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# Urban Informality: Global and Regional Trends

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# URBAN INFORMALITY

## GLOBAL AND REGIONAL TRENDS

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### ABSTRACT

This working paper is an introduction to urban informality in the Latin American and Caribbean region as part of a larger comparative analysis on informal settlements in the region. Based on recent reports published by multilateral agencies, international organizations, and national governments, this paper offers a compendium of the presented figures on informal employment, slums dwellers, and housing conditions at global and national levels. This enabled some comparative analyses on informal economy and informal settlements among LAC countries. Results suggest that the informal economy in the LAC region is significant, representing about 50 percent of total workers in many countries. Likewise, the LAC region is one of the most urbanized in the world, however, it has a high rate of urban informal economy with a 'persistent' urban population living in informal settlements.

**Keywords:** Urban informality, Informal economy, Informal settlements, Latin America and the Caribbean

### INTRODUCTION

This working paper is an introduction to urban informality in the Latin American and Caribbean (LAC) region as part of a comparative analysis on informal settlements in the region, related to the project titled The Disaster Resilience and Climate in the Americas Program (DRCAP) funded by the United States Agency for International Development's Office of U.S. Foreign Disaster Assistance (USAID/OFDA). The paper is based on recent reports published by multilateral agencies, international organizations (IOs), and national governments of selected LAC countries.

### METHODOLOGY

This introduction includes multi-level data to assess the global and regional states of the informal sector and informal settlements. The methodology employed in this working paper relies on secondary sources of quantitative data collected by multilateral agencies, LAC countries, and organizations such as the World Bank, International Labor Organization (ILO), and the UN-Habitat. Then, a qualitative analysis of documents and academic literature enables a discussion on the data. The quantitative data collected from the selected IOs are analyzed through the SPSS 25 statistical package. Before initiating the presentation of results, notions on urban informality, informal sector and informal settlements need to be clarified.

## **APPROACHING URBAN INFORMALITY**

Much of the urban growth in the twentieth-century is taking place in the developing world. In particular, informality –once associated with poor squatter settlements– is now seen as a generalized mode of urbanization (Roy, 2005). Roy defines 'urban informality' as "a state of exception from the formal order of urbanization" (Roy, 2005, p. 147). As urbanization is the process whereby a society changes from a rural to an urban way of life, 'urban informality' involves urbanization activities and practices that fall outside the purview of the state and policies that moderate the urbanization process.

Perhaps the most studied dimension of informality is the informal economy or 'informal sector,' which was defined during the Habitat III as a process "made up of informal production units or informal sector enterprises" (UN-Habitat, 2015a, p. 1), which includes all forms of informal employment. The informal 'sector' was initially assumed to be a marginal and transitory phenomenon that would inevitably be absorbed by the modernizing urban industrial sector (Moser, 1978). More than four decades after it was described by Hart (1973) in his study of Accra, Ghana, the informal sector has grown and expanded rapidly, and is now where the majority of the world's population produces and trades (ILO 2013; UN-Habitat, 2016). The ILO, an international agency that focuses most on the informal economy and its statistics in particular, describes the informal sector as "all economic activities by workers and economic units that are –in law or in practice– not covered or insufficiently covered by formal arrangements" (ILO 2002b, p. 5).

An equally important dimension of urban informality is housing and settlement. According to Roy (2009), informal housing can include any form of shelter or settlement (or lack thereof) which is illegal, falls outside of government control or regulation, or is not afforded protection by the state. Informal settlements are residential areas where inhabitants have no security of land-tenure or dwelling, with modalities ranging from squatting to informal rental housing (UN-Habitat, 2015b). Such settlements generally lack –or are cut off from– urban infrastructure and basic services, while housing may not comply with current regulations, and is often situated in hazardous areas. In addition, informal settlements can be a form of real estate speculation for all income levels of urban residents, affluent and poor. Slums are the most deprived and excluded form of informal settlements characterized by poverty and large agglomerations of dilapidated housing often located in the most hazardous urban land (UN-Habitat, 2015b). In addition to tenure insecurity, slum dwellers lack formal access to public space and green areas, and are constantly exposed to eviction, disease and violence (UN-Habitat, 2015b). Nevertheless, informal housing and settlements are not just the domain of the poor and marginalized. For Roy and AlSayyad (2004), informal settlements require a complex *continuum* of legality and illegality, where squatter settlements formed through land invasion and self-help housing can exist alongside upscale informal subdivisions formed through legal ownership and market transaction but in violation of land use regulations (Roy & AlSayyad, 2004). This reveals the complexity and multiplicity of actors and elements involved in the informal economy and settlements, which should not be only defined as the 'opposite' to formal but, as Roy and AlSayyad (2004) propose, a *continuum* between the legal and illegal.

The following sections of this paper build on empirical quantitative data generated by different IOs. These seek to offer a general understanding of informal settlements and the informal sector, and constitute an initial step in that direction of a more comprehensive or deeper analysis.

### **INFORMAL HOUSING AND SETTLEMENTS**

According to the latest figures from the UN-Habitat (2017) and the *World Cities Report (WRC) 2016* (UN-Habitat, 2016), nearly 54 percent of global population lives in cities and these produce around 80 percent of global GDP. Although urbanization is seen as a 'transformative force' as it has helped millions escape poverty through increased productivity, employment opportunities, improved quality of life and large-scale investment in infrastructure and services, urban areas around the world still face enormous challenges and changes. For instance, 'persistent' urban issues detected are: uncontrolled and unplanned urban growth, changes in family patterns, growing number of urban residents living in slums and informal settlements in addition to the challenge of providing urban services for all (UN-Habitat, 2016).

The widespread growth of slums or informal urban settlements –particularly in the developing world– has become a central policy issue during the last two decades. In a major study of this phenomenon, *The Challenge of Slums* (UN-Habitat, 2003), UN-Habitat estimated that in 2001, 924 million people, or 31.6 percent of the total urban population in the world, lived in informal settlements or slums. More recent estimates provided by UN-Habitat show that the proportion of the urban populations living in slums in the developing world decreased from 46.2 percent in 1990, 39.4 percent in 2000, to 32.6 percent in 2010 and to 29.7 percent in 2014 (UN-Habitat, 2015c, see Statistical Annex). However, estimates also show that the number of slum dwellers in the developing world is on the increase given that over 880 million residents lived in slums in 2014, compared to 791 million in 2000, and 689 million in 1990. This implies that there is still a long way to go in order to reduce the large gap between slum dwellers and the rest of the urban population living in adequate shelter with access to basic services and it shows informal settlements as a 'persistent' issue that requires closer attention (UN-Habitat, 2016).

Moreover, one important future challenge for cities and informal settlements relates to their vulnerability to climate change. This depends on factors such as patterns of urbanization, physical exposure, disaster preparedness, economic development and urban planning. Within cities, gender, age, race, income and location, too, have implications for the vulnerability of people, communities, and cities. Low-income groups are being pushed into locations that are prone to natural hazards and four out of every ten non-permanent houses in the developing world are now located in areas threatened by floods, landslides and other natural hazards (UN-Habitat, 2009).

The Table 1 and Figure 1, based on the WCR 2016 Statistical Annex, illustrate the historical distribution of urban populations living in slums between 1990 and 2014 in eight major and developing regions of the world. The figures indicate that an important part of the urban growth (in form of slums) is taking place in developing countries. Sub-Saharan Africa and Eastern Asian regions show the most significant increase. In this regard, the Latin American and Caribbean region shows a 'persistent' number of informal dwellers,

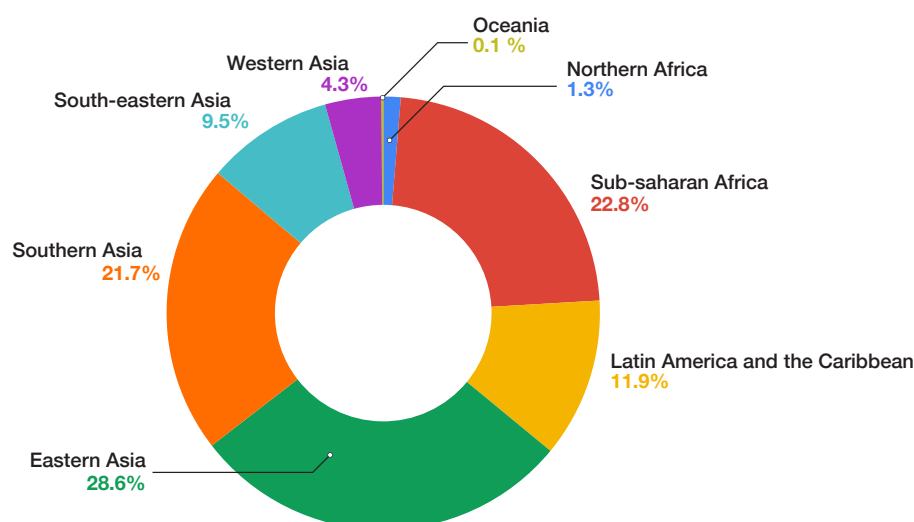
despite the percent reduction in informal dwellers from 33.7 in 1990 to 21.1 percent in 2014 (see Table 1). This 'persistent' indication of informality is difficult to explain as the net rural-to-urban migration has considerably reduced over the last decades in the region (Dufour & Piperata, 2004).

Region	1990	1995	2000	2005	2010	2014
Northern Africa	22,045	20,993	16,892	12,534	14,058	11,418
Sub-Saharan Africa	93,203	110,559	128,435	152,223	183,199	200,677
Latin America and the Caribbean	106,054	112,470	116,941	112,149	112,742	104,847
Eastern Asia	204,539	224,312	238,366	249,884	249,591	251,593
Southern Asia	180,960	189,931	193,893	195,828	195,749	190,876
South-eastern Asia	69,567	75,559	79,727	80,254	84,063	83,528
Western Asia	12,294	14,508	16,957	26,636	31,974	37,550
Oceania*	382	427	468	515	563	591
<b>All developing regions (total)</b>	<b>689,044</b>	<b>748,758</b>	<b>791,679</b>	<b>830,022</b>	<b>871,939</b>	<b>881,080</b>

**Table 1. Urban population living in slums per region and year (thousands)**

\* Trends data are not available for Oceania. A constant figure does not mean there is no change.

Source: Author, 2018, based on UN-Habitat (2016) Statistical Annex and UNDESA Population Division - World Urbanization Prospects: The 2014 Revision.



**Figure 1. Distribution of slum population in developing regions in 2014**

Source: Author, 2018, based on UN-Habitat (2016) Statistical Annex.

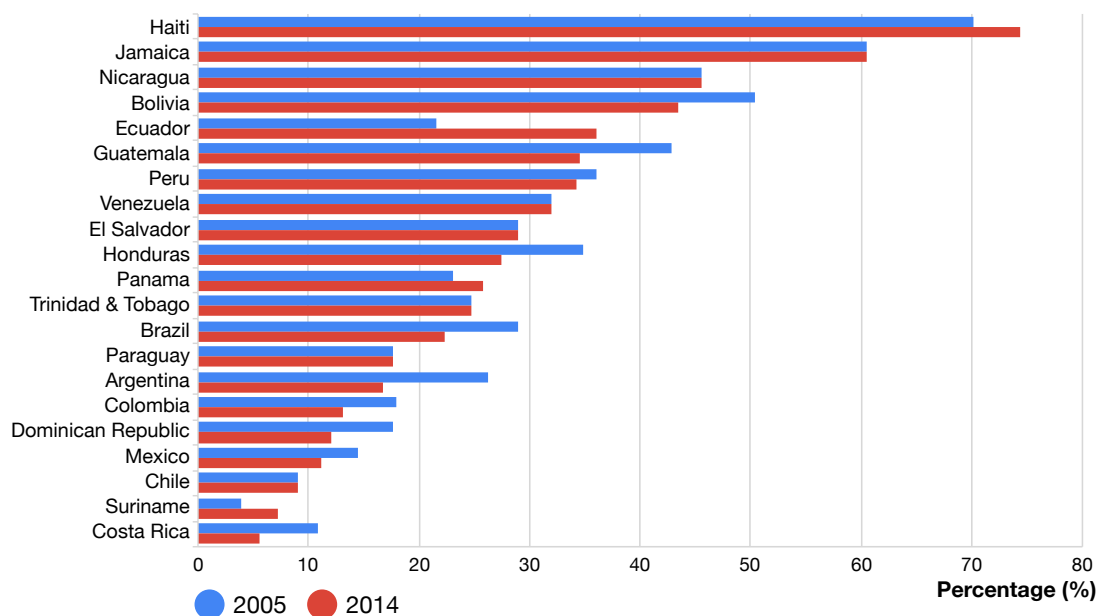
One explanation could be based in the challenge of organizing adequate housing on large-scale public schemes to build low-cost, affordable housing, or in the belief that the private market would be sufficient to address such challenge. These dimensions could be part of a deeper analysis in the future. To have a closer look at LAC countries data from the WCR 2016, Table 2 and Figure 2 show a breakdown of the distribution of urban population per country, living in slums between 1990 and 2014.

Although in absolute numbers the countries that concentrate the largest urban population living in slums are Brazil (38.8 million), Mexico (10.8), Venezuela (8.7), and Peru (8.2), the greatest relative proportions are found in other countries such as Haiti, Jamaica, Nicaragua and Bolivia.

	Proportion of urban population living in slums (%)						Urban Slum Population at Mid-Year by Country (thousands)					
	1990	1995	2000	2005	2010	2014	1990	1995	2000	2005	2010	2014
Argentina	30.5	31.7	32.9	26.2	20.8	16.7	8,622	9,772	10,953	9,274	7,737	6,395
Belize	...	...	...	...	...	10.8	...	...	...	...	...	16
Bolivia	62.2	58.2	54.3	50.4	47.3	43.5	2,305	2,590	2,794	2,972	3,080	3,214
Brazil	36.7	34.1	31.5	29.0	26.9	22.3	40,527	42,789	44,604	45,428	44,947	38,491
Chile	...	...	...	9.0	...	9.0	...	...	...	1,285	...	1,429
Colombia	31.2	26.8	22.3	17.9	14.3	13.1	7,077	6,884	6,404	5,670	4,899	4,882
Costa Rica	...	...	...	10.9	...	5.5	...	...	...	291	...	206
Dominican Republic	27.9	24.4	21.0	17.6	14.8	12.1	1,135	1,143	1,145	1,100	1,024	994
Ecuador	...	...	...	21.5	...	36.0	...	...	...	1,786	...	3,655
El Salvador	...	...	...	28.9	...	28.9	...	...	...	1,079	...	1,222
Guatemala	58.6	53.3	48.1	42.9	38.7	34.5	2,146	2,301	2,438	2,572	2,660	2,797
Haiti	93.4	93.4	93.4	70.1	70.1	74.4	1,893	2,393	2,876	2,908	3,557	4,471
Honduras	...	...	...	34.9	...	27.5	...	...	...	1,170	...	1,230
Jamaica	...	...	...	60.5	...	60.5	...	...	...	840	...	924
Mexico	23.1	21.5	19.9	14.4	...	11.1	13,760	14,457	14,800	11,574	...	10,852
Nicaragua	89.1	74.5	60.0	45.5	...	45.5	1,929	1,860	1,676	1,388	...	1,641
Panama	...	...	...	23.0	...	25.8	...	...	...	526	...	672
Paraguay	...	...	...	17.6	...	17.6	...	...	...	608	...	723
Peru	66.4	56.3	46.2	36.1	...	34.2	9,964	9,566	8,776	7,540	...	8,238
Suriname	...	...	...	3.9	...	7.3	...	...	...	13	...	26
Trinidad and Tobago	...	...	...	24.7	...	24.7	...	...	...	40	...	28
Venezuela	...	...	...	32.0	...	32.0	...	...	...	7,861	...	8,780

**Table 2. Urban slum population in Latin America and the Caribbean 1990-2014**

Source: Author, 2018, based on UN-Habitat (2016) Statistical Annex.



**Figure 2. Urban slum population in Latin America and the Caribbean 2005 and 2014**

Source: Author, 2018, based on UN-Habitat (2016) Statistical Annex.

It is worth noting that, in general, LAC countries have reduced their proportion of informal settlements in relation to the rest of urban populations, with some exceptions, for example Ecuador –from 21.5 to 36 percent in 2014– and Panama –from 23 to 25.8 the same year– (Sandoval & Sarmiento, 2018). In terms of cities in the LAC region, the WCR 2016 does not provide an exact rate that estimates the proportion of urban slum populations for each country. However, the report includes figures on household access to basic urban services which it is a key characteristic of informal settlements (Koonings & Kruijt, 2009).

Table 3 and Figure 3 show that urban agglomerations in the LAC region have sufficient supplies of electricity and piped water, while sewage service decreases in low-income countries such as Haiti, Bolivia, and Nicaragua. A similar observation can be made when contrasting low- and high-income countries. Figure 4 shows that in terms of percentage of urban population living in slums and Gross Domestic Product (GDP) per capita (at purchasing power parity or PPP), high-income countries tend to have a lower proportion of urban slum dwellers than their low-income counterparts. This also illustrates the negative relationship between urban slum populations (in %) and economic development in other part of the world (Marx, 2013). GDP per capita (PPP) is utilized as an economic development indicator.

In the scatter plot in Figure 4, there are some exceptions such as Panama (PAN) and Trinidad and Tobago (TTO), where although they could be considered high-income countries they compose over 25 percent of urban slum populations. This could be caused by several factors such as their level of urbanization (Panama 66.5 percent and Trinidad and Tobago 8.4) which is significantly lower than the regional mean of 78 percent (The World Bank, 2018b). We recommend further research to analyze each country separately, perhaps through the latest national reports, to have a closer look at the relation between economic development and informal settlements alongside dimensions such as market access to home-ownership, rental opportunities, and poverty, among others.

Country	City	Year	Percentage (%) of total urban household				
			Piped water*	Sewerage	Fixed telephone	Mobile telephone	Electricity (%)
Bolivia	La Paz	2008	95.0	76.3	29.7	77.0	98.3
Bolivia	Sucre	2008	88.6	76.6	31.5	66.5	97.2
Bolivia	Cochabamba	2008	83.0	66.7	42.6	74.0	98.2
Bolivia	Oruro	2008	92.4	66.1	43.1	70.6	96.4
Bolivia	Potosi	2008	95.1	81.0	23.7	74.9	97.8
Bolivia	Tarija	2008	94.5	75.1	31.7	81.8	94.9
Bolivia	Santa Cruz	2008	98.1	25.5	25.8	84.5	97.7
Bolivia	Trinidad	2008	60.7	21.0	14.9	65.8	91.5
Bolivia	Cobija	2008	85.2	32.8	23.4	85.0	96.2
Brazil	Capital, large city	1991	89.2	92.7	...	...	98.1
Brazil	Other cities/towns	1991	73.0	73.8	...	...	93.4
Brazil	Sao Paulo	1996	93.8	87.6	...	...	99.6
Brazil	Rio de Janeiro	1996	88.5	79.4	...	...	99.6
Brazil	Belo Horizonte	1996	84.4	87.6	...	...	100.0
Brazil	Fortaleza	1996	76.8	35.9	...	...	97.2
Brazil	Curitiba	1996	84.2	78.7	...	...	100.0
Brazil	Brasilia	1996	89.8	71.2	...	...	99.6
Brazil	Goiana	1996	93.4	75.7	...	...	98.3
Brazil	Victoria	1996	90.4	87.5	...	...	99.2
Brazil	Other cities/towns	1996	79.4	42.2	...	...	98.7
Colombia	Bogota	2010	98.3	99.4	73.4	...	99.6
Colombia	Medellin	2010	95.7	94.4	77.8	...	99.7
Colombia	Barranquilla	2010	94.5	81.7	36.1	...	99.6
Colombia	Cartagena	2010	81.8	69.1	25.6	...	99.2
Colombia	Cali	2010	95.9	96.2	51.7	...	99.3
Colombia	Arauca	2010	96.2	88.9	30.0	...	99.1
Colombia	Yopali	2010	81.5	97.7	11.6	...	99.0
Dominican Republic	Santo Domingo	2013	2.4**	88.2	...	...	99.9
Guatemala	Guatemala city	1995	58.0	71.7	34.1	...	90.8
Haiti	Port-Au-Prince	2012	28.5	26.9	3.7	92.7	86.1
Haiti	Other cities/towns	2012	25.7	7.8	2.8	89.0	54.6
Honduras	Tegucigalpa	2005	32.7	71.1	54.9	53.0	...
Honduras	La ceiba	2011	32.4	37.6	28.5	92.5	...
Honduras	Trujillo	2011	24.5	19.2	22.6	91.3	...
Honduras	Comayagua	2011	27.3	55.4	32.6	91.0	...
Nicaragua	Managua	2001	97.1	51.9	29.1	21.9	99.6
Nicaragua	Jinotega	2001	62.4	28.4	10.1	1.8	90.8
Peru	Lima	2012	84.1	89.5	54.5	92.3	99.3

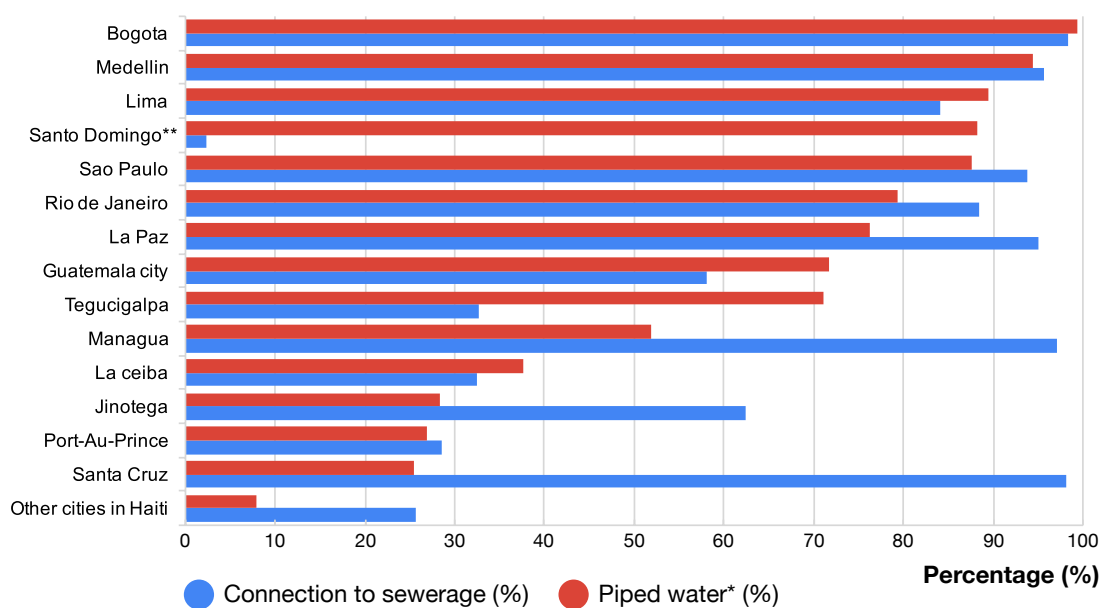
**Table 3. Households access to specific services in selected LAC cities**

\* Piped water into dwelling, yard or neighbors tap.

\*\* This figure is remarkably low in comparison to other countries and 'strange' for the economic development of Dominican Republic. It requires another review.

Source: Author, 2018, based on UN-Habitat, Global Urban Indicators Database (2017)



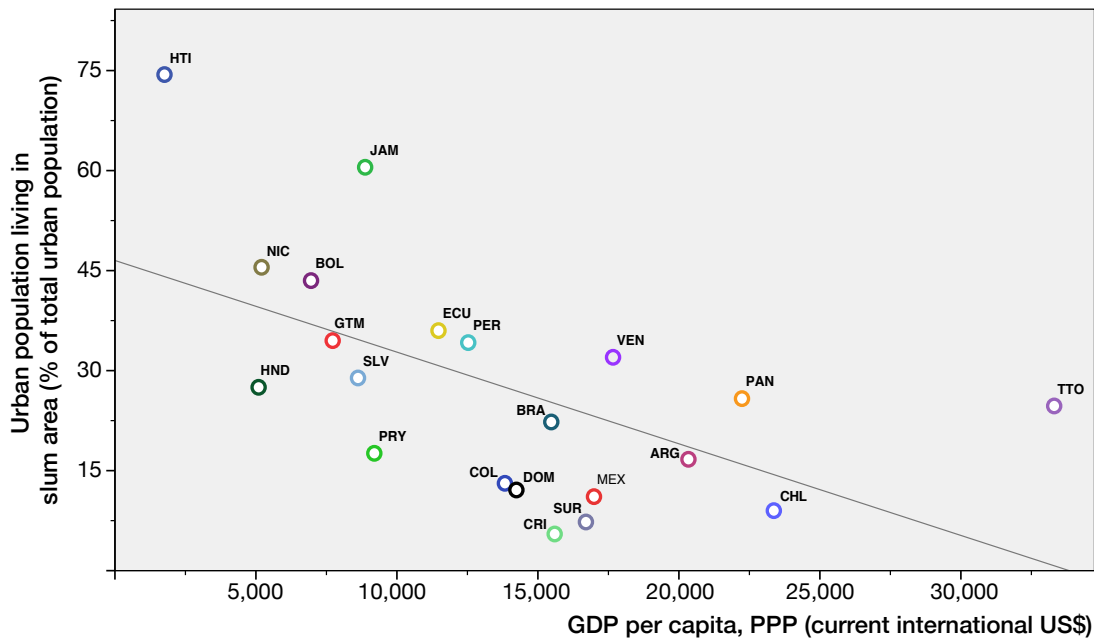


**Figure 3. Household access to services in selected LAC cities: piped water and sewerage (latest year available)**

\* Piped water into dwelling, yard or neighbors tap.

\*\* This figure for piped water is remarkably low in comparison to other countries and strange for the economic development of Dominican Republic. It requires another review.

Source: Author, 2018, based on UN-Habitat, Global Urban Indicators Database (2017)



**Figure 4. Urban slum population and GDP per capita (PPP)**

Country names have been abbreviated according to the ISO 3166-1 alpha-3. Axes use unweighted sample means. A linear trend line is depicted. Percentage of urban population living in slums corresponds to 2014, and GDP per capita (PPP) to 2015.

Source: Author, 2018, based on UN-Habitat (2016) Statistical Annex, and The World Bank (2018a).

## **INFORMAL ECONOMY**

Schneider et al. (2010) estimate that the informal economy represents 10 to 20 percent of global output in developed countries and more than a third of global output of developing countries. The figures reported by the ILO (ILO 2002a) and Benjamin et al. (2014) are of the same magnitude: 48 percent of non-agricultural employment in North Africa, 51 in Latin America, 65 in Asia, and 72 in Sub-Saharan Africa. Steel and Snodgrass (2008) report that the informal economy in Africa accounts for 50 to 80 percent of GDP and as much as 90 of new jobs (Benjamin et al., 2014). On the other hand, according to the IMF (2017), the Latin American and Caribbean region's unweighted average share of informal economy is 40 percent of the regional GDP, compared with Asia's 34 percent and Europe's 23 percent, while within the OECD countries, the share of the informal economy reaches 17 percent of total GDP. In Latin America, Gaspirini and Tornarolli (2007) identified the informal labor workforce as mostly unskilled and operating in low productivity jobs, in marginal, small scale, and often family-based activities.

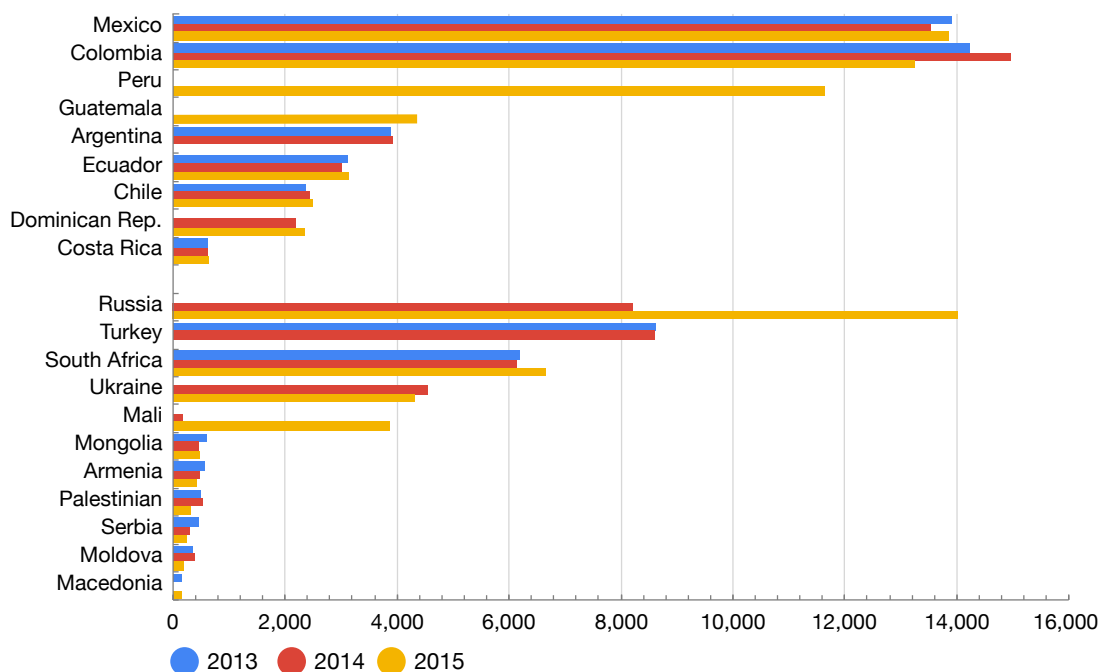
The international organization that has most systematically studied the informal sector is the International Labor Organization (ILO). ILO measures informal employment and the informal economy through national quantitative household surveys around the globe since the 1980s. For the ILO, informal employment refers primarily to employment in enterprises that lack registration and social security coverage for their employees (ILO 2002b). It also refers to self-employment and precarious employment in formal enterprises. A distinctive feature of this type of employment is lack of social coverage such as pension and other related benefits applicable to formal employment. The overall characteristic of informal economy and employment is that it is highly precarious and therefore vulnerable (Benjamin et al., 2014).

In principle, the informal sector should be included in reported national statistics (OECD 2009). However, due to lack of source data, it is often excluded or measured differently by each country. For that, it is reasonable to rely the on the analysis by international organizations such as ILO or the World Bank, as these tend to rationalize the different measures to make the data comparable. Despite the effort, most of the data on the informal economy lack a comprehensive cross-country and longitudinal collection. For instance, Table 4 shows common variables used by the ILO to estimate the informal economy: the number of workers in the informal economy. Table 4 and the Figure 5 show an interesting picture, as five of the top ten observed countries in 2015 –in terms of workers in the informal economy– are from Latin America. Nevertheless, many countries are not represented when they are considered within a recent timespan (2013–2015).

LAC countries	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Argentina	3,782		3,727	3,776		3,741	3,788	3,900	3,921		
Chile					2,344	2,412	2,314	2,360	2,439	2,490	2,585
Colombia						13,705	14,142	14,232	14,955	13,254	
Costa Rica						458	540	622	624	643	601
Dominican Rep.									2,189	2,342	
Ecuador					3,034	3,086	3,090	3,116	2,998	3,132	3,442
Mexico	11,778	12,009	12,282	12,825	12,895	13,461	13,970	13,921	13,546	13,856	13,991
Peru						11,485	11,548			11,645	
<b>Other countries</b>											
Armenia							573	563	468	421	
Macedonia						161	146	153		141	
Mali									166	3,877	
Moldova						361	341	363	385	187	
Mongolia			237	168	384	502	589	593	458	477	
Palestinian						463	481	498	518	310	
Russia									8,219	14,029	
Serbia						424	389	448	289	233	217
South Africa			6,322	6,094	6,075	5,949	5,979	6,187	6,140	6,665	
Turkey						8,905	8,768	8,625	8,607	9	
Ukraine									4,541	4,303	

**Table 4. No. of workers in the informal economy per country (thousands)**

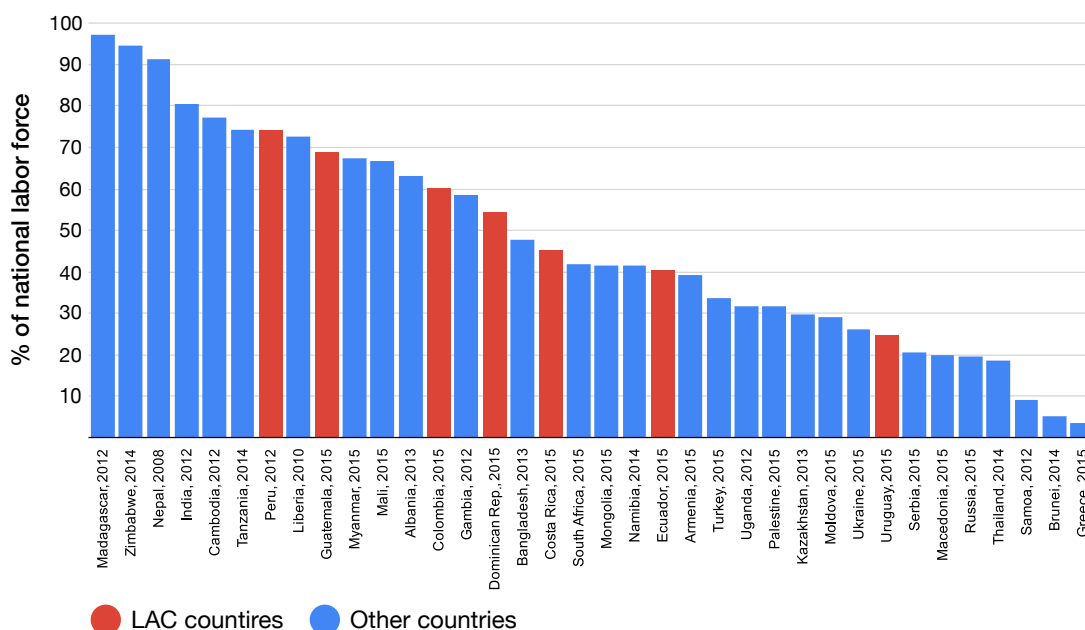
Source: Author, 2018, based on ILO (2017)



**Figure 5. No. of workers in the informal economy per country 2013-2015 (thousands)**

Source: Author, 2018, based on ILO (2017)

Figure 5 shows the number of workers in the informal economy in different countries (including some LAC countries) in both rural and urban areas. This included all data available at country level for the period 2013-2015 in the ILO (2017) databases. In absolute numbers, Colombia and Mexico stand out in the region. In 2015, Colombia counted 13.2 million informal workers, representing 55.37 percent of its national labor force<sup>1</sup>, while Mexico had 13.8 million, representing 26.19 percent of its national labor force. However, the informal economy not only refers to informal employment, it also considers informal enterprises and other forms of economic activities. For a more general view about the informal economy in the region, Figure 6 and Table 5 show the 'informal economy rate' elaborated by the ILO (2017)<sup>2</sup>.



**Figure 6. Informal economy per country (in % of national labor force)**

Source: Author, 2018, based on ILO (2017)

Figure 6 and Table 5 show that the number of informal workers within selected Latin American countries is around 50 percent (excepting Uruguay with 24.7) of their national labor force. Although a direct indicator is not found to inform the participation of the informal urban sector within the national economy, it is possible to approach it by considering the 'informal non-agricultural employment' as a phenomenon that is predominantly urban (Araujo, 2004; Mylott, 2009).

<sup>1</sup> The employed people comprise all persons of working age who, during a specified brief period, were in one of the following categories: a) paid employment (whether at work or with a job but not at work); or b) self-employment (whether at work or with an enterprise but not at work) (ILO, 2017).

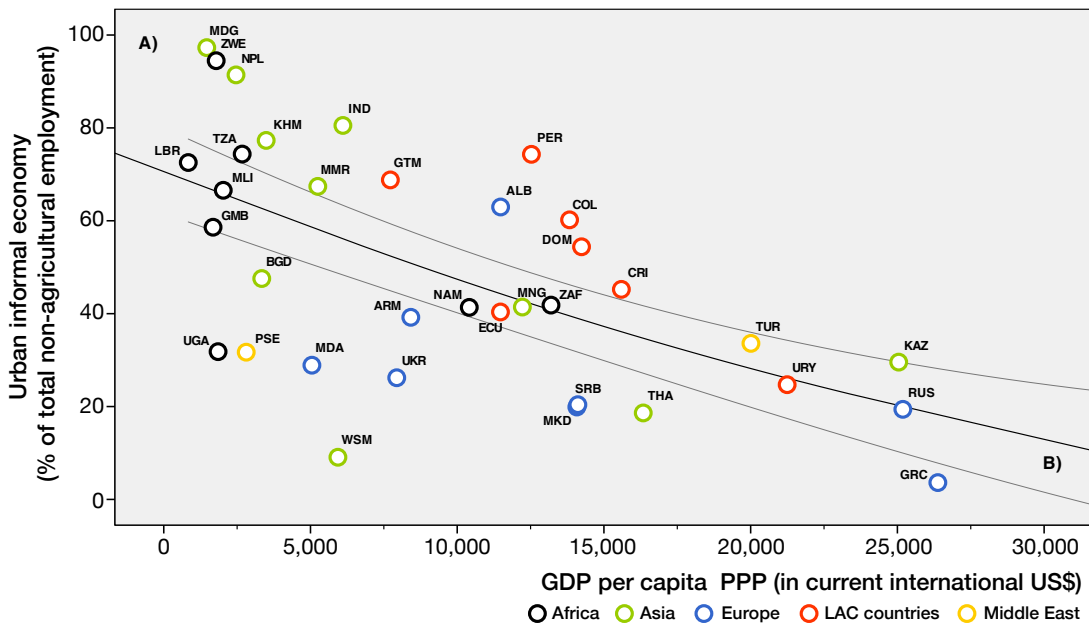
<sup>2</sup> The method of computation for the Informal Economy Rate is available at: [http://www.ilo.org/ilostat-files/Documents/description\\_IFL\\_EN.pdf](http://www.ilo.org/ilostat-files/Documents/description_IFL_EN.pdf)

LAC countries, year	Region	Informal economy rate (%)		
		Total	Agriculture	Non-agriculture
Colombia, 2015	LAC	60.2	84.5	55.5
Costa Rica, 2015	LAC	45.2	59.8	43.2
Dominican Republic, 2015	LAC	54.4	85.8	49.5
Ecuador, 2015	LAC	40.4	68.3	31.1
Guatemala, 2015	LAC	68.8	29.1	39.7
Peru, 2012	LAC	74.3	94.7	67.1
Uruguay, 2015	LAC	24.7	28.8	24.3
<b>Other countries, year</b>				
Albania, 2013	Europe	63.0	87.7	43.0
Armenia, 2015	Europe	39.2	67.0	24.0
Bangladesh, 2013	Asia	47.6	44.9	49.8
Brunei, 2014	Asia	5.0	9.7	5.0
Cambodia, 2012	Asia	77.3	98.0	67.0
Gambia, 2012	Africa	58.6	53.4	60.8
Greece, 2015	Europe	3.6	5.8	3.3
India, 2012	Asia	80.5	99.7	63.6
Kazakhstan, 2013	Asia	29.6		
Liberia, 2010	Africa	72.5	91.8	55.5
Macedonia, 2015	Europe	19.9		
Madagascar, 2012	Asia	97.3	99.9	89.3
Mali, 2015	Africa	66.6	64.2	70.5
Moldova, 2015	Europe	28.9	72.0	8.9
Mongolia, 2015	Asia	41.4	95.8	19.8
Myanmar, 2015	Asia	67.4	72.7	61.8
Namibia, 2014	Africa	41.4	71.3	29.0
Nepal, 2008	Asia	91.4	99.1	72.4
Palestine, 2015	Middle East	31.7	83.2	26.9
Russia, 2015	Asia	19.4	54.4	16.9
Samoa, 2012	Asia	9.1	11.4	8.9
Serbia, 2015	Europe	20.4	58.7	11.1
South Africa, 2015	Africa	41.8	77.7	39.7
Tanzania, 2014	Africa	74.4	83.2	55.6
Thailand, 2014	Asia	18.6	36.5	8.9
Turkey, 2015	Middle East	33.6	81.2	21.2
Uganda, 2012	Africa	31.8	17.9	58.9
Ukraine, 2015	Europe	26.2	38.6	61.4
Zimbabwe, 2014	Africa	94.5		

**Table 5. Informal economy rates per countries**

*Source: Author, 2018, based on ILO (2017)*

By displaying urban informal economy (i.e., percentage of total informal non-agricultural employment) and GDP per capita (PPP) in a scatter plot, Figure 7 shows the often-highlighted negative relationship between the informal sector and GDP (Duarte, 2017) that situates at the extremes: A) relatively low-income countries with high urban informal employment, and B) relatively high-income countries with low urban informal employment. As in Figure 4, the GDP per capita (PPP) is utilized here as an economic development indicator. Selected LAC countries have about 50 percent urban informal economy rates. Most of these are considered to be between low and upper middle-income countries, with relatively high urban informal employment in nations such as Peru and Guatemala. Therefore, it is possible to consider that the informal sector in urban agglomerations in LAC countries is relatively important within urban economies, and perhaps within national economies if we consider the urbanization rates in the region within the selected countries (see Table 6 and Figure 8).



**Figure 7. Urban informal economy and national GDP per capita (PPP) in current international US\$ (2012-2015)**

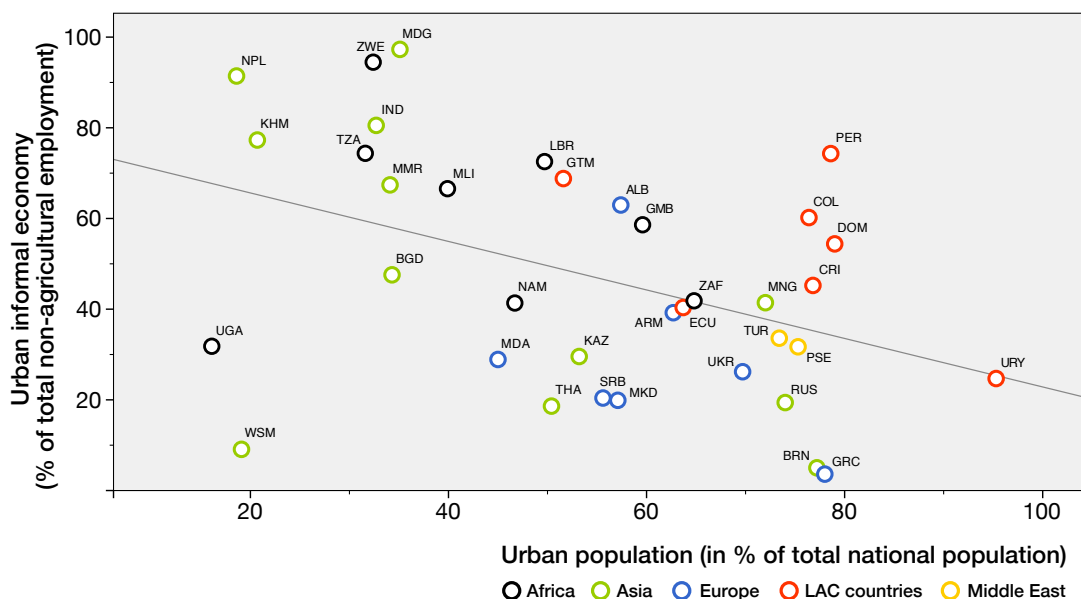
Country names have been abbreviated according to the ISO 3166-1 alpha-3. Axes use unweighted sample means. A quadratic trend line is depicted, while urban informal economy rates and GDP correspond to the last year available, from 2012 to 2015.

Source: Author, 2018, based on ILO (2017) and the World Bank (2018a).

<b>LAC countries</b>	<b>Region</b>	<b>GDP per capita (PPP) US\$</b>	<b>Urban population (% of total)</b>
Colombia	LAC	13,829	76.4
Costa Rica	LAC	15,595	76.8
Dominican Republic	LAC	14,237	79.0
Ecuador	LAC	11,474	63.7
Guatemala	LAC	7,722	51.6
Peru	LAC	12,529	78.6
Uruguay	LAC	21,244	95.3
<b>Other countries</b>			
Albania	Europe	11,479	57.4
Armenia	Europe	8,419	62.7
Bangladesh	Asia	3,340	34.3
Brunei	Asia	78,369	77.2
Cambodia	Asia	3,490	20.7
Gambia	Africa	1,680	59.6
Greece	Europe	26,379	78.0
India	Asia	6,105	32.7
Kazakhstan	Asia	25,045	53.2
Liberia	Africa	835	49.7
Macedonia	Europe	14,077	57.1
Madagascar	Asia	1,465	35.1
Mali	Africa	2,028	39.9
Moldova	Europe	5,049	45.0
Mongolia	Asia	12,221	72.0
Myanmar	Asia	5,250	34.1
Namibia	Africa	10,411	46.7
Nepal	Asia	2,462	18.6
Palestine	Middle East	2,811	75.3
Russia	Asia	25,186	74.0
Samoa	Asia	5,935	19.1
Serbia	Europe	14,112	55.6
South Africa	Africa	13,196	64.8
Tanzania	Africa	2,673	31.6
Thailand	Asia	16,340	50.4
Turkey	Middle East	20,009	73.4
Uganda	Africa	1,851	16.1
Ukraine	Europe	7,940	69.7
Zimbabwe	Africa	1,787	32.4

**Table 6. GDP per capita (PPP) and urban population (in % of the national population)**

Source: Author, 2018, based on The World Bank (2018a, 2018b)



**Figure 8. Urban informal economy and urban population**

Country names have been abbreviated according to the ISO 3166-1 alpha-3. The axes use unweighted sample means. A linear trend line is depicted. Urban informal economy rates and urban population correspond to the last year available, from 2012 to 2015.

Source: Author, 2018, based on ILO (2017) and The World Bank (2018b)

Figure 8 shows a similar trend observed in Figure 7: a negative relationship between the percentage of non-agricultural employment (i.e., urban informal economy) and the percentage of urban population per country. This means that the highest urbanization is found where lower percentages of informal economy are observed. There are, however, some exceptions: Peru, Colombia, and Dominican Republic. These countries tend to have relatively high urban informal economy rates but also high urbanization. In Peru, high urbanization –about 78.6 percent– coexists with urban informal settlements –63.5 percent–, in the metropolitan to small-sized cities (MVCS, 2016). Nevertheless, it is not yet possible to establish a direct relation between urban informal economy and informal settlements since the precarious conditions of employment –which characterize informal economy according to ILO (2002a)– are independent of the location of workers (Benjamin et al., 2014). This situation makes the LAC region special in relation to other regions, and perhaps this would require closer attention to be better understood. In order to delve deeper into how informalities shape settlement, further exploratory research should consider urban informality *vis-à-vis* the formation of informal settlements.

## CONCLUSIONS

The general figures from the ILO and The World Bank presented in this working paper offer an overview of the present (urban) informal economy at the global and national levels. Although these figures enable a non-exhaustive yet approximate view, an accurate characterization of the informal sector would require a more comprehensive look at the multiplicity of actors and elements that shape the informal economy. For instance, restricting the sector to the “illegal sale of goods and services” (ILO and WIEGO, 2013, p. 12) neglects other type of economic transactions that fall outside what we would define as ‘illegal’ such as barter and other forms of exchanges. Brown et al. (2014) suggest that by limiting the informal economy to



income generating activities, the informal and unpaid household care economy is excluded. These static definitions of informality as just 'illegal' contradict what Roy and AJSayyad (2004) observed as a formal-informal *continuum*, in which informality is inherently related to formal activities. From a gender perspective, there may be good reason to recognize the household care economy as part of a value-producing informal economy, even when it does not generate income through the market. Indeed, the public sector does not generate its income through the sale of goods and services but is nevertheless considered to be part of the economy. From the perspective of achieving a more inclusive, green and climate resilient economy, it could also be misleading to exclude those informal activities from the informal economy that are intentionally contributing to local resilience, environmental improvement and inclusion yet not generating income through the market. On the other hand, it is important to recognize that those operating in the informal economy often face legal issues and are sometimes treated as criminals, whether or not they actually are. The lack of any clear boundary between the informal and illegal economies can serve to hide serious illegal activities or to persecute productive informal activities.

This working paper seeks to gather the most updated data on the state of the informal sector and informal settlements at the global level and the LAC region in specific. It presents that the informal economy in the region is significant, representing about 50 percent of total workers in many countries (Figures 1 and 2).

The global scenario shows that higher GDP per capita (PPP), an economic development indicator, tends to be associated with countries with lower percentage of urban slum population and urban informal employment (see Figure 4 and 7). LAC countries, in this regard, find themselves in the middle path between low-income and high-income countries.

On the other hand, the LAC region is one of the most urbanized in the world. However, it has a high rate of urban informal economy and has a 'persistent' urban population living in informal settlements. In 1990 the LAC region had 106,054 slum dwellers, and 24 years later, in 2014, the count was 104,847. Slum dwellers in the region generally live in extremely precarious conditions, not only of employment but also in unsafe housing conditions, exposed to natural and human-made hazards, and with limited access to urban services and income opportunities (Davis, 2006; Sarmiento et al., 2018).

The National Reports generated during the Habitat III process could provide a closer view of the current situation of informal settlements at the regional level. The Habitat III National Reports were the first step towards an evidence-based outcome on the monitoring of urban development, as well as identifying emerging issues for the elaboration of the New Urban Agenda.

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