Vol. 7, pp. 452-458).

Bonnet, F., Vanek, J. and Chen, M., 2019. Women and men in the informal economy: A statistical brief. *_International Labour Office, Geneva. [http://www.wiego.org/sites/default/files/publications/files/Women% 20and% 20Men% 20in% 20the% 20Informal_ 20_](http://www.wiego.org/sites/default/files/publications/files/Women%20and%20Men%20in%20the%20Informal_20_)*

Bohnet, I. and Huck, S., 2004. Repetition and reputation: Implications for trust and trustworthiness when institutions change. *American economic review*, *94*(2), pp.362-366.

Bourdieu, P., 2011. The forms of capital.(1986). *Cultural theory: An anthology*, *1*, pp.81-93.

Boyatzis, R.E., 1998. Transforming qualitative information: Thematic analysis and code development. sage.

Boyatzis, R.E., 1998. *Transforming qualitative information: Thematic analysis and code development*. sage.

Boyd, R. and Richerson, P.J., 1988. *Culture and the evolutionary process*. University of Chicago press.

Briassoulis, H., 1999. Sustainable development and the informal sector: An uneasy relationship?. *The Journal of Environment & Development*, *8*(3), pp.213-237.

Brink, W.D. and Porcano, T.M., 2016. The impact of culture and economic structure on tax morale and tax evasion: A country-level analysis using SEM. In *Advances in taxation*. Emerald Group Publishing Limited.

Brinks, D.M., 2003. Informal institutions and the rule of law: The judicial response to state killings in Buenos Aires and São Paulo in the 1990s. *Comparative Politics*, pp.1-19.

Braun, V. and Clarke, V., 2006. Using thematic analysis in psychology. *Qualitative research in psychology*, *3*(2), pp.77-101.

Burt, R.S., 2001. Bandwidth and Echo: Trust, Information, and Gossip in Social Networks," in *Networks and Markets*, edited by Alessandra Casella and James E. Rauch. Russell Sage Foundation.

Charness, G. and Dufwenberg, M., 2006. Promises and partnership. *Econometrica*, *74*(6), pp.1579-1601.

Chen, M., 2019. Informality and inequality: In a globalized and urbanized world.

Chen, M.A., 2012. *The informal economy: Definitions, theories and policies* (Vol. 1, No. 26, pp. 90141-4). WIEGO working Paper.

- Coase, R.H., 1960. The problem of social cost. In *Classic papers in natural resource economics* (pp. 87-137). Palgrave Macmillan, London.
- Coase, R.H., 1984. The new institutional economics. *Zeitschrift für die gesamte Staatswissenschaft/Journal of Institutional and Theoretical Economics*, (H. 1), pp.229-231.
- Coleman, J.S., 1984. Introducing social structure into economic analysis. *The American Economic Review*, 74(2), pp.84-88.
- Colleta, N.J. and Cullen, M.L., 2000. Violent conflict and the transformation of social capital: Lessons from Cambodia, Rwanda, Guatemala, and Somalia. *Washington, DC: The World Bank*.
- Corbin, J. and Strauss, A., 2008. Strategies for qualitative data analysis. *Basics of Qualitative Research. Techniques and procedures for developing grounded theory*, 3.
- Crawford, S.E. and Ostrom, E., 1995. A grammar of institutions. *American Political Science Review*, 89(3), pp.582-600.
- Creswell, J. W. (2007). *Qualitative inquiry and research design: choosing among five traditions*. Thousand Oaks, Calif, Sage.
- Creswell, J.W., 2009. Research design: Qualitative and mixed methods approaches. *London and Thousand Oaks: Sage Publications*.
- Curtis, F., 2003. Eco-localism and sustainability. *Ecological economics*, 46(1), pp.83-102.
- De Soto, H., 1989. *The other path*.
- Del Castillo, A. and Guerrero, M.A., 2003. Percepciones de la corrupción en la Ciudad de México. ¿Predisposición al acto corrupto. *Documento de trabajo*, 134.
- Della Porta, D., 2000. Social capital, beliefs in government, and political corruption. *Disaffected democracies: What's troubling the trilateral countries*, pp.202-228.
- Devas, N., Amis, P., Beall, J., Grant, U., Mitlin, D., Rakodi, C. and Satterthwaite, D., 2001. *Urban governance and poverty: lessons from a study of ten cities in the South*. University of Birmingham, International Development Department.
- Dillard, J., Dujon, V. and King, M.C. eds., 2008. *Understanding the social dimension of sustainability*. Routledge.

DiMaggio, P. and Mohr, J., 1985. Cultural capital, educational attainment, and marital selection. *American journal of sociology*, *90* (6), pp.1231-1261.

DiMaggio, P., 1994. Culture and economy. In *Handbook of economic sociology* (pp. 27-57). Princeton University Press and Russell Sage.

Dobler, C., 2011. *The impact of formal and informal institutions on economic growth: A case study on the MENA region* (p. 250). Peter Lang International Academic Publishers.

Durkheim, E., 2013. *Émile Durkheim on institutional analysis*. University of Chicago Press.

Eek, D. and Rothstein, B., 2005. Exploring a causal relationship between vertical and horizontal trust.

El Informador. 2020. *El Insabi cubre seis instituciones de salud en Jalisco*. [online] Available at: <<https://www.informador.mx/El-Insabi-cubre-seis-instituciones-de-salud-en-Jalisco-l202004230001.html>> .

El Universal. 2019. *Informal vendors make more than educated professionals in Mexico*. [online] Available at: <<https://www.eluniversal.com.mx/english/informal-vendors-make-more-educated-professionals-mexico#:~:text=low%2Dpaying%20jobs-,Informal%20economy%20accounted%20for%2030%25%20of%20Mexico's%20Gross%20Domestic%20Product,in%20labor%20conditions%20for%20Mexicans.>>>

El Universal. 2020. *Mexico's new free healthcare institute spreads confusion*. [online] Available at: <<https://www.eluniversal.com.mx/english/mexicos-new-free-healthcare-institute-spreads-confusion>> .

Eriksson, P., & KOVALAINEN, A. (2008). *Qualitative methods in business research*.

Fong Reynoso, C., Alarcón Osuna, M.A. and Ocampo Figueroa, L.E., 2014. Micro, small and medium-sized businesses in Jalisco: Their evolution, and strategic challenges. *Review of Business & Finance Studies*, *5* (2), pp.27-43.

Fukuyama, F. (1995). *Trust: the social virtues and the creation of prosperity*. New York, Free Press.

Gahadassi, M., 1998. Informal financial institutions in bazaar. *Cahiers d'études sur la Méditerranée orientale et le monde turco-iranien*, (26).

Gaughan, J.P. and Ferman, L.A., 1987. Toward an understanding of the informal economy. *The Annals of the American Academy of Political and Social Science*, 493(1), pp.15-25.

Gerxhani, K., 1999. *Informal Sector in Developed and Less Developed Countries*. Tinbergen Institute.

Gil, R. and Zanarone, G., 2017. Formal and informal contracting: Theory and evidence. *Annual Review of Law and Social Science*, 13, pp.141-159.

Gioia, D.A., Corley, K.G. and Hamilton, A.L., 2013. Seeking qualitative rigor in inductive research: Notes on the Gioia methodology. *Organizational research methods*, 16(1), pp.15-31.

Given, L.M. ed., 2008. *The Sage encyclopedia of qualitative research methods*. Sage publications.

Given, Lisa M., ed. *The Sage encyclopedia of qualitative research methods*. Sage publications, 2008.

Glesne, C. and Peshkin, A., 1992. *Becoming qualitative researchers*. White Plains, NY.

Gomez, C.T., 2020. Organised Crime Governance in Times of Pandemic: The Impact of COVID-19 on Gangs and Drug Cartels in Colombia and Mexico. *Bulletin of Latin American Research*, 39, pp.12-15.

González, I.B., León, S.M.O., Chanes, D.V. and Arroyo, I.Y., 2015. *Percepciones, pobreza, desigualdad: Encuesta Nacional de Pobreza*. Universidad Nacional Autónoma de México, Instituto de Investigaciones Jurídicas.

González-Baltazar, R., Contreras-Estrada, M.I., León-Cortés, S.G., Hidalgo-González, B.J. and Hidalgo-Santacruz, G., 2019, July. Quality of Labor Life in Workers of the Informal Economy in Guadalajara, Mexico. In *International Conference on Applied Human Factors and Ergonomics* (pp. 266-276). Springer, Cham.

Gouldner, A.W., 1960. The norm of reciprocity: A preliminary statement. *American sociological review*, pp.161-178.

Granovetter, M., 1985. Economic action and social structure: The problem of embeddedness. *American journal of sociology*, 91(3), pp.481-510.

Greif, A., 2006. *Institutions and the path to the modern economy: Lessons from medieval trade*. Cambridge University Press.

Grosack, M.D., 2006. *Revisiting the iron cage: New insights in institutions theory from Max Weber's The Protestant Ethic and the Spirit of Capitalism*.

Grootaert, C., 2001. *Does social capital help the poor?-a synthesis of findings from the local level institutions studies in Bolivia, Burkina Faso, and Indonesia*. The World Bank.

Guiso, L., Sapienza, P. and Zingales, L., 2006. Does culture affect economic outcomes?. *Journal of Economic perspectives*, 20(2), pp.23-48.

Gurtoo, A. and Williams, C.C., 2009. Entrepreneurship and the informal sector: some lessons from India. *The International Journal of Entrepreneurship and Innovation*, 10(1), pp.55-62.

Halla, M., 2012. Tax morale and compliance behavior: First evidence on a causal link. *The BE Journal of Economic Analysis & Policy*, 12(1).

Hammersley, M. and Atkinson, P., 2007. *Ethnography: Principles in practice*. Routledge.

Haraway, D.J., 1989. *Primate visions: Gender, race, and nature in the world of modern science*. Psychology Press.

Hart, H.L.A., Hart, H.L.A. and Raz, J., 2012. *The concept of law*. oxford university press.

Hart, K. 1972. *Employment, Income and Inequality: A Strategy for Increasing Productive Employment in Kenya*. Geneva: International Labor Organization.

Hart, K. 1973. 'Informal Income Opportunities and Urban Employment in Ghana', *The Journal of Modern African Studies*, 11(1), pp. 61–89. Available at: <http://www.jstor.org/stable/159873>.

Hasan, A., 2007. The urban resource centre, Karachi. *Environment and Urbanization*, 19(1), pp.275-292.

Helmke, G. and Levitsky, S., 2004. Informal institutions and comparative politics: A research agenda. *Perspectives on politics*, 2(4), pp.725-740.

Hobhouse, L.T., 1906. 1906 Morals in Evolution: A Study in Comparative Ethics. London: Chapman & Hall.

Hofstede, G., Hofstede, G.J. and Minkov, M., 2005. *Cultures and organizations: Software of the mind* (Vol. 2). New York: McGraw-Hill.

Hogdson, G., 2006. What are institutions. *Journal of Economic Issues*, 40(1), pp.1-25.

Huq, F.A., Stevenson, M. and Zorzini, M., 2014. Social sustainability in developing country suppliers: An exploratory study in the ready made garments industry of Bangladesh. *International Journal of Operations & Production Management*.

Hurtado, J., 2021. *Economía - La OIT afirma que el 70% de los puestos de trabajo en América Latina son informales*. [online] France 24. Available at: <<https://www.france24.com/es/programas/econom%C3%ADa/20210909-70-puestos-trabajo-informales-america-latina-oit>> [Accessed 12 December 2021].

Hussmanns, R., 2004. *Measuring the informal economy: From employment in the informal sector to informal employment*. Policy Integration Department, Bureau of Statistics, International Labour Office.

ILO, 2013. *The Informal Economy and Decent Work: A Policy Resource Guide*.

ILO, 2014. *Informal employment in Mexico: Current situation, policies and challenges*.

ILO, 2018a. *Decent work and the Sustainable Development Goals: a guidebook on SDG Labour Market Indicators*.

ILO, 2018b. *Women and Men in the Informal Economy: a statistical picture*. 3rd Edition, International Labour Organization. 3rd Edition. Geneva.

Ilo.org. (2019). 4.5 Informal economy workers. [online] Available at: https://www.ilo.org/global/topics/wages/minimum-wages/beneficiaries/WCMS_436492/lang-en/index.htm [Accessed 2 Dec. 2019].

INEGI, 2010. *Panorama de las religiones en México 2010*. Aguascalientes: INEGI, pp.3-4.

INEGI, 2014. *Encuesta Nacional de Empleo Economía informal (2014)*

INEGI (2019). Empleo y ocupación. \[online\] Inegi.org.mx. Available at: <https://www.inegi.org.mx/temas/empleo/> \[Accessed 29 Nov. 2019\].

INEGI, 2021a. _RESULTADOS DE LA ENCUESTA NACIONAL DE OCUPACIÓN Y EMPLEO. NUEVA EDICIÓN (ENOEN) CIFRAS DURANTE EL CUARTO TRIMESTRE DE 2020_. \[online\] Available at: https://www.inegi.org.mx/contenidos/saladeprensa/boletines/2021/enoe_ie/enoe_ie2021_02.pdf

INEGI, 2021b. _Tasa de informalidad laboral_. \[online\] Available at: <https://seplan.app.jalisco.gob.mx/mide/panelCiudadano/detalleIndicador/1688> \[Accessed 12 April 2021\].

INEGI, 2020. _ÁREA METROPOLITANA DE GUADALAJARA_. \[online\] Available at: <https://www.jalisco.gob.mx/es/jalisco/guadalajara>

INFONAVIT. 2021. _Acerca de Nosotros_. \[online\] Available at: <https://portalmx.infonavit.org.mx/wps/portal/infonavit.web/el-instituto/el-infonavit/acerca-de-nosotros>

Jensen, L., Cornwell, G.T. and Findeis, J.L., 1995. Informal work in nonmetropolitan Pennsylvania 1. _Rural Sociology_, _60_(1), pp.91-107.

Keeley, B., 2007. Human capital: A revolution?!. _OECD Observer_, (261), pp.25-27.

Knack, S. and Keefer, P., 1997. Does social capital have an economic payoff? A cross-country investigation. _The Quarterly journal of economics_, _112_(4), pp.1251-1288.

Kreps, D.M., 1900. Corporate Culture and Economic Theory. _Perspectives on Positive Political Economy_, pp.221-275.

Lauth, H.J., 2000. Informal institutions and democracy. _Democratization_, _7_(4), pp.21-50.

Leonard, M., 1998. _Invisible Work, Invisible Workers: the informal economy in Europe and the US_. Springer.

Levy, S., 2010. *Good intentions, bad outcomes: Social policy, informality, and economic growth in Mexico*. Brookings Institution Press.

Lewis, O., 1966. The culture of poverty. _Scientific american_, _215_(4), pp.19-25.

Lewis, W. A. (1954) 'Economic Development with Unlimited Supplies of Labour', *The Manchester School of Economic and Social Studies*, 22(2), pp. 131–191. doi: <https://doi.org/10.1111/j.14679957.1954.tb00021.x>.

Lomnitz, L.A., 1977. *Networks and marginality: Life in a Mexican shantytown*. Academic Press.

Lomnitz, L.A. and Sheinbaum, D., 2004. Trust, social networks and the informal economy: a comparative analysis. *Review of Sociology*, 10(1), pp.5-26.

Long, S. and Swingen, J., 1991. The conduct of tax-evasion experiments: Validation, analytical methods, and experimental realism. *Tax evasion: An experimental approach*, pp.128-138.

Losby, J.L., Else, J.F., Kingslow, M.E., Edgcomb, E.L., Malm, E.T. and Kao, V., 2002. Informal economy literature review. *ISED Consulting and Research*, pp.1-55.

Lyons, M. and Snoxell, S., 2005. Creating urban social capital: some evidence from informal traders in Nairobi. *Urban Studies*, 42(7), pp.1077-1097.

Macchiavello, R. and Morjaria, A., 2015. The value of relationships: evidence from a supply shock to Kenyan rose exports. *American Economic Review*, 105(9), pp.2911-45.

MacLeod, W.B., 2007. Reputations, relationships, and contract enforcement. *Journal of economic literature*, 45(3), pp.595-628.

Marx, K., 1867. *Capital: A Critique of Political Economy. Volume I: The Process of Production of Capital*. Giuseppe Castrovilli.

Maloney, W.F., 2004. Informality revisited. *World development*, 32(7), pp.1159-1178.

McCleary, R. and Barro, R., 2003. *Religion and economic growth across countries* (No. 3708464).

McLellan, David, ed. *Karl Marx: Selected Writings*. 2nd ed. Oxford: Oxford UP, 2004

Merriam, S.B., 2009. *Qualitative Research: A Guide to Design and Implementation*.

Millar, K., 2010. Cooperation in the Informal Economy. *Cooperation in Social and Economic Life*, p.175.

- Miller, R.L, and Brewer, J. 2003, *The a-z of social research*, SAGE Publications, Ltd, London, , \[Accessed 29 November 2019], doi: 10.4135/9780857020024.
- Mills, A J, Durepos, G & Wiebe, E (eds) 2010, *Encyclopedia of case study research*, SAGE Publications, Inc., Thousand Oaks, CA, viewed 11 December 2019, doi: 10.4135/9781412957397.
- Mills, A.J., Durepos, G. and Wiebe, E. eds., 2010. *Encyclopedia of case study research: L-Z; index (Vol. 1)*. Sage.
- Molm, L.D., 2010. The structure of reciprocity. *Social psychology quarterly*, *73*(2), pp.119-131.
- Morales, A. (1997). Uncertainty and the organization of street vending business. *International Journal of Sociology and Social Policy*, *17*, 191-212.
- Moreno, A. and Mendizábal, Y., 2018. *Sólo el 11% de los mexicanos confía en partidos políticos*. \[online\] *El Financiero*. Available at: <<https://www.elfinanciero.com.mx/nacional/solo-11-de-mexicanos-confia-en-partidos-y-16-en-el-gobierno/>>
- Morris, S.D. and Klesner, J.L., 2010. Corruption and trust: Theoretical considerations and evidence from Mexico. *Comparative Political Studies*, *43*(10), pp.1258-1285.
- Murayama Rendón, C. and Gómez Tovar, R., 2016. *El mercado de trabajo en México. La opinión social sobre la precariedad laboral*.
- Nee, V. and Ingram, P., 1998. Embeddedness and beyond: institutions, exchange, and social structure. *The new institutionalism in sociology*, *19*, p.45.
- Neruda, P. (2018). *MEMOIRS*. \[Place of publication not identified\], SOUVENIR Press LTD.
- North, D.C., 1984. Transaction costs, institutions, and economic history. *Zeitschrift für die gesamte Staatswissenschaft/Journal of institutional and theoretical economics*, (H. 1), pp.7-17.
- North, D.C., 1986. The new institutional economics. *Journal of Institutional and Theoretical Economics (jite)/Zeitschrift für die gesamte Staatswissenschaft*, *142*(1), pp.230-237.

- North, D. C. (1990). *Institutions, institutional change, and economic performance*. Cambridge, Cambridge University Press.
- North, D.C., 1991. Institutions, ideology, and economic performance. *Cato J.*, *11*, p.477.
- North, D.C., 1991. Institutions. *Journal of economic perspectives*, *5*(1), pp.97-112.
- Odera, L.C., 2013. The role of trust as an informal institution in the informal sector in Africa. *Africa Development*, *38*(3-4), pp.121-146.
- O'donnell, G.A., 1994. Delegative democracy. *Journal of democracy*, *5*(1), pp.55-69.
- Ogilvie, S. and Carus, A.W., 2014. Institutions and economic growth in historical perspective. *Handbook of economic growth*, *2*, pp.403-513.
- Ose, S.O., 2016. Using Excel and Word to structure qualitative data. *Journal of Applied Social Science*, *10*(2), pp.147-162.
- Parlevliet, J., Jütting, J. and Xenogiani, T., 2008. *Informal Employment: Can We Tame the Beast?*.
- Patel, S., Burra, S. and d'Cruz, C., 2001. Slum/shack dwellers international (SDI)-foundations to treetops. *Environment and Urbanization*, *13*(2), pp.45-59.
- Patton, M.Q., 2002. *Qualitative research and evaluation methods*. Thousand Oakes.
- Perry, G.E., Arias, O., Fajnzylber, P., Maloney, W.F., Mason, A. and Saavedra-Chanduvi, J., 2007. *Informality: Exit and exclusion*. The World Bank.
- Peters, B.G., 2000. *Institutional theory: Problems and prospects*.
- Pérez, J.F.M., 2005. El sector informal en México. *El cotidiano*, (130), pp.31-45.
- Perry, G. ed., 2007. *Informality: Exit and exclusion*. World Bank Publications.
- Político MX. 2018. *Ya no será Seguro Popular, ni es seguro ni es popular: AMLO*. [online] Available at: <<https://politico.mx/minuta-politica/minuta-politica-gobierno-federal/ya-no-ser%C3%A1-seguro-popular-ni-es-seguro-ni-es-popular-amlo/#:~:text=es%20popular%3A%20AMLO-,Ya%20no%20ser%C3%A1%20Seguro%20Popular%2C%20ni,seguro%20ni%20es%20popular%3A%20AMLO&text=El%20virtual>>

%20presidente%20electo%2C%20asegur%C3%B3,la%20cuna%20hasta%20la%20tumba
%E2%80%9D.> .

Portes, A., Castells, M. and Benton, L.A. eds., 1989. *The informal economy: Studies in advanced and less developed countries*. JHU Press.

Portes, A. and Haller, W., 2005. 18 The Informal Economy. *The handbook of economic sociology*, p.403.

Portes, A. and Walton, J., 1976. *Urban Latin America: The political condition from above and below*. University of Texas press.

Posner, R.A., 1980. A theory of primitive society, with special reference to law. *The Journal of Law and Economics*, 23 (1), pp.1-53.

Pratt, M.G., 2009. From the editors: For the lack of a boilerplate: Tips on writing up (and reviewing) qualitative research.

PUBLISHING, O., & ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT. (2007). *Promoting Pro-Poor Growth: Policy Guidance for Donors*. Paris, Organisation for Economic Co-operation and Development

Putnam, R.D., 2000. Bowling alone: America's declining social capital. In *Culture and politics* (pp. 223-234). Palgrave Macmillan, New York.

Raiser, M., 1997. *Informal institutions, social capital and economic transition: reflections on a neglected dimension* (Vol. 25). EBRD.

Reich, M.R., 2020. Restructuring health reform, Mexican style. *Health Systems & Reform*, 6 (1), p.e1763114.

Roberts, B.R., 1989. *Employment structure, life cycle, and life chances: Formal and informal sectors in Guadalajara*.

Rose-Ackerman, S., 2001. Trust, honesty and corruption: Reflection on the state-building process. *Archives Européennes de Sociologie/European Journal of Sociology/Europäisches Archiv für Soziologie*, pp.526-570.

Roberts, B., 1989. The Other Working Class: Uncommitted Labor in Britain, Spain, and Mexico. *Cross-National Research in Sociology*, pp.352-72.

- Ruzek, W., 2015. The informal economy as a catalyst for sustainability. *Sustainability*, *7*(1), pp.23-34.
- Sadler, B. and Jacobs, P., 1994. A key to tomorrow: On the relationship of environmental assessment and sustainable development. *Sustainable Development and Environmental Assessment. Perspectives on Planning for a Common Future*; Jacobs, P., Sadler, B., Eds., pp.3-31.
- Sarkis, J., Helms, M.M. and Hervani, A.A., 2010. Reverse logistics and social sustainability. *Corporate social responsibility and environmental management*, *17*(6), pp.337-354.
- Sassen, S., 1988. *New York City's Informal Economy*.
- Sassen, S., 1993. The informal economy: Between new developments and old regulations. *Yale LJ*, *103*, p.2289.
- Selby, H.A., Murphy, A.D. and Lorenzen, S.A., 1990. *The Mexican urban household: Organizing for self-defense*. University of Texas Press.
- Semple, K. and Kitroeff, N., 2021. *'No puedo parar': la pandemia desafía al vasto continente de la economía informal latinoamericana (Published 2020)*. [online] *Nytimes.com*. Available at: <<https://www.nytimes.com/es/2020/03/30/espanol/america-latina/coronavirus-trabajadores-informales.html>> [Accessed 12 December 2021].
- Silverman, D., 2005. *Doing qualitative research* Second edition.
- Singer, H. W. (1970). *Keynesian models of economic development and their limitations: an analysis in the light of Gunnar Myrdal's "Asian drama"*. Brighton, Eng, Institute of Development Studies at the University of Sussex.
- Smelser, N.J. and Swedberg, R., 2005. Introducing economic sociology. *The handbook of economic sociology*, *2*, pp.3-25.
- Teraji, S., 2018. *The cognitive basis of institutions: A synthesis of behavioral and institutional economics*. Academic Press.
- Terkel, S. ed., 1974. *Working: People talk about what they do all day and how they feel about what they do*. The New Press.
- Toral, J., 2020. *Confirma Jalisco no adhesión al Insabi; queda fuera de compra federal de medicamentos | Lider Informativo*. [online] *Lider919.com*. Available at:

<<https://lider919.com/confirma-jalisco-no-adhesion-al-insabi-queda-fuera-de-compra-federal-de-medicamentos>>

Torgler, B., 2002. *Vertical and exchange equity in a tax morale experiment*.
Wirtschaftswissenschaftliches Zentrum (WWZ) der Universität Basel.

Torgler, B., 2003. Tax morale, rule-governed behaviour and trust. *Constitutional Political Economy*, *14*(2), pp.119-140.

Tokman, V. E. (1984). *Wages and employment in international recessions recent Latin American experience*. Notre-Dame, Univ. of Notre-Dame.

Tokman, V.E., 1992. *Beyond regulation: The informal economy in Latin America* (No. 330.9 B573b). Colorado, US: Lynne Rienner Publishers.

Tyler, T.R. and Lind, E.A., 1992. A relational model of authority in groups. *Advances in experimental social psychology*, *25*, pp.115-191.

Weber, M. and Kalberg, S., 2013. *The Protestant ethic and the spirit of capitalism*.
Routledge.

Wilkinson, A., Hill, M. and Gollan, P., 2001. The sustainability debate. *International Journal of Operations & Production Management*.

Williams, C.C. and Horodnic, I.A., 2015. Explaining and tackling the shadow economy in Estonia, Latvia and Lithuania: a tax morale approach. *Baltic Journal of Economics*, *15*(2), pp.81-98.

Williamson, O.E., 1993. Calculativeness, trust, and economic organization. *The journal of law and economics*, *36*(1, Part 2), pp.453-486.

Williamson, O.E., 2000. The new institutional economics: taking stock, looking ahead. *Journal of economic literature*, *38*(3), pp.595-613.

Woolcock, M., 1998. Social capital and economic development: Toward a theoretical synthesis and policy framework. *Theory and society*, *27*(2), pp.151-208.

World Commission on Environment and Development, 1987. *Our Common Future*.
Oxford University Press, Oxford

YIN, R. K. (2004). *Case study research: design and methods*. Thousand Oaks, Sage.

Yin, R.K., 2017. Case study research and applications: Design and methods. Sage publications.