

## Strategic management of the Aninstitutional Sectors, the informal sector and the no protected job in Mexico.

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In theoretical and practical terms when it is the informal sector normally an enormous confusion around this concept exists and seems that instead of advancing towards a point in agreement and a exactly definition a greater confusion is created and to an impressive dispersion. This problem has arrived at such magnitude that some investigators when talking about to this concept compare it with a "gale without course" (Rendón and Rooms 2000) that instead of clarifying itself are confused more and more. Luckily the inclusion of the institutional sectors within the framework of the national accounting and the labor statistics has allowed us to save this problem favorably

### Employ, wage-earning, working.

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### Different concepts about the informal sector

In an article published by Teresa Rendon and Carlos Salas in 2000, quote some definitions of the International Organization of Work (OIT) that respect to the informal sector raised: “are workers and/or companies in non-organized activities, which use simple technologic procedures”... “the force of the informal sector is composed by those employed in no modern little companies, the independent workers with the exclusion of the university professionals and those who work in the domestic service” (PREALC 1976, p. 39).

In the case of Mexico authors like Clara Jusidman defined to the informal sector as a group of aggregates (Jusidman 1993) which include:

- Domestic workers
- The employers, employees and pieceworkers in establishments with five or less workers, except in the subsidiaries of state companies or companies of big size and domestic work.
- Workers on their own
- Worker without salary

Bryan Roberts define the informal sector (Roberts 1993) in two categories:

- In establishment level include the registered private units of non-agrarian sectors with 15 or less people employ if is about manufactured activities and 5 or less people in the other activities.
- In individual level, include the workers without salary, independently if they are familiar or not, and the workers with salary who do not have social benefits (medic service, pay vacations, bonus, registration in the IMSS, utilities repartition).

Francois Roubaud defined the urban informal sector, like the economic units that do not count with the correspondent register in hacienda (Roubaud, 2005).

Kathleen Sautd include on it definitions the followed people (Sautd, 1998), occupied in the informality:

- Workers on their own.
- Worker with salary that are not cover by the social security.
- The occasional work.
- The work in activities of housing self-construction.

Fernando –mires, consider that the informal sector is associate to the backward and impoverish sectors of the economy (Mires, 1998).

Eduardo Rodriguez Oreggia, Martin Lima and Alberto Villalpando (Oreggia, Lima and Villalpando, 2004), define the informal sector in a generic form as that conformed by the workers who do not count with benefits of social security and also do not enjoy of the establish benefits in the general law of work.

The model raised by Harris and Todaro about labor market consider the informality as part of the labor market which is sent outside (Harris and Todaro, 1970), to the not covered by the social benefits, because the remunerations are over the point of balance in the formal sector.

Osorio, Alvez and Graham had argument that the workers protect in the formal or modern sector, counts with higher salaries, vacation, bonus and legal protection on their work (Osorio, Alvez and Graham, 2005).

Difference of those that could not obtain jobs in these companies and have to move to second better alternative, the informal sector, in little companies or as self-employees, getting involved in intensive alternatives in handwork and without social and labor benefits.

The named Rendon and Salas (200), consider that the informality include at least one of the follow activities of economic units:

- Clowns in cruises, fire-eaters and wipers, etc. which get into what we know as survival strategies.
- The domestic workers with salary.
- Workers on their own familiar workers without salary.
- The workers with salary that have lack of suitable conditions of work, being in salary terms, labor contract or payment of benefits.
- The worker who made some work in the field of the subcontracting with companies typically capitalists (Maquiladores)
- The micro companies, with a number of workers inferior to ten.
- All the establishments that do not accomplish with any legal disposition relative to the labor ambit (no vacations payment, bonus, and social ensure, etc...)
- Those units which break some governmental regulation, for example the registration with the fiscal authorities.

Also in 2000, Rendon respect to the informality agree with Haan when affirm that:

“In the more than 15 years that have passed since the concept of informal sector was introduced, have been impossible translate the former notion in the generally accepted definition consistent and usable of the informal employment” (Haan 1989). Finally Rendon and Salas establish that the informality notion from the conceptual point of view is something very week and that the conceptualization problems that have are in the big groups.

- The presence of many criteria, each one of which could be accomplish in independent form from the others.
- The impossibility to wait effectively to the universe of reference in two sector (formal and informal) outside and complementary.
- The impression in the reference universe, because used interchangeably the establishment, the home or the person.

Fortunately in 1993 during the XV International Conference of Works Statistics (CIET XV) organized by the International Organization of Work (OIT) were achieved important advances in the suitable conceptualization of the informal sector. After that these definitions were integrate in the System of National Account of 1993 (SCN93<sup>35</sup>) Edited jointly by the United Nations (UN), International Monetary Fund (IMF), World Bank (WB), Organization for Economic Co-operation and Development (OECD) and European Union (EU). In this conceptualization, start from the concept of institutional units and sectors, and in this frame, the informal sector is only a subsector belonging to the institutional sector of homes as is showed next.

<sup>35</sup> El SCN93 es la metodología que utilizan los países para elaborar sus cuentas nacionales

### **Conceptualization of the institutional units and sectors**

The institutional sectors are those that in the moment to group constitute the institutional sectors; an institutional unit could be defined as: An economic entity which has the capacity, by own right, to poses actives, contract passive and made economic activities and transaction with other entities (ONU et to 2000).

The different sectors and subsectors of economy are formed by institutional units which are residents in named economy.

The concept of institutional sector starts from the premise of the institutional units property; this particular form of sectorization of the economy allowed define clearly to the companies of the informal sector as economic entity that are property of the institutional units called homes, therefore the informal sector is no more than a subsector that is part of the institutional sector of the resident homes in a determinate economy (ONU et to 2000).

### **Classification of the institutional units in two big groups**

In the real works, the institutional units could be classified in two big groups: a) the juridical or social entities which existence is recognized by the law or society with independence of the entities or people who could be their owners and control them and, b) the people or groups of people that are part of the homes (ONU et to 2000).

### **Subsectorisation of the institutional sectors according to SCN**

The resident institutional units are grouped in five institutional sectors, which are mutually exclusive; each one of these institutional sectors could also subsectorized itself in many forms, like is showed next

#### **The sector of the financial societies**

Include all the resident societies and quasi-societies which principal activity is to financial made intermediation, the sector of the financial societies are composed by the follow subsectors:

- The central bank
- Other deposit societies
- Another financial intermediaries except societies of insurances and pension funds
- Insurances societies and pensions funds
- Financial auxiliaries

#### **The sector of the non-financial societies**

In this sector are include all the resident non-financial societies and quasi-societies. For effects of a most detailed study the sector of the non-financial societies are subsectorized in:

- Non-financial public societies
- Private Non-financial societies
- Foreign control non-financial societies

#### **The sector of the general Government**

It is constituted by units of the central, state and local governs and also by the social security funds which are obligatory for those units.

The most used form to subsectorize the general government is:

- Central Government
- State Government
- Local Government
- Funds of social security

### **The sector of the private institutions without profit which serve to the shelters**

It is conform by all the resident units that provide wells and services not of homes market, except those that are principally financed and controlled by the government.

Could be distinguished two principal kinds of IPSFLSH:

- Those that are created by associations of people in order to offer wells and principally services in benefit of its associates, examples: professional or scientific associations, political parties, syndicates, consumers associations, churches or religious associations, social, cultural, recreational or sport clubs.

- The benefits institutions, of assistance or help create with philanthropic purposes.

### **The shelter sector**

The shelter sector in conformed by all the resident shelters include the institutional homes composed by people who live for long periods in hospitals, nursing homes, convents, prisoners, etc.

The shelter sector could be subsectorise in many form, the SSCN93 mention the follow:

First: according to the major income source for the shelter on its set (employers; workers on their own, salaried workers, incomes by count of the property and; transferences).

Second: for the occupation of the reference person or shelter chief (This should be the one who has the biggest income or the one who takes the important decisions relative to the consumption of the shelter). Third: for the industry (activity field), on its case, in which work the reference person. Fourth: the type of zone in which the shelter is located (rural, urbane or metropolitan).

Otherwise, for many countries is important distinguish between the formal and informal sectors of economy; about the particular is important to point that the informal sector of the economy in a subsector belonging to the shelter sector, shaped by the companies of shelters no constitute in society (except for the quasi-societies).

### **Definition of the informal sector by the rector organisms, of the statistic generation at international level**

Extract of the adopted resolution, in June 28th of 1993 by the XV International conference of Workers Statistics (CIET), convoked by the international organization of work:

The informal sector could be described in general terms as the group of units dedicated to the production of wells or service benefit with the primordial finality of creates employment and generates incomes for the people who participate in that kind on activity.

There relation of employment- en cases that exist- are base more in the occasional work, the personal and social relationships, and not in contractual accordance which supposed formal guaranties.

The production units of the informal sector present characteristic features of the shelter companies. The fixed assets and other values do not belong to the company, but to the owners. The units like those could not make transactions or make contracts in other units, neither get obligations in its name. The owners have to gather the necessary funds buy its own and the risk and should personally answer, in a limit form, of all the debts or obligation that have carried in the production process.

In many cases, is impossible to clearly distinguish between the part of the payment and the expenses assignable to the production activities of the company and that which simple correspond to the normal spends of the shelter. As well, some well of the crew, like the buildings or vehicles could be interchangeably used with commercial purpose and for the use of the shelter.

According to the System of National Account of the Unit Nations (Rev. 4), the shelter companies (those which belong to the shelters and that are not constituted in society) are difference of the societies and the quasi-societies in base of the juridical organization of units and type of accountability that have.

The shelter companies are units dedicated to the wells production or the services benefit that are not part of a juridical entity independent of the shelter owner neither of the member of the same and which do not have a complete accounting (including the active and passive balance) that allows a clearly distinction between the company production and the other activities of their owners, like the flow capital incomes.

### Occupied in different institutional sector and subsectors

In the sector of shelters that are in the following subsector of occupation:

- Occupied in the informal sector: workers in companies of shelter properties for the market, are not constituted in society and could be companies of informal employers or worked companies by their own.
- Domestic salaried workers: subordinate workers in homes that produce domestic services for the self-consumption of the shelter employer.
- Workers in the production of self-consumption; principally the worker in survival agronomy, which principally produce for the self-consumption.

#### I) Occupied in the financial societies

Are employers of financial companies constituted in society or quasi-society, public or private, belongs to the formal sector.

#### II) Occupied in non-financial societies

Are employers of non-financial companies constituted in society or quasi-society, public or private, agrarian or not agrarian; belong to the formal sector.

#### III) Occupied in the general government

They are the public employees of the three Republic powers (executive, legislative and judicial) in the three government levels (federal, state and municipal), we add here to those occupied in autonomic organisms financed by governmental units (IFE, UNAM, etc.). We also include to the employees in the institutions of social security and the pension funds; in other words, the workers of IMSS, ISSSTE and the state services of social security, these occupied belong to the formal sector of the economy.

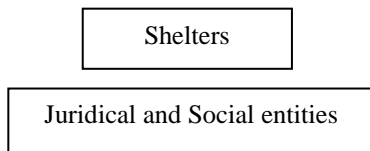
IV) Occupied in the private institutions without profits

Are workers of the churches, political parties, syndicates, non-governmental organization, etc. belonging to the formal sector of the economy.

**Group of the occupied in institutional units**

In this case we have an aggregation of the occupied in the big groups of units (Chart 1), which are on a site those who work inside the shelter sector and for the other site those who work in juridical and social institutions, societies and quasi-societies which existence is recognized by law.

Big groups of institutional units.

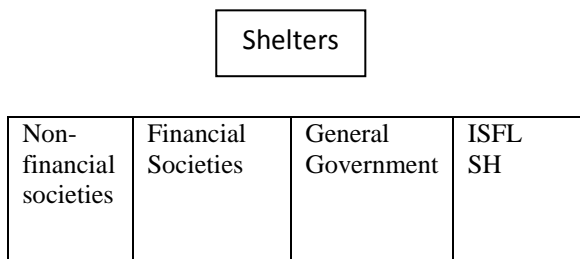


**Chart 1**

**Group of the units by institutional sectors**

In this level of disintegration (Chart 2) we have the occupied in the different institutional sectors that establish the System of National Accounts of 1993.

The institutional sectors.



**Chart 2**

**Group of the institutional sector to determine the occupation in the formal and informal sectors and the self-consumption of the economy**

The principle of all the occupied came of the shelter sector, but worried in the different institutional sectors. In the next chart is observed that the group of occupied in the big group of the juridical and social entities are part of the formal sector of the economy.

In the other hand the shelter sector could be disaggregate in three subsectors of occupation that are: a) the domestic employees, b) the country people occupied in agrarian activities of survival and other self-consumption production and, c) the occupied in the informal sectors.

Of this last allow us to determinate the informal sector of the economy as a subsector of the institutional sector of the shelters and put apart the self-consumption production sector of the homes formed by the survival agrarian producers (country people) and for the occupied in the domestic services prediction (domestic employees).

Attending to the recommendation of the XV CIET and the SCN 93 the occupied in the shelter sector which are not part of the informal subsector, the country people and the domestic employees are also integrant of the formal sector of the economy, even if they work with frequency in precarious conditions and do not count with social security neither saving systems for their retirement. In the chart 3 schematized detail the occupation of the institutional sectors. On purpose of the shelter sector disaggregated by sector of occupation to define with precision the place that the informal sector have as a subsector of the shelter sector.

Chart 3

Occupation in the institutional sectors

Ocupados en el sector hogares		
Producción de mercado	Producción de autoconsumo	de
Subsector informal de los hogares	Subsector de producción de bienes de autoconsumo	Subsector de producción de servicios domésticos

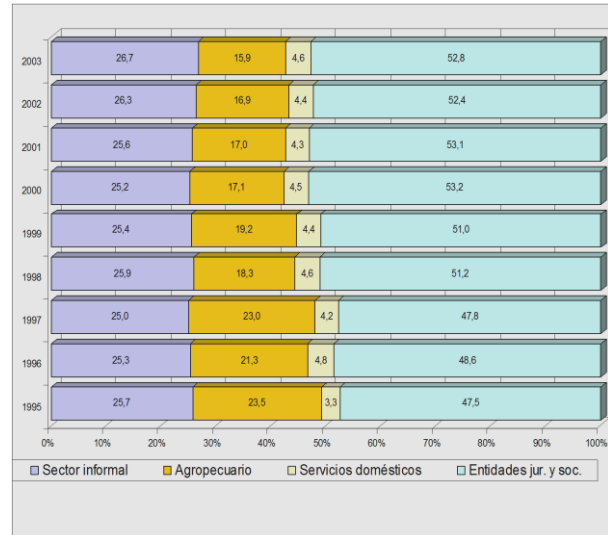
Ocupados en las entidades jurídicas y sociales			
Sector formal de la economía			
Sociedades financieras	Sociedades no financieras	Gobierno general	PSFL

**Relation of the occupation by institutional sectors with develop of the labor market, social security and the quality of employment**

The form in which is conformed the labor market of a country, is a clear indicator of the develop level of the economy when in that country near the half of the occupied population work in the shelter sector, that country has without question an economic low level of develop.

In the period of 2005 and 2008 (Graphic 1) was an increase of the occupied proportion in the juridical and social entities, from 47.5% to 52.8%, against the contra part of the occupied population subsector in the countryside have been decreasing from 23.5 to 15.9; the informal subsector of the shelters increase its relative participation from 25.7 to 26.7% in this period.

Percentage distribution of occupied by institutional sectors Mexico 2008



Graphic 1

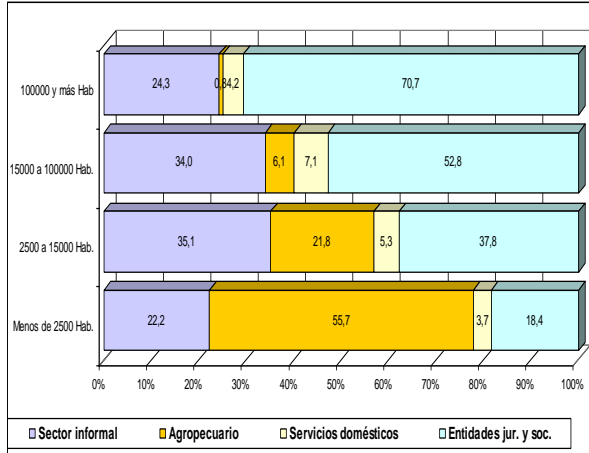
Source: Own elaboration with facts of the INEGI, occupation of the non-structured sector in Mexico 2005-2008 and the National Survey of Employment (ENE) many years.

**Analysis of the distribution of the percentage occupation by institutional sectors according to the size of the locality in which the occupied people live and work**

In the big cities with more than 100 thousand habitants the informal occupied proportion (24.3%) is minor to the reported by less urbanized sectors, 35 and 35.1%, in the localities of 15 thousand to 100 thousand habitants in the semirural of 25000 to 15 thousand habitants respectively.



Percentage distribution of the occupation per institutional sectors according to the locality size. Mexico 2008.



Graphic 2

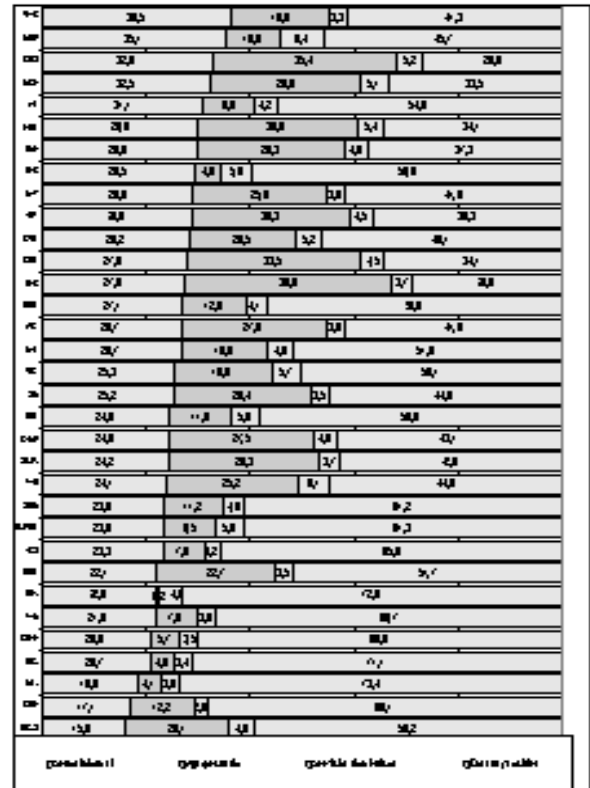
Source: Own elaboration with facts of the INEGI, occupation of the non-structured sector in Mexico 2005-2008 and the National Survey of Employment (ENE) many years.

**Analysis of the occupation per institutional sectors in the different federative entities of the country.**

The information referent to the federative entities (Graphic 10) was organize in a falling form according to the rate of informality reported by each one of them regularly the stated with bigger agrarian vocation are also those that report bigger informality rates.

The entities of the north frontier of Mexico or those which have higher industrial and economic develop in general report a minor rate of informality in the juridical and social entities is numerously.

Percentage distribution of occupation per institutional sectors according to the federative entity, Mexico 2008



Graphic 3

Source: Own elaboration with facts if INEGI, occupation of the non-structured sector in Mexico 2005-2008 and the National Survey of Employment (ENE) many years.

**Application of the institutional sectors in order to know the protect and non-protect occupation of the economic system**

The occupied in the shelter sector by general rule do not count with the benefits of social security and generally do not have the labor benefits contemplated in law, this situation is observed in the sub-develop countries of Africa, Asia and America.

As is possible to see, the occupied in different subsector of the Shelter Sector in summary form do not count with social security, in the case of the occupied in the formal sectors and subsectors, formed by juridical and social entities, the majority count with social security but this coverage should be total.

Application of the Institutional Sectors to determinate protect and non-protect sector of the occupation.

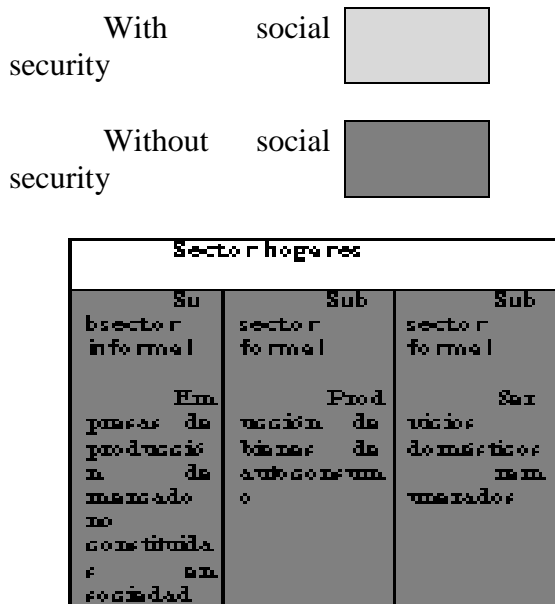
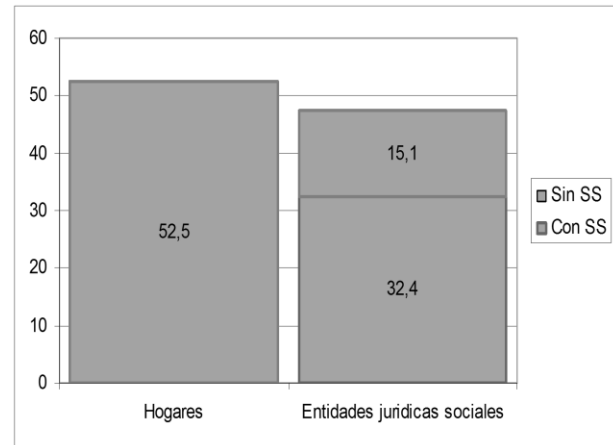


Chart 4

Entidades jurídicas y sociales			
Sociedades no financieras	Sociedades financieras	Gobierno general	IPSELSH

In Mexico as is possible to observe in the Graphics 14 to 19 the proportion of occupied in the juridical and social entities have been increasing and consequently has been increasing the proportion of people who count with social security, however it is not enough because less than four of each ten in 2008 counted with the benefit of the social security as result of their work.

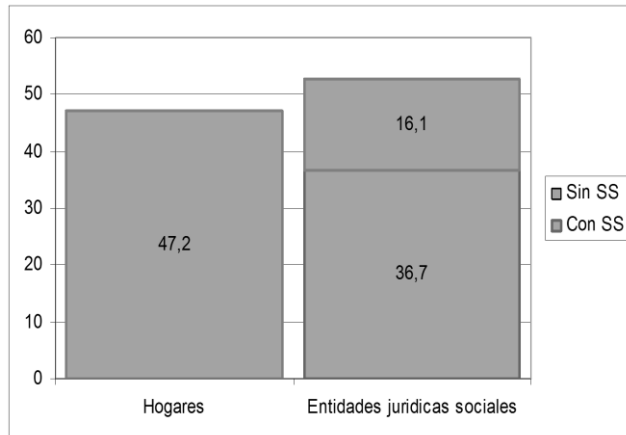
Percentage distribution of the occupation with social security according to the institutional sectors where they work 2005.



Graphic 4

Source: Own elaboration with facts of INEGI, occupation of the non-structured sector in Mexico 2005-2008 and the National Survey of Employment (ENE) many years.

Percentage distribution of the occupation with social security according to the institutional sectors where they work 2008.



**Graphic 5**

Source: Own elaboration with facts of INEGI, occupation of the non-structured sector in Mexico 2005-2008 and the National Survey of Employment (ENE) many years.

### Conclusions

With the exposed before is possible to observe that the use of the units and institutional sector concept is contributing to end with the terms confusion that still existing in many academic and investigation sectors respect of the informal sector, that allows a suitable appreciation and quantification of the phenomenon. It is also possible to know the number of occupied who do not count with social security.

Obviously this information allows the possibility to design the suitable public policies in order to attack this problematic oriented to improve the life conditions of work of the people who work in Mexico, particularly of those occupied in the informal sector and their families.

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