Work That Counts: Informal Economies, Livelihoods, and Survival Strategies

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Introduction

This book begins with a simple premise: much of the work that sustains families and cities goes uncounted. It occurs in doorways and kitchens, at curbside stalls and on smartphone screens, in arrangements stitched together by trust, hustle, and necessity. The label “informal” often obscures more than it reveals; it implies a lack of rules, yet these livelihoods are governed by dense systems of norms, bargains, and power. Work That Counts asks how informal economies actually function, why they persist, and what it would take to recognize and support them without destroying the incomes they generate.

Our approach is both ethnographic and economic. We pair long-term fieldwork—listening to vendors, domestic workers, and platform couriers—with labor market analysis that tracks prices, wages, and participation over time. By holding narratives and numbers side by side, we avoid the false choice between “compelling stories” and “hard data.” Ethnography illuminates how people navigate risk, negotiate with authorities, and mobilize social networks. Economics helps us trace patterns at scale, test hypotheses about incentives and constraints, and evaluate which policies actually improve welfare.

Three domains anchor the book: street vending, domestic work, and gig labor. Street vendors show how livelihoods are built in contested public spaces, where the cost of a good day’s earnings might include bribes, confiscations, or forced mobility. Domestic workers reveal the intimate geographies of labor—where home is a workplace, and the boundaries between care, obligation, and contract are constantly renegotiated. Gig workers on digital platforms illustrate a new frontier where algorithmic ratings, surge pricing, and opaque terms shift risks onto workers even as they promise flexibility. Across these sectors, informality is not a residual leftover from a modern economy; it is constitutive of it.

Regulation threads through every chapter. Formal laws—zoning codes, labor statutes, licensing regimes—often collide with the “regulation from below” that workers and local authorities practice in the streets and in households. We show how informal rules create order and how formal rules can be enforced selectively, producing uncertainty that depresses investment and keeps workers vulnerable. Rather than framing regulation as an on/off switch between informal and formal, we treat it as a continuum of recognition, rights, and enforceability.

Social protection sits at the edge of this continuum. Many workers we meet fall between the cracks—too “informal” for contributory schemes, too “independent” for employer-based benefits, and too mobile for place-bound programs. Yet protection

already exists in diffuse forms: rotating savings groups, neighborhood funds, kinship obligations, and mutual aid. We analyze what happens when these arrangements intersect with public programs like cash transfers, health insurance, child allowances, or portable benefits. The central question is not only how to extend coverage, but how to do so in ways that support rather than supplant the fragile systems people rely on.

Policy is the destination of our inquiry. Formalization has too often been attempted as a single leap—register everyone, tax everyone, police everyone—with predictable results: lost livelihoods, displaced workers, and a flourishing of petty corruption. This book offers an alternative: sequenced reforms that recognize work first, secure space and basic rights next, simplify compliance, and only then layer in contributions and taxation at levels consistent with actual earnings. We outline practical pathways to formalize livelihoods without destroying income sources, grounded in evidence from the field and informed by models that make assumptions explicit and testable.

Finally, this is a book about dignity. Counting work is not merely a statistical exercise; it is a moral and political choice about whose labor matters. By bringing together voices from sidewalks and kitchens with the tools of labor economics, we aim to show how policy can be both rigorous and humane. The chapters that follow move from concepts and methods to sectoral case studies and cross-cutting themes, culminating in a toolkit for policymakers and practitioners. If we are to build economies that are inclusive by design, we must start by seeing—and valuing—the work that already sustains so many lives.

CHAPTER ONE: What Counts as Work? Defining Informality

The hum of a small engine cuts through the morning haze as a man tinkers with a motorcycle engine on a plastic tarp spread over the pavement. To a city planner, this is an illegal encroachment. To the motorcycle’s owner, it is essential repair work that will get him to his job on time. To the mechanic, it is simply the day’s first job, the one that might cover lunch and a bus fare home. The transaction will be paid in cash, without a receipt, in a space that is neither a licensed workshop nor a private garage. It is work that is economically necessary, socially accepted, and legally invisible. It is informal.

Defining this term is a surprisingly slippery task. The word “informal” suggests a shadow economy, a realm of chaos and illegality operating beyond the reach of the state. Yet the reality on the ground is far more textured. For millions, informality is not a choice between formal and informal work; it is the only available structure for earning a living. It is a set of strategies, norms, and relationships that emerge when formal systems are inaccessible, unaffordable, or simply unappealing. To define it, we must look past legal statutes and into the lived experiences of those who practice it.

Standard economic definitions often hinge on the absence of a formal employment contract or registration with the state. If a worker is not on a company payroll, does not have social security contributions deducted from a payslip, and operates outside the scope of labor laws, they are deemed informal. This is a useful starting point for statistical measurement, allowing organizations like the International Labour Organization to estimate that informal employment accounts for over 60 percent of the world’s workforce. But a strict binary between formal and informal obscures the many hybrid arrangements that exist.

Consider a seamstress who stitches garments in her home for a large factory. The factory is formal, registered, and taxed. The seamstress is not. She is paid per piece, has no contract, and receives no benefits, yet her labor is integral to the formal supply chain. Where does informality begin and end? The line is porous. A domestic worker may be employed by a formal corporation as a "service provider," yet her daily reality of working in a private home, under the direct control of an employer, feels far from the structured world of corporate HR departments.

The concept of a "dual" economy—one formal, one informal—is also inadequate. Livelihoods are not neatly compartmentalized. A street vendor might use a formal bank account to receive transfers from a diaspora family member, a mobile money

platform for customer payments, and a cash-only system for daily expenses. A gig worker on a formal digital platform might be simultaneously registered as a micro-entrepreneur in a city's business directory while working in a sector where the platform itself sidesteps local labor regulations. Informality and formality are not separate worlds; they are interwoven, and the threads connecting them are vital to understand.

One way to move beyond the binary is to think of informality not as a sector but as a condition. This condition is characterized by a few key features. First, there is a lack of legal recognition or protection. Work may be productive and socially valuable, but it offers no legal recourse in disputes over wages, safety, or wrongful termination. Second, there is a prevalence of small-scale, family-based, or self-employed activities. These units are flexible and resilient but operate with low capital and limited access to formal credit. Third, transactions are often conducted in cash, which aids in avoiding taxes and regulations but also exposes workers to theft and excludes them from the credit history needed for formal loans.

A third approach is to see informality as a continuum. On one end lie activities that are almost entirely hidden, such as unregistered home-based manufacturing or illicit trade. In the middle lie the vast majority of informal workers—vendors, domestic helpers, small-scale farmers—who operate in a space of negotiated visibility. They are known to their customers and neighbors, and sometimes to local officials, but they lack formal contracts and social security. On the other end are workers who have one foot in each world, like the taxi driver who owns his licensed vehicle but works for an unregistered dispatch service. This continuum allows us to see gradations of risk, security, and visibility.

The reasons people work informally are as varied as the work itself. For many, it is a matter of necessity, not choice. Formal job creation in many low- and middle-income economies has not kept pace with population growth, leaving a vast surplus of labor with no formal option. For others, informality is a rational response to the costs and burdens of formality. Starting a formal business can require navigating a maze of permits, licenses, fees, and inspections—a process that can be time-consuming, expensive, and opaque, particularly for those with low literacy or limited social capital.

For women, the lines are often drawn by the demands of unpaid care work. The flexibility of informal work can be a pragmatic solution for juggling childcare and income generation. A home-based craft business or a street vending stall allows a mother to integrate paid work with domestic responsibilities in a way that a nine-to-five office job would not. This flexibility, however, comes at the cost of lower and more volatile earnings, no paid leave, and no employer contribution to childcare or pension funds.

Migration status also plays a crucial role. In many cities, undocumented migrants are

legally barred from formal employment. Their survival depends on finding work that is cash-based and under the radar. They may face language barriers, discrimination, and the constant threat of deportation, making formal registration an impossibility. For them, informality is not an economic strategy but a direct consequence of their legal limbo.

Youth entering the labor market often begin their working lives in the informal sector. With limited experience and connections, their first jobs are frequently in informal retail, delivery, or casual labor. These roles can provide valuable skills and a foothold in the economy, but they can also become a trap, with few pathways for advancement into more secure, formal positions. The nature of their first job can set a trajectory for their entire working life.

Even those with the means and opportunity to work formally sometimes choose not to. A skilled artisan might prefer to sell directly to customers, setting their own prices and avoiding the overheads of a registered workshop. A small-scale trader might find that the tax and compliance costs of formalization would erode their already thin margins to the point of unviability. For them, informality is a strategic choice to maintain autonomy and keep their business afloat.

This landscape of informal work is shaped by power and regulation. The state, through its agencies, can be both a threat and a potential protector. Municipal officials can clear street vendors from a marketplace with the sweep of a pen, or they can allocate designated vending zones. Labor inspectors can shut down a small workshop for safety violations, or they can work with owners to improve conditions. Police can demand bribes as a daily toll, or they can turn a blind eye to minor infractions. This "petty authority" on the ground often has more immediate impact on an informal worker’s life than national labor laws.

Informality also creates its own systems of regulation. In the absence of state enforcement, communities develop their own rules. Street vendors have unwritten codes about who occupies which spot and when. Domestic worker networks share information about trustworthy and exploitative employers. Gig workers develop strategies for gaming rating systems or sharing tips on avoiding dangerous jobs. These are not formal laws, but they are effective mechanisms for maintaining order and mediating disputes within their specific domains.

The digital age has introduced a new layer to the informal economy. Platforms like ride-hailing, food delivery, and freelance task sites promise work without the need for a formal job application. They offer a low barrier to entry and the allure of flexibility. Yet, this new form of gig work often replicates old patterns of informality in a digital guise. Workers are classified as independent contractors, absolving the platform of responsibility for benefits, sick pay, or training. Algorithmic management replaces the human boss, with ratings and opaque metrics determining access to work and pay

rates, leaving little room for negotiation or appeal.

Understanding informality requires looking beyond the legal definition to the economic and social realities it encompasses. It is a diverse and dynamic field, not a static category. It is shaped by global economic trends, local political decisions, and individual life histories. To simply label it "informal" is to risk misunderstanding its complexity and, consequently, designing policies that fail. The first step is to appreciate the sheer variety of work that falls under this umbrella and the intricate logic that governs each corner of it.

The historical context in which informal economies have grown is essential. They are not a relic of a pre-modern era that will simply fade away with development. On the contrary, in many parts of the world, the informal sector has expanded alongside formal industrialization, responding to economic shocks, structural adjustment programs, and the withdrawal of the state from social provision. It has become a permanent and structural feature of many contemporary economies, a reservoir of labor and a site of innovation in survival.

The statistical challenge of measuring something that is, by its nature, hidden is immense. Official surveys often undercount informal workers, particularly those in home-based work or seasonal agricultural labor. The methods for defining and counting informality have profound implications for policy. If a government does not officially "see" a large portion of its workforce, it cannot design effective social protection or labor policies for them. The numbers matter, but they are a simplified map of a complex and rugged territory.

For policymakers, the central dilemma is this: how to support and improve the livelihoods of informal workers without destroying them in the process of formalization. A blunt approach—enforcing strict registration, levying heavy taxes, and conducting aggressive crackdowns—can wipe out the very incomes it is meant to secure. This is the "formalization trap," where the costs of coming into compliance outweigh the benefits, pushing workers further into the shadows or out of work entirely.

A more nuanced approach begins with recognizing the economic and social contributions of informal work. It views these activities not as a problem to be eliminated but as a vital part of the economy that needs support and gradual integration. The goal is not to force everyone into a single, rigid model of formal employment but to build a more inclusive system that offers a ladder of options. This might start with something as simple as recognizing a vendor’s right to occupy a public space, providing basic sanitation, and then moving toward simplified business registration and access to micro-credit.

Ultimately, what counts as work is a question of social and political values as much as

it is an economic one. Do we value only work that is registered, taxed, and regulated? Or do we also recognize the economic and social value of the labor that happens in the gaps and on the margins? The answer has profound consequences for how we understand our economies and design our societies. The work that sustains lives, families, and communities deserves to be counted, and more importantly, it deserves to be respected. The following chapters will take us from these broad definitions into the specific, on-the-ground realities of those who perform this essential work, showing how they navigate the complex interplay of law, economy, and daily survival.

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