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Introduction: Informal Economy, Vulnerabilities, and Popular Security-Enhancing Practices

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The post-war modernization paradigm was a vast campaign which, by offering a single, straight path to development based on the experiences of developed countries (Rostow, 1960) and on the normative discourse on what should be a 'modern' man (Lerner, 1958), denied that people around the world could have different 'futures'. The symbolic violence of that paradigm, which dominated the development policy agenda on both sides during the Cold War, was to brush aside all the wealth and cultural diversity of societies and social practices. However, the 'universal' process of (neo)modernization has always 'leaked' from many spots, as an analysis of the processes of real development shows. It has been marked by a diversity of dynamics of social change resulting from the confrontation of the practices of popular actors in the informal economy and the modernizing offensives of the elites, which are endangering the structures of the everyday lives of the former (Peemans, 2002).

Contrary to the myths of convergence or the end of history associated with theories of modernization, popular practices in the informal economy are the most visible sign of spheres of autonomy which populations are managing to preserve or recreate for the management of resources, and for the organization of work, production methods, and lifestyles (Lapeyre, 2006; Sanyal, 2007). A radical new look at these 'forgotten actors' of modernization theories, that is, those who have long been regarded as non-actors in development, necessarily leads to a substantially different idea of the current debate on poverty reduction and the transition towards formality. Such a paradigm shift requires heterodox analytical frameworks to address the challenges of the informal economy for socio-economic development.

From this perspective, it is crucial to open the black box of the inner logic of the informal economy to better understand the functioning of its units, their modes of accumulation, and security-enhancing practices. While conventional approaches to the formal economy consider the market as the main matrix for economic actions (Nyssens, 2000), substantive approaches aim to study, without any a priori ranking, the various forms of coexisting economic logic within the informal economy and how they interact. In other words, informal economy actors are not only driven by cost and efficiency considerations, but also by other considerations such as risk minimization, livelihood security, and preservation of social ties, and their practices are the result of complex compromises between those different and sometimes competing considerations. Moreover, socio-economic practices within the informal economy interact with public policies and mainstream development strategies that have various impacts on communities' socio-economic environment.

1.1 From Modernization Theories to Institutionalist Approaches

Modernization theories have merely focused at length on the misery, impotence and, above all, the harm caused by tangential practices and stratagems within the informal economy, viewing them as marks of a traditional world that should disappear. Modernization theory assumes that 'traditional' or peasant societies do not change by themselves, that is, without external intervention to stamp its mark and sow and nurture the seeds of modernity. Supposedly, only this will lead—through appropriate structural policies—to the systemic transition from underdevelopment to development. Most of the abundant mainstream literature about the informal economy is based on the implicit assumption that development occurs through the growth of the formal, modern economy. The informal economy is viewed as an employment sector of last resort made up of pre-capitalist, informal production units that will disappear with the development process. Alternatively, it is seen to be the result of a massive opting out of rational firms and individuals from formal institutions on finding that the costs of those institutions outweigh the benefits (Perry et al., 2007). Thus the informal economy is seen as a consequence of the failure of modernization strategies.

However, when confronted with the current acute issues related to poverty reduction, the implementation of decent working conditions, and the creation of social protection mechanisms in developing countries, a growing body of literature highlights the necessity of taking into account the informal economy. In particular, it points to the logic underlying the functioning of that economy, its modes of accumulation, its ways of securing livelihoods, and how it interacts with public policies and the country programmes and projects of international organizations. Hart (1973, 2010), de Certeau (1984) and Braudel (1992) believe that it is a mistake to consign popular culture and practices to the past, to the countryside or to primitive peoples: they are part of the strength of contemporary economies and societies. They constitute what Balandier (2007 [1957]) called the 'constant inventiveness of daily life'—the tangible and intangible creation of what is needed to sustain it. They are the 'flesh and blood' of the informal economy and the world which stems from it. Therefore, in order to understand the informal economy it is necessary to take into account those 'forgotten actors' who live within the 'folds' of the modernization project.

From the perspective of the theories of modernization, the informal economy resembles a chaotic world that, literally, results from formlessness (Guha-Khasnobis et al., 2006). However, this apparent deficit applies only to the forms recognized by the State. Typically, with regard to the income-generating activities and microenterprises that constitute this 'sector', it signifies the lack of a legal form through, for example, registration in a trade record and with the tax authorities and social insurance schemes—a form which results from the rationalization process that has historically accompanied the constitution of the nation State (Hart, 1973). However, formalization does not erase the earlier norms, rules, and social forms, such as those inspired by the community, nor does it prevent the emergence of other, equally modern forms of social regulation, especially those adapted to the context of new urban neighbourhoods. These norms, rules, and social forms, which coexist, and in many cases compete, with those recognized by state bureaucracy, shape the practices of production, financing, exchange, and consumption of the popular actors that constitute the 'informal' economy. They provide a specific logic and a significant degree of stability and predictability.

In order to capture that logic, and, in particular, the ways in which popular actors secure their livelihoods, institutionalist approaches are needed that take into account the complex interactions between the economy, institutions, and social norms. Indeed, the second half of the 1990s saw a resurgence of institutionalist thinking in development economics as part of a new, post-adjustment paradigm (Hugon, 2008). It focuses primarily on arrangements that enable the functioning of markets, in particular for 'the poor'. These include individual arrangements, as expounded in contracts and property rights theories inspired by North (1990) and Williamson (1985), and collective arrangements through social networks in which 'real' markets are embedded—referring here to the 'reticular embeddedness' of the markets (Granovetter, 1985).

Yet these new approaches, while unravelling the logic of markets, do not fundamentally challenge the view that development will proceed through an extension of this sole principle. As a consequence, popular practices for ensuring livelihoods have been decisively set aside by mainstream analytical frameworks, relegating to the shadows an entire aspect of real development, but one which has never really ceased to haunt the thinking of (neo)modernizers (Jolly et al., 2004). What is needed is what Hart, Laville, and Cattani, in their proposal for a 'human economy', call a 'new "new institutional economics"' (Hart, Laville and Cattani, 2010: 7), of which Karl Polanyi can be considered a pioneer.

1.2 A Substantive Approach to the Economy: Polanyi's Intellectual Legacy

An analysis of the reality of popular practices and their evolution over a long period of time is crucial. It enables an understanding of the development demands of popular actors and illustrates the evolution of their individual and collective practices that are perpetually reinvented in order to ensure the material and spiritual security of their lives.[1]

The theoretical framework of the substantive economy proposed by Karl Polanyi (1957 [1944]) enables the further exploration of the logic of those actors by taking into account the existence of not one, but four principles of economic integration. The recognition of this plurality first draws attention to the multiplicity of existing resources in the informal economy: those originating from the market, but also from redistribution mechanisms at various levels and from relations of reciprocity as well as from households' resources. This recognition also leads to a reflection of the multiplicity of forms of exchange based on the principles of market, redistribution, reciprocity, and 'householding'.[2] More importantly, according to Polanyi, these principles of integration represent the fundamental logic that gives unity and stability to the economic process (Polanyi, 1957: 249). The principles underlie different types of resources and exchanges, but

[1] The anglophone world has only recently begun to recognize and employ this concept of 'popular'. Hull and James favour this term as a way to 'escape from such binaries and policy discourses [on the state and capitalist enterprise]... This recognizes the legacy, in South Africa, of earlier studies of popular culture which described a world of new identities and activities located in the city, where people had newly come into contact.... What made this domain "popular" was its hybrid character, its inventiveness, and creativity, and the way it relied on particularly inventive "brokers"—even crooks and tricksters—for its operation' (Hull and James, 2012: 9–10).

[2] In Chapter 4 of *The Great Transformation*, Polanyi suggests three features of householding: 1) 'it consists of production for one's own use', according to Aristotle's distinction between production for use and production for gain; 2) 'its pattern is the closed group'; and 3) 'very different entities of the family or the settlement or the manor formed the *self-sufficient unit*' (Polanyi, 2001 [1944]: 55–6, our emphasis).

Table 1.1 Polanyi's principles of economic integration as modalities of interdependence in production, financing, exchange or transfer, and consumption

Principles of economic integration	Reciprocity	Redistribution	Householding	Market
Type of interdependence	Instituted complementarity	Instituted centrality	Varying (instituted complementarity or centrality or other)	Mechanical competition
Type of institutional structure	Horizontal (e.g. symmetric)	Vertical (e.g. hierarchical)	Domestic group, in some cases autarkic	Market system
Logic of action	Obligations among peers	Obligations in a (personal or functional) centralized system	Sharing production and work for satisfying the needs of the group	Bargaining in one's own interest

are not limited to the sphere of circulation alone: they include all spheres of activity that make up the economy in a substantive sense: circulation and exchanges or transfers, as well as production, financing, and consumption by which people sustain themselves. They represent ideal modalities of interdependence in these different spheres: interdependence resulting mechanically from price fluctuations in the case of the market; interdependence based on centralized systems in the case of redistribution; organized complementarity, for example based on a symmetric pattern, in the case of reciprocity; and lastly, interdependence within a group through sharing—usually a domestic group—in the case of householding (Hillenkamp and Servet, 2011) (see Table 1.1). The principles of economic integration therefore generate different types of institutional structures which can be combined in multiple configurations. They form a conceptual framework that takes into account the diversity of informal socio-economic practices of popular actors, without assuming them to be evolving towards a model of a 'modern' capitalist enterprise.

The Polanyian framework permits an analysis of the diverse ways in which popular actors protect themselves in the informal economy. In theories of modernization, protection is essentially addressed through capitalist accumulation. While these two approaches are not necessarily in conflict or contradictory, one cannot be substituted for the other. Recent literature has shown that few informal units aim at accumulation in the capitalist sense (Peemans, 2002). One central hypothesis of recent studies on the functioning of units in the informal economy is that informal socio-economic practices proceed from people's demands for security rather than for growth or capital accumulation per se.[3] A closer observation of the way popular actors secure their livelihoods shows multiple patterns of petty accumulation based on a diversity of resources and

[3] For a comparative analysis of the functioning of some sectors of the urban informal economy, see Lapeyre and Lemaître (2013).

types of interdependencies within families, communities, and professional, religious, and other types of groups. These interdependencies not only give structure to economic practices and regulate the accumulation process, they also create different forms of protection, depending on the types of relationships mobilized: protection based on solidarity and obligation among peers, according to the principles of reciprocity or householding, and vertical or hierarchical protection in the case of redistribution or other forms of householding.

Financial practices and institutions also play an important role in enhancing security of livelihoods and are particularly crucial for poor people. Poverty refers not only to low levels of income—the poverty line being less than US$1.25 a day, according to the World Bank (Ravallion et al., 2008)—but also to irregular income, particularly in the informal economy. Difficulties in coping with regular expenses and, a fortiori, with exceptional and unforeseen expenses—incurred, for example, by illness, accident, or death—are all the more important if people are poor. Confronted with these difficulties, the financial practices of the poor are often surprisingly complex. Through proactive financial management, they create real 'portfolios' of assets and liabilities that are essential in order to deal with their various expenditures (Collins et al., 2009).[4] For this, they resort to informal practices and institutions as well as to microfinance, and, in some cases, to the traditional formal banking sector.

Knowledge and debate on the contribution of financial practices and institutions for livelihood security of the poor have evolved considerably over the past thirty years. Field studies providing evidence that informal practices were not confined to loan sharks (Adams and Fitchett, 1992) contributed significantly to the recognition of other forms of financial practices. For example, rotating and non-rotating informal financial groups, informal credits without collateral, informal lenders, and pawnbrokers gradually gained the attention of researchers and policy-makers at the national and international levels. The 'invention' of microfinance dating back to the 1970s, which became increasingly popular in the 1990s and 2000s, partly shifted the terms of the debate. Microfinance was generally presented as 'good finance'. Through new techniques, such as group lending, it was supposed to offer an alternative access to financing denied by the traditional formal banking sector due to lack of collateral, information asymmetry, moral hazard, and adverse selection (Hulme and Mosley, 1996). According to this vision, it could gradually compensate for the deficiencies of this sector *and* replace informal finance, thereby offering the poor much-needed access to financial resources.

The assumption underlying this new form of modernization, according to which an initial injection of capital, in this case granted through productive

[4] We are grateful to Hadrian Saiag for drawing our attention to this publication and that of Adams and Fitchett (1992).

microcredit, would facilitate escaping the poverty trap, has not stood up to close scrutiny. In recent years, there has been increasing disappointment at the inability of microfinance to help reduce poverty (Diop et al., 2007; Banerjee et al., 2009; Bateman and Chang, 2009; Bédécarrats, Bastiaensen, and Doligez, 2011), and at the eruption of overindebtedness crises, as in Bolivia in 1999, Morocco, Nicaragua, and Bosnia Herzegovina in 2008, and Andhra Pradesh in 2010. These tragic events may have caused public opinion, policy-makers and managers of microfinance institutions to adopt a more realistic view of what it could accomplish. There is little evidence that microfinance has contributed significantly to poverty reduction or to risk reduction over the long term (Guérin, Morvant-Roux, and Servet, 2011), mainly because microfinance institutions have tended to give priority to managing their own credit risk over that of their members or clients (Hillenkamp, 2007). However, microfinance has been seen to contribute to financial inclusion by offering, not only credit, but also savings, insurance, and other specific services that enable people to manage their liquidity and secure their livelihoods.

It is therefore important to assess which tools are locally available and how they are appropriated by local actors. Furthermore, microfinance schemes must be examined in relation to the informal financial practices and institutions with which they interact locally (Morvant-Roux, 2006), and in the context of the social and cultural relations in which they are embedded (Servet, 2006). Thus, policy-makers need to carefully examine individual, family, and collective economic and financial mechanisms for securing livelihoods, as well as the mechanisms of reproduction and distribution of the surplus, in order to formulate appropriate poverty reduction strategies. Improving the working and living conditions of workers in the informal economy implies having a better understanding of the access to resources by units in the informal economy, taking into consideration the principles underlying the market, redistributive, reciprocity, and householding practices.

Table 1.2 illustrates the specificity of a Polanyian approach of the economy by comparing how standard approaches in economics—as the basis for modernization theories—and institutionalist approaches study: (i) the modes of economic coordination among individuals, (ii) the economic groups, understood as collective units of production of goods and services, and (iii) the relationship between the economic groups and their environment.[5] In standard economics approaches and their extensions, economic groups are analysed in terms of efficient solutions constrained by an environment viewed mainly in terms of the market, technology, and/or information. Socio-economic approaches, on the other hand, allow an understanding of economic groups in terms of social constructions and human choices that are not determined in

[5] For more details, see Lemaître (2009).

Table 1.2 From modernization theories to institutionalist approaches

	Standard approaches in economics		Institutionalist approaches		
	Neoclassical economics	Contract theories	Neo- institutional economics	Socio-economics	
				Reticular embeddedness	Polanyian framework
Coordination modes	The market is the first principle, and provides the matrix for economic actions The non-market principle is residual (mobilized in case of 'market failures') The non-monetary economy is hidden			Embedded market	Plural economy => market, redistribution, reciprocity and householding principles are analysed without any *a priori* hierarchy
Economic group	Black box – maximizing profit	Extension of the market	Efficient solution in case of market failures	Social construction	Social construction Integral view, plurality of actors and logic
Relationship of the economic group with its environment	It is mainly the environment that influences the economic group (contingency relationship) The environment is viewed mainly in market, technological or informational terms			There is interaction between the economic group and the environment Focuses on a market environment	Interaction between the economic group and the environment: just as the environment shapes the economic group, the economic group creates its own environment Focuses also on a non-market environment (political dimension of the economy)

Source: Lemaître (2009).

quite such mechanical terms by the environment. The relationship between an economic group and its environment is seen as an interaction: just as the environment shapes the economic group, the economic group is also able to generate changes in its environment. The Polanyian framework in socio-economic approaches enables a further broadening and deepening of our understanding of the economy. It goes beyond the market matrix of the reticular embeddedness approaches, which look only at market coordination mechanisms and market actors in a market environment, to analyse the plurality of an economy. Therefore it articulates a diversity of actors and socio-economic logic in both a market and a non-market environment.

The Polanyian approach to the economy has certain similarities with feminist approaches (Degavre and Lemaître, 2008). It goes beyond the conventional approaches that have a narrow market and monetary view of the economy in order to highlight and legitimize all forms of production and circulation of goods and services, that is, diverse economic means of securing livelihoods. In that sense, it sheds light on women's contributions to the economy, which tend to be neglected in the formal understanding of the economy. Whereas the roles of women, and in particular women in the popular or informal economy, in contributing to security of livelihoods and to the reproduction of life are neglected by modernization theories (Degavre, 2010), the Polanyian approach to the economy shows the importance of women in the informal economy. There, they play key roles in social protection, in general, and in economic solidarity initiatives, in particular (Guérin, Hersent, and Fraisse, 2011), based on diverse and complex relationships, which need to be carefully examined.

1.3 The Informal Economy: A Complex and Heterogeneous Reality

The literature has not yet reached a consensus on how to define 'economic informality'. Given the paucity of comparative and reliable statistical data on the informal economy, the available statistics must be treated only as a preliminary estimate of the extent and characteristics of that economy (ILO, 2002; Bacchetta et al., 2009; OECD, 2009).[6] According to data compiled by Bacchetta et al. (2009), informal employment accounts for a half to

[6] In June 2002, the International Labour Conference (ILC) adopted a resolution and conclusions concerning decent work and the informal economy, which provide a new framework for measurement. The conclusions define the informal economy broadly as referring to 'all economic activities by workers and economic units that are—in law or in practice—not covered or insufficiently covered by formal arrangements' (ILO, 2002). The broader term—informal economy rather than informal sector—takes account of the considerable diversity of workers and economic units in different sectors of the economy and across rural and urban contexts that are particularly vulnerable and insecure.

three-quarters of non-agricultural employment in developing countries. Its share in total employment is estimated to be 52 per cent in Latin America, 78 per cent in Asia, and 56 per cent in Africa (71 per cent in sub-Saharan Africa). Moreover, the level of informal employment in the *formal* sector is increasing in many countries (ILO, 2009). Another relevant aspect is the level of informal self-employment compared with informal wage employment. On average, across all developing countries, self-employment represents the greatest share of non-agricultural informal employment: 70 per cent in sub-Saharan Africa, 62 per cent in North Africa, 60 per cent in Latin America, and 59 per cent in Asia (ILO, 2009). In 2008, own-account and contributing family workers, mainly engaged in informal economic activities, accounted for about 80 per cent of the workforce in the least developed countries (LDCs) (UNCTAD, 2010: 36).

Beyond statistics, the heterogeneity of the informal economy needs to be analysed in terms of the specific processes that generate and/or maintain informality. It is important to distinguish between, on the one hand, recent informalization processes linked to trends in the global economy—particularly visible in South Asia where a significant proportion of the informal economy contributes to capital accumulation—and neoliberal policies, and, on the other hand, the resilience of the popular economy, which is still an important feature of everyday life for a large number of people. Moreover, deindustrialization and a shrinking public sector have pushed a large proportion of the few who had benefited from modernization towards the informal economy. In Africa, the implementation of structural adjustments programmes (SAPs) in the 1980s led to the rapid informalization of labour markets, yet prior to 1980, economic development did not result in the disappearance of the informal economy. Informal petty production for local markets coexisted with the formal economy. Indeed, the informal economy remained the main source of income and employment for most people in that region (ILO, 1972). An analysis of the evolution of the informal economy over a long period shows that dense and complex social ties in most developing countries have been able to preserve and reinvent themselves through associative and reciprocity mechanisms. When the debt crisis erupted in the 1980s, such mechanisms were able to provide income and employment for those who had been adversely affected by the SAPs. Examining the capacity for resilience of the informal economy leads to a new vision of its actors, their logic and practices, their demands, their coordination mechanisms, and their all-important social ties which enable them to continuously rebuild and preserve the community-based structures of their everyday lives.

Balandier (2007 [1957]: 2) suggests that modern-day Africa is constructed from what was left of its heritage and from its domestic adaptation of 'modernity'. It did not merely leave free rein to what could destroy it, or take sombre pleasure from a tragic and melancholic retreat to the margins of the modernization project. An examination of the special nature of the strategies of actors in the informal economy reveals a proliferation of artful transgressions that are the source of their resilience, which is difficult to grasp from a methodological point of view (de Sardan, 1995). The statistics give almost no clue to this stream of an ailing modernity, regulated, in principle, by the institutional frameworks that popular actors are steadily eroding and displacing. In the informal economy, there is no observable or readable system so cherished by the scientific literature. Rather there are fleeting, moving, disconcerting, and ambiguous realities that do not lend themselves to precise measurement, exact calculation, or strict logic. As de Certeau (1984: 118) stresses: 'Somewhere along the line in these practices, something always gets lost, something which cannot be said or "taught" but must be "practiced".'

Far from the vision of actors in the popular economy as reactionary and archaic, stubbornly resisting any move towards change, heterodox analytical frameworks emphasize their perpetually evolving strategies, characterized by a constant reinvention of their identity in the face of the strategies of dominance that seek to ensnare them. In Africa, it can be seen that the traditional system of distribution still functions, although it has changed greatly since solidarity based on family, lineage, or ethnicity has been in crisis, just as the State is in crisis, resulting in increasing insecurity. The decline of vertical redistribution in African society is partly offset by complex systems of horizontal solidarity within which the circulation of money and goods plays a crucial role through various mechanisms of reciprocity. The internationalization of support networks through migration also plays an ever-increasing role. This radical new look at the 'forgotten actors' of modernization and a better understanding of popular practices reveal the huge gulf between the development demands of the people in the informal economy (identified through the multitude of practices they have developed for securing their livelihoods) on the one hand, and the policy priorities of the elite to modernize the world on the other (Peemans, 2002: 247).

In Latin America, informality increased during the 'lost decade' of the 1980s and also during the 1990s (Perry et al., 2007). The proportion of self-employed or wage workers engaged in individual income-generating activities and microenterprises tended to increase, while new forms of informal employment in formal enterprises emerged, or at least became more visible (ILO, 2011). Moreover, in the context of the external public debt crisis of the 1980s and 1990s, doubts about the efficiency of modernization and the 'developmental State' model spread, making it increasingly difficult to categorize popular actors as a 'proletariat', a 'native population', or 'peasants', in the process of modernization. Since the late 1980s, sociologists and economists in the region (e.g. Razeto and Calcagni, 1989; Larrachea and

Nyssens, 1994; Sarria Icaza and Tiriba, 2006) have proposed the concept of a 'popular economy' (*economia popular*) to draw attention to the unique and long-lasting character of this economy, which constantly adapts to changing socio-economic conditions.

The introduction of this concept has had the dual effect of renewing the critical discussion on the internal structure of 'dependent' societies and drawing attention to the specific socio-economic logic of actors in the popular economy. On the one hand, the issue of the 'internal expression' of dependence within Latin America (Cardoso and Faletto, 1978 [1974]) has been revived through the diverse forms of labour control in structurally heterogeneous societies (Quijano, 1990), and through the subordination of the popular economy to national and international capital (Coraggio, 2006). On the other hand, the biological and cultural reproduction of life and the mobilization of labour and local resources based on a logic of shared 'funds' (Coraggio, 2006) have been recognized as the purpose and operating principles of this economy. In contrast to the logic of accumulation in capitalist firms, the basic units of the popular economy are the domestic institutions, and their dominant logic is the Polanyian principle of householding based on sharing, even though sharing may not necessarily be equitable. However, the valorization of labour and local resources is not driven exclusively by the logic of reproduction within domestic institutions: it is also based on market activities. The opposite principles of householding and market are therefore articulated in the popular economy according to specific configurations (Hillenkamp, 2012).

The concept of popular economy also raises the question of the organic nature of this heterogeneous sector, and, in particular, its contribution to a 'solidarity economy' (*economía solidaria*) oriented towards democratization of the economy (Razeto, 1984 and 1996; Larrachea and Nyssens, 1994; Guerra, 1999; Coraggio, 2002; Carvalho de França Filho, 2005; Sarria Icaza, 2006; Singer, 2006; Hillenkamp, 2009; Lemaître, 2009). While the popular economy encompasses diverse activities and organizations, ranging from mere subsistence strategies, to individual income-generating activities, micro and small family enterprises, unions of producers, associations, and groups of the solidarity economy, one main common issue remains the recognition and economic and political structuring of this economy. Solidarity initiatives could represent its 'most advanced pole' (Sarria Icaza and Tiriba, 2006: 265). These initiatives, which rely on a new application of the Polanyian principle of reciprocity in a context of democratic self-management, have become increasingly visible, and have organized themselves at the political level in several countries in the region, especially in Argentina, Brazil, Bolivia, and Ecuador. However, in Venezuela, where the solidarity economy is mainly driven by strong government policies, there exists the risk of resurgent political populism (Lemaître, Richer, and Carvalho de França Filho, 2011).

1.4 Globalization and the Informal Economy

Polanyi's principles of economic integration provide heuristic tools for an analysis of informal socio-economic practices and processes for securing livelihoods at the local level. They also enable an analysis of the multiplicity of possible relationships between the informal and the formal economy, particularly under the global capitalist mode of production. Strong empirical evidence based on the growth experience of many developing economies shows that sizeable informal economies can coexist and sustain themselves side-by-side with the expansion of the formal economy and good growth performance (Castells and Portes, 1989). In analysing the relationship between growth and informalization, Heintz and Pollin (2005) show that higher economic growth will reduce the rate at which informalization increases in developing countries, though it cannot on its own create an environment in which informalization actually declines. Their observation was based on an analysis of a sample of twenty countries for which there were adequate data on both informalization and per capita growth over a sufficiently long time period. Moreover, they found that increasing rates of informalization were consistent with positive average rates of economic growth (Heintz and Pollin, 2005).

Thus the informal economy should not be seen as a vestige of the past or as a sign of backwardness, as workers and producers in the informal economy are linked to the global economy. Outsourcing, piecework, and petty commodity production within family units remain important features of the reorganization of production at the global level (Quijano, 1971; Moser, 1978; Harriss-White, 2012). These linkages highlight the importance of better understanding: (i) the growing 'informality' of the global economy, especially as a result of the expansion of international financial flows and global production networks; and (ii) the main drivers of informal socio-economic practices (Chen, 2007; Carr and Chen, 2002). The informal economy is operating in an environment marked by complex formal and informal economic linkages, global economic cycles, and domestic macroeconomic frameworks which are affecting the functioning and level of vulnerability of units in the informal economy.

1.5 Towards a New Policy Agenda

The high level of vulnerabilities, multiple kinds of processes contributing to insecurity, and the constant reinvention of systems of protection and solidarity within the informal economy shape the accumulation process in a non-capitalist way. It is necessary to recognize the capacity of popular actors to perceive the world and development projects in terms of their cultural identity, their history, and the place where they live, and not as a universal matrix suggested by the dominant actors. Bottom-up approaches and innovative institutional frameworks for better responding to people's needs should be core components of the debate on formalization and poverty reduction. As underlined by Lautier (2004), it is only on the basis of such approaches that it will be possible to devise innovative and appropriate social protection systems. Bearing in mind the constituent elements of this development pattern, growth is no longer a *meta* objective, or even an indicator of success; rather, it is an outcome of choices, because, depending on the nature of the goods and services identified as essential by communities, and on their technological choices, there will be more or less growth.

Taking into account the practices of actors in the popular economy therefore means thinking about the inherent nature of alternative development patterns related to these 'lines of escape' that are often simple survival strategies. In themselves they can be factors of social breakdown and can lead to new forms of violence, as exemplified in the development of sectarian communities, aggressive ethnic movements, and sectarian fundamentalism. The 'futures' which emerge from the multitude of popular practices following the crisis of the legitimacy of a neo-modernization project unable to keep its promises to everyone, are not all components of a shared project for the sustainable improvement of the living conditions of a population in a given place. This observation should induce a shift from idealizing local popular initiatives to trying to understand which, among these many practices of resistance, survival, solidarity, and enhancing of living conditions, can lead to a reinvention of living and working together.

Several chapters of this book analyse the adaptive capacities of informal economy actors. They describe how people develop their own strategies to solve their problems through the use of interpersonal networks, associations, and other community-based arrangements. Moreover, they show that informal economy actors systematically reposition themselves vis-à-vis the State, markets, and international and national policies with the aim of enhancing their economic and social security, and they may do this either individually or collectively. The book emphasizes how adaptability of the informal economy can be influenced by such factors as the macroeconomic context, access to financial, technological, and information resources, infrastructure, social protection schemes, and the institutional environment within which adaptations occur. Case studies stress the need to reformulate questions relating to policy intervention based on a more thorough understanding of the perspective of informal economy actors.

Indeed, the idea that those actors have capabilities, and not just vulnerabilities, has received increasing recognition in policy-making during the past thirty years (Scott, 1985; Anderson and Woodrow, 1989/98; Cannon, 2008). This is at the heart of approaches which recognize that local social systems can, and do, self-organize, despite limitations and stress factors (Gunderson and Holling 2002; Berkes, Colding, and Folke, 2003). Families and communities have varying capacities to adapt in response to short-term and structural changes in living conditions (IPCC, 2007; Meagher, 2010; Trosper, 2003). In many different places, people have been rethinking local risk management strategies and how scarce or declining resources should be allocated using multidimensional and associative strategies.

Such a paradigm shift requires multi-scalar policy frameworks—that is, at micro, meso, and macro level—to better address the challenges to development confronting the informal economy. It necessitates the development of supporting institutions and policies that allow local communities to enhance their capabilities of securing and improving their livelihoods, especially by developing and protecting their economic and social rights (Lapeyre, 2013). This book shows the importance of exploring cross-scale influences on the informal economy in order to identify, formulate, and implement relevant policies and appropriate interventions aimed at: (i) strengthening adaptive capacities at local, regional, and national levels; (ii) reducing communities' vulnerability to shocks and threats; and (iii) securing and improving livelihoods (Walker et al., 2004).

In both urban and rural areas, informal economy actors are taking advantage of newly created polices that support community-based management initiatives (Amoukou and Wautelet, 2007; Marschke and Berkes, 2006). However, given the considerable diversity of practices and institutions in the informal economy, one-size-fits all policy responses are inappropriate; instead, a diverse and rich array of possible responses is likely to emerge (Chapple and Lester, 2010). This implies the need for giving more thought to how national policy-makers could encourage transformative development from below and thus foster synergies, modularity, and connection between the local, regional, and the national levels in ways that increase the various options for ensuring security of livelihoods rather than constraining them. If these changes are to occur and the scope for appropriate policy responses is to change, the actions and policies of a very large number of different agents of change have to be coordinated vertically and horizontally through appropriate institutional frameworks at different spatial levels (Hudson, 2010).

1.6 Securing Livelihoods in the Informal Economy: Practices and Institutions

The book's overall aim is to contribute to a broadening and deepening of our understanding of the logic and socio-economic practices of popular actors operating in the informal economy. It focuses on the vulnerabilities of these actors, resulting from high exposure to different risks combined with low social protection, and on the interactions between vulnerability and poverty. It considers security of livelihoods as the guiding principle for multiple practices in the informal economy. Thirteen studies, based on careful analyses of empirical data in different contexts in Africa, Latin America, and Asia, contribute to this multidisciplinary discussion.

The chapters in Part I adopt a substantive approach to the economy, understood as 'an instituted process of interaction between man and his environment, which results in a continuous supply of want satisfying material means' (Polanyi, 1957: 248). Drawing on Polanyi's legacy, Lemaître proposes a multidimensional framework to analyse economic initiatives, and applies it to capture the way different 'popular cooperatives' participate in local development in the Brazilian State of Rio de Janeiro. Her final discussion reflects on the heuristic value of the Polanyian framework as a basis for an in-depth analysis of the plurality of socio-economic logic in the informal popular economy. Following this approach, Hillenkamp looks specifically at the protective mechanisms adopted by actors in the popular economy. Those mechanisms are rooted in their practices of production, exchange, and financing in a context of the lack of, or insufficient, social protection by the State. Based on a field study in the city of El Alto (Bolivia), she critically reviews four types of practices that provide protection against specific vulnerabilities, and distinguishes between protection based on solidarity and protection based on hierarchy. Vásquez' analysis of the experience of a 'recovered enterprise' on the periphery of Buenos Aires (Argentina) continues this discussion. He shows how the workers of self-managed workers' enterprises not covered by the state's social security system have developed different strategies, not only to generate jobs and promote community development, but also to cope with vulnerability. Finally, Le Polain and Nyssens look at the socio-economic logic underpinning formal and informal strategies for coping with economic shocks. Based on an exploratory study of shocks and coping strategies in the province of South Kivu (Democratic Republic of the Congo), they show the plurality of the principles used, among which reciprocity and householding predominate.

Part II, while also focusing on the logic of popular actors based on socio-economic pluralism, turns specifically to an analysis of financial practices and their role in reducing vulnerabilities and enhancing security of livelihoods. Saiag's study of household budgets in the city of Rosario (Argentina) highlights the role of a range of informal financial practices for livelihood security based on domestic solidarity and protection mechanisms in the context of the dismantling of the Fordist-like welfare regime. Carvalho de França Filho, Scalfoni Rigo, and Torres Silva Junior look at the role of microfinance in Brazil by examining the government's microcredit policies and analysing the unique experience of community development banks. They highlight the differences between market-based microcredit and solidarity finance, and the potential role of the latter for overcoming some limitations of the former. The factors contributing to the demand for microcredit services in rural Morocco is the focus of a study by Morvant-Roux, Guérin, and Roesch. They show that informal financing mechanisms and social attitudes and norms that disapprove of debt account for the low demand and use of microcredit services. They find that the extent of vulnerability of households is a major determinant of the varying rates of participation in microcredit schemes across rural Morocco. Umuhire and Nyssens deepen the analysis of the coexistence of informal and formal microfinance through a survey of the use of these mechanisms by micro-entrepreneurs in Ouagadougou (Burkina Faso). They show that such mechanisms serve different purposes and are not easily substitutable. Finally, the chapter by Totolo takes a look at the formal and informal networks used by different groups of entrepreneurs in their market activities in Nairobi (Kenya). Starting from the literature on the role of social networks in shaping market structures, he shows that informal financial networks are important for highly informal firms, although not in their start-up phase.

Part three turns to an evaluation of the benefits of informality and formality from the point of view of the actors, and provides a critical evaluation of the transition to formality in different contexts. Departing from the standard neoclassical approach that focuses on human capital and unobserved individual productivity and motivation, Heintz and Pickbourn first show the role of factors operating at the household and institutional level, as well as gender differences, in determining the level of incomes in informal self-employment in Ghana. From this perspective, increasing the level of incomes requires educational reform—rather than simply more education—and improving access to credit and infrastructure, instead of simply more formalization. Ferragut and Gomez extend this analysis by assessing the gains of formalization in terms of decent work based on a case study of newly created shopping centres in Quito (Ecuador). They show that these centres, which aim to eradicate informal street selling, have produced mixed results: while labour, employment, and security of work have generally improved, the levels of sales and incomes as well as the representation of vendors through associations have tended to deteriorate. Ansoms and Murison, who assess the policy of formalization in Rwanda, acknowledge the accomplishments of the government in improving the business climate. However, they raise the question of the negative impact of formalization on employment creation and local livelihoods based on a case study of the brick and tile business in two rural settings. Finally, Kus examines the link between neoliberal reforms and the growth of the informal sector from a regulatory perspective. Based on a case study of

Turkey, she identifies two concurrent regulatory trends underpinning these reforms: deregulation and the declining quality of law enforcement in the economic sphere. She notes that private-sector growth and informalization have emerged as two concomitant outcomes of these trends.

In his postface, Jean-Philippe Peemans suggests that the insights provided by this book are a valuable contribution to the growing debate on informality, protection, and development.

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