

If “the economy” is collapsing, how do people survive?

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An informal market place near Ellis Bridge on the bank of river Sabarmati. This bazaar takes place every Sunday. Photo by [Pranav Gandhi](#)

The COVID-19 pandemic has highlighted the informal ways

in which people often self-organize to meet their basic needs in the wake of a disaster. Take, for example, the predicament of the healthcare worker, who must go to work while the pandemic shut down childcare and other support services that enabled essential workers to go to their jobs. In an effort to ease the burden on some of these workers, University of Minnesota medical students Sara Lederman, Sruthi Shankar, Londyn Robinson and Brianna Engelson formed a volunteer organization called [MN COVIDsitters](#) that matches medical students with healthcare workers in need of child care, pet-sitting, and assistance with daily errands. [Sister programs](#) quickly sprouted up across the nation, and now there are at least 30 programs in the U.S., with others in Canada, the U.K. and Sudan. Grassroots projects like this are known as mutual aid, and are representative of a wide variety of informal economic activities that people initiate when faced with limited options. As climate and other uncertainties increase, societies' resilience might depend on the diversity of economic activities — from formal to informal — that often complement each other and emerge in response to uncertain conditions.

This current period of crisis — including not only the global pandemic and economic disruption, but also uprisings for social justice — has brought many formal markets to the verge of collapse, yet it also provides opportunities to create change.

One avenue for change is rethinking the economy. Models that dominate the media and many economics classrooms posit a uniform and impersonal view of the economy that is disengaged from the society within which it is embedded. These models often highlight the more formal aspects of the economy, such as the legally regulated and taxed. However, economies are complex and pluralistic, intertwining informal and formal elements, sometimes in ways that make it difficult to separate the two.

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Once a church, now a market. In Soweto township, just outside Johannesburg, South Africa. Photo by [Travis Lupick](#)

What some scholars call the “informal economy” includes largely unregulated economic activities, unprotected employment relationships, and exchange systems built less on money than on building social relationships. Those who work in the informal sector might be self-employed, or small business owners, or they may not get paid for their work. In some cases, the informal sector includes illegal and exploitative activity, whereas in others it includes mutual assistance for neighbors in need. There has been a widespread presumption that the informal sector consists of unregistered and unregulated enterprises whose owners choose to avoid registration and, hence, taxation. While this is true in some cases, it is far from the whole story, which is often quite varied and complex. In some cases, informal activities do not generate enough income to fall into existing tax brackets. In other cases, informal enterprises may operate outside the regulatory processes that are too cumbersome, punitive or simply non-existent. It is also often the case that operators in the informal economy, such as street vendors, pay a mix of legal and illegal fees, but are denied the security that is generally associated with formal recognition. Informal networks operate in all economies of the world, often comprising [well over half of all economic activity not captured by formal measures](#).

Though frequently marginalized and often unseen or intentionally obscured by dominant economic institutions, the informal economy is an integral part of the overall economy. Often spurred on by the inadequacies of formal systems, such as structural inequities and bureaucratic barriers, informal economic activities are vital to societal resilience. People often generate the informal economy out of necessity, whether to access clean water, create a daycare center in their home or feed their families. Many people use the informal economy under conditions of uncertainty because of its flexibility.





Moroccan women selling their wares at Tangier's informal market. Photo by Benson Kua


One of the primary responsibilities of the state is to secure formal property and employment relations, yet a significant share of people dependent on the informal economy lack the protections and assurances that come from such state recognition. This means the lives of many members of the society, and in some nations the majority of workers, are marginalized and extremely vulnerable on a day-to-day basis. When that vulnerability is exploited, the social costs can be dire, creating not just employment crises, but food and energy shortages, social dislocation and, at the extreme, political upheaval. When the state violates citizens' dignity, the tensions can galvanize a movement. In Tunisia, for example, demonstrations erupted after the violent and

public death of the Tunisian fruit vendor [Mohamed Bouazizi](#) in 2011, following harassment over his produce cart by police officials. The failures of the state to provide for the safety of citizens and subsidized food products became the impetus for the Arab Spring (also aptly described as the "Spring of Dignity"), which quickly spread after the uprising in Tunisia.

The social safety measures introduced during the Covid-19 pandemic are in some cases uniquely designed to serve one group of workers over the other. For example, in Morocco, informal workers are able to apply for social insurance after societal calls to include everyone in the social welfare program. These [informal workers](#) receive approximately half of the allowance that [employees](#) in the formal economy receive. These programs reexamine the role of the government vis-a-vis the informal worker. While some governments have been praised for programs that include informal workers, it is important to note that such initiatives have been introduced at the backdrop of former instabilities.

Mainstream politicians, policymakers and media outlets essentially label informal economic activities as undesirable, emphasizing its illicit dimension (which of course exists, including trafficking in women, children, drugs and weapons), while mostly ignoring that the formal economy has provided spaces for the rich to amass wealth disproportionately through the use of tax loopholes, tax

havens and offshore bank accounts. The [International Labor Organization \(ILO\)](#), a specialized agency of the United Nations, has long recommended a transition of people working in the informal economy to the formal economy under the premise that “the large size of the informal economy is a major obstacle to poverty reduction, the achievement of decent work for all and sustainable development.” The [ILO’s assessment](#) features the persistent misunderstanding of the informal economy and explains the inclusion in the [UN 2030 Agenda for Sustainable Development](#) of [Target 8.3](#), which focuses on encouraging formalization. Formalization may offer some advantages, like greater security of jobs or property, but this does not mean that one can eliminate informal economies, not least because they frequently demonstrate moral ties and meet many human needs that formal economies do not.



BLM protesters have turned the Lownsdale Square, a park adjacent to the federal courthouse in downtown Portland, into their hub amid the ongoing demonstration, also providing goods and services. Photo by [Tada Images](#)

The deep interdependence between formal and informal economic activities is visible in the current economic crisis, where scores of people find ways to survive through informal social networks often using, for example, mobile payment services and social media which could be labelled under the formal economy. [Cameron Whitten](#) saw basic needs going unmet among people in the Black community of Portland, Oregon, and wanted to help. He began accepting donations through his personal Venmo account and raised \$11,000 in one day. A few weeks later, it turned into the [Black Resilience Fund](#), which provides meals, groceries and money to pay

bills to Black Portlanders who lost income because of COVID-19. [Liam Elkind](#), a student at Yale, started a free grocery delivery service for the elderly and immunocompromised after seeing the need for such a service in his New York neighborhood. Social networking sites and neighborhood lamp posts are replete with notices of people offering to help others, whether it is making cloth masks, running errands or providing information about local closures or testing availability. These actions, not captured by GDP or our conventional understanding of the economic system, testify to the importance of informal economic behavior particularly during a calamity.

Even if the formal economy may promote equal opportunity through market mechanisms, it is embedded in a variety of informal rules and networks that benefit some and hurt others. The drive to deregulate capitalism over the past four decades has led to a decrease in stable employment situations. As a result, the capitalist economies of the Global North have seen an increase in precarious labor (i.e., marginally compensated, insecure, vulnerable work) such as the gig economy, much of which is organized informally. At the same time, economies of the Global South have developed new businesses outside of the structures of the formal economy. Lengthy and cumbersome regulations can also escalate informal activities, underscoring the extent to which the informal and formal are interwoven.



Balinese terrace rice fields. Photo by [Kajohnwit Boonsom](#)

By examining the persistence of the informal sector we can better understand how it is crucial to resilience in even the most complex and formalized economy, potentially opening the door to new conversations, policies and relationships in the future. The social relationships that drive economic decisions in family-based businesses, for example, cannot be homogenized in conventional market terms, even if they operate in the marketplace and often involve wage labor. Local infrastructural investments connected to alternative livelihoods and institutions, moreover, have often proved to be more robust than the roller coaster of historical shifts in formal economies and, often, even environmental changes. Many green technologies connected to traditional patterns

of ecological knowledge and practice, for instance, have outlived dramatic changes in the formal economy (e.g., the Subak, [Balinese rice irrigation systems](#), or the [chinampas](#) of central Mexico).

We argue for seeing and valuing labor that doesn't fit the dominant constructs and recognizing complementarity with aspects of the formal systems. Informal economic behaviors have often been perceived to be a patent threat to the political institutions that favor formalization — some perceive formalization as modern. They are thus pursued through policies of standardization, control and exploitation. Support in practice for informal economic activities is possible, without it being subsumed by the formal system. Examples of this include cities providing public space to enable informal interactions, such as farmers' markets, swap meets, or even enabling digital commons, and providing flexibility in regulations.

A growing number of innovative economists and other scholars, including [L. Hunter Lovins](#), [Thomas Piketty](#), [Joseph Stiglitz](#), [J.K. Gibson-Graham](#), the collective known as [Economics for Inclusive Prosperity](#) and [Keith Hart](#) et al., are challenging us to reevaluate our profit- and growth-driven economy on the basis of an ethics of inclusion and sustainability. We need an understanding of economic activity that reflects its complexity and is centered on the

long-term well-being of humans and the rest of the planet. Further, it should include the wide array of de facto economic activities, from informal domestic labor, care services, family and solidarity networks, food production and distribution, street vendors, waste collectors, repair services, transportation services, tourism, bartering and citizen-to-citizen philanthropic support, among others, to their formalized counterparts. As Kate Raworth writes in [*Doughnut Economics*](#), "What if we started economics not with its long established theories but with humanity's long-term goals, and then sought out the economic thinking that would enable us to achieve them?" A perpetuation of the status quo will inhibit our pursuit of a planet that is not only habitable but provides equitable opportunities for all to thrive. By embracing a holistic perspective of our economic systems, which involves accepting and appreciating the integral role of informal labor, we may conceive of a human economy moving forward.

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