

# *The Socio-demographic Dimension of the Informal Labour Force in Urban Nepal*

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## **Abstract**

The objective of this study is to analyze the socio-demographic characteristics of the labour force, and features of the urban informal economy, with a focus on Nepal. Specifically, it seeks to pinpoint the primary economic endeavors and the ways in which they serve as a constructive financial engine and employment generation for household livelihood. In order to achieve this, the researcher conducted a primary survey through a structured questionnaire. Descriptive statistics, chi-square, percentages, and different forms of graphs were used in the investigation. The analysis of the sampled respondents revealed that informal work is a dominant occupation, with about two-thirds of household heads engaged in this sector. Among the respondents, job in the informal sector was the first-hand job for about 75 percent. Over one-third of the respondents have worked for five years or less in a particular informal business and service sector. The findings show that many people have been involved in the informal sector after Nepal's great earthquake of 2015. About two-thirds of the respondents are migrants, whereas 62 percent migrated from their own country and 9 percent emigrated from India.

**Keywords:** Informal activities, Demographic, Labour force, Qualitative methods, Urban

## **Introduction**

Total number of informal jobs, whether carried out in informal sector (IS) enterprises, formal sector enterprises, or households; counting workers holding informal works and own-account workers engaged in their own IS firm; members of casual producers' organizations; contributing family labors in own-account involved in the production of goods for their end used by their family; and formal or informal sector enterprises refers to informal Labour force (17th ICLS, 2003).

The informal labour force is generally linked with deprived, unproductive, and vetoed labourers, and its import has diverse in various economic eras (Gerxhani, 2004). Usually, informal activities are defined as those working outside government and labour rules (Teltscher, 1994). Most of the informal labourers: wage workers, and one-account workers in this sector, are deprived and unable to secure their work, welfare, social security and expression with representation (Chen et al., 2004). The category of economic endeavors that are not governed by official oversight is known as the informal economy (IE) (Hart, 2008). People are involved in the informal activities for various reasons; social obligation and primary income are significant. For the poor and disenfranchised, the informal economy provides their primary source of income (Sharma & Adhikari, 2020). Losby et al. (2002) have stated that the IE is a portion of the social economy that comprises inter and intra-family labour exchange. This work was provoked by economic gain as well as a social obligation.

An individual's employment in the informal sector can be strongly predicted by their socio-demographic features (Basbay et al., 2018). There is a negative correlation between age and education level and the amount of time spent in informal economic activities (Williams et al., 2016). The article of Adhikari (2020) also supports that the early working age population is involved in the informal sector. Additional research revealed that those in white-collar jobs

with high incomes are less likely to participate in grey economic activity (McCaig & Pavcnik, 2015). Jensen et al., (2019) showed regional differences in the kind and character of informal economic activity, as well as an urban-rural gap.

This paper attempts to verify the importance of informal economy by providing socio-demographic characteristics of informal workers of main urban area of Nepal. Three main indicators economic, social and behavioral are explained to justify the socio-demographic dimension of the informal labour force. The second section deals with the literature review. The third section deals with methodology. The fourth section discusses the socio-demographic status of respondents, household characteristics, perceptions, and problems of respondents.

## Literature Review

Both official and informal economic activity contribute to forming a nation's economy. The IE has received little attention from international agencies, which have instead focused exclusively on promoting urban areas' role in this evolution due to their ability to improve living conditions, create jobs, and renovate within smaller ecological footprints than other settlement patterns (Browm & McGraham, 2016). The informal sector has employed roughly 1.6 billion people, just a sizable number (Neuwirth, 2011; Ruzek, 2014). In a World Bank report, Benjamin et al. (2014) examined those nations whose means of support and employment for a severe population portion were dependent on IS. Informality is associated with low productivity across the regions. This sector is shown to have a high share of about 70 percent of low-income countries in Africa and a minor share of high-income countries. This is supported by Schneider and Endte (2003); in developing countries, the IS represents 10 to 20 percent of global production and over a third of the global output of developing countries.

Sookram et al. (2009) studied the socio-demographic characteristics in the informal sector of an evolving economy using the case of Trinidad and Tobago. The researchers found that household members are motivated to choose the informal sector due to the high tax rate in formal economic activities. The respondents were also motivated in this sector by socio-economic conditions, such as the number of family members they must back and trust that the resulting tax evasion will go unnoticed. Their understanding of the risk of detection by the tax authority is primarily determined by the income they earn in the IS and the extent of government administration.

Hossain et al. (2015) tried to explain the socio-economic analysis of informal economic activities, stating that most of the workers were young and middle-aged. Over half of workers went to high school, and around half completed secondary education. As workers have financial constraints, the credit facility is usually limited to informal businesses. Sixty percent of workers own businesses and save, and around 15 percent borrow from relatives. The low income of the respondents indicates the low economic status in society. In this regard, none of them wants to pay government tax.

Williams and Horodnic (2015) designed their study to identify the condition of self-employment and the informal economy, taking some evidence from the European Union. They tried to answer whether those self-employed in the IS are marginalized based on 27,563 direct interviews conducted, and about 1,969 individuals reported themselves as self-employed. To ensure that the variables were related to sex, age, region, and locality size, the researcher used a multi-stage random sampling. Their analysis revealed that for younger, self-employed, widowed shop owners, craftspeople, and individuals, their morality does not align with national morality. They are likely to engage in the informal economy significantly. Men engage in the IE significantly more than women as they live in the affluent EU region. The policy recommendations of this study were: informal self-employment helps the marginalized people, so the region's government should give attention to protecting them; this is also the case for individual nations and other regions as well, and it needs to be evaluated. Diallo et al. (2021) have analyzed the socio-economic impacts of the informal sector in Guinea. This study aimed to identify the core economic activity and how these generate positive financial power for local development. The study revealed that the IS deals with major prospects for sustainable development and poverty alleviation if the necessary infrastructures and support are provided. Regular monitoring and evaluation systems are required for the development of this sector. The role of socio-economic causes such as credit and educational status, compared to those in the government policies and formal sector, etc., need to be paid more devotion. At the environmental level, progress is constrained by weak infrastructures in communication and transportation, which restrict the extension of enterprises that may be proved locally profitable.

## Methodology

This part describes the research approach and methodology used to produce the data required to address the study concerns after providing the contextual framework and examining pertinent literature in the preceding two sections.

The purpose of this study is to investigate the state of informal activity in urban areas of Nepal. The purpose of the study is to investigate the core representative status first because no previous study or database exists. In these regards, a structured survey questionnaire used in a qualitative manner may prove to be more successful.

The results of this study can be applied to decision-making concerning the socioeconomic facets of informal work. A representative survey of informal workers in the urban Nepal is therefore necessary for this study. In this regard, a survey that relied on the researcher' subjective judgment non-probability sampling technique was conducted.

In total 423 informal workers in six metropolitan city of Nepal provided primary data for the survey using a structured questionnaire. Since the population's total cannot be calculated or is unpredictable in nature, a sample size of 423 is thought to be representative in this unknown population case. The study is carried out between the months of first of the July and end of the December in 2020. A variety of descriptive data have been employed to portray the socio-economic status of informally employed individuals.

For analysis of the results, the STATA-14 program was used to show the statistical relationship between the variables. The chi-square test has been used to examine the difference between the variables on employment patterns and characteristics of informal activities under some classifications. Some simple tabular form in percentage basis technique and graph have been used to describe the relationship between related variables like distribution of occupation by sex, use of durable goods and saving patterns of respondents.

**Data Analysis and Results**

This paper mainly focuses on the socio-economic characteristics of the sampled labour force in all six metropolitan cities of Nepal. It also considers the nature of the economic activities of the labour force involved in the informal sector of the sampled metropolitan cities. These cities are more appropriate places for non-agricultural informal work.

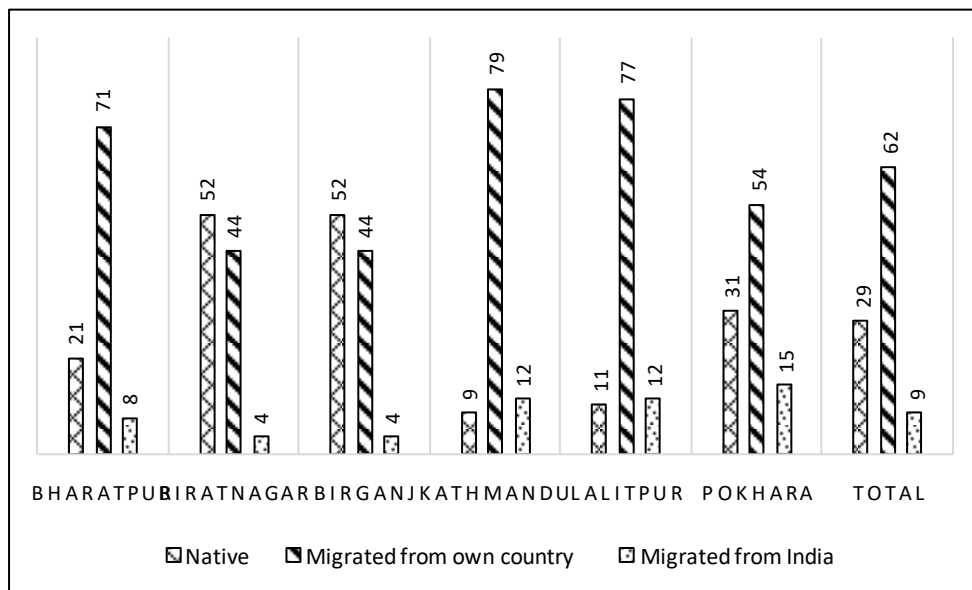
Many studies have been conducted on the informal sector economy, and most have centered on labor issues focusing on the workers' point of view. The paper consists of a descriptive analysis of socio-economic variables.

**Socio-Demographic Characteristics of Respondents**

Under socio-demographic characteristics, this study covers the household socio-demography status related to migration, the origin of informal work, age, education, family size, sex, marital status, ethnicity, and occupational status of respondents.

**Origin of Respondents (Migration Status)**

For socio-economic security, people leave the area where economic opportunities are less and come to the place where they feel economically comfortable. So, migration is expected in the Nepalese context. Rural to urban movement is a critical issue confronted by almost all the municipalities of Nepal (GoN, 2008).

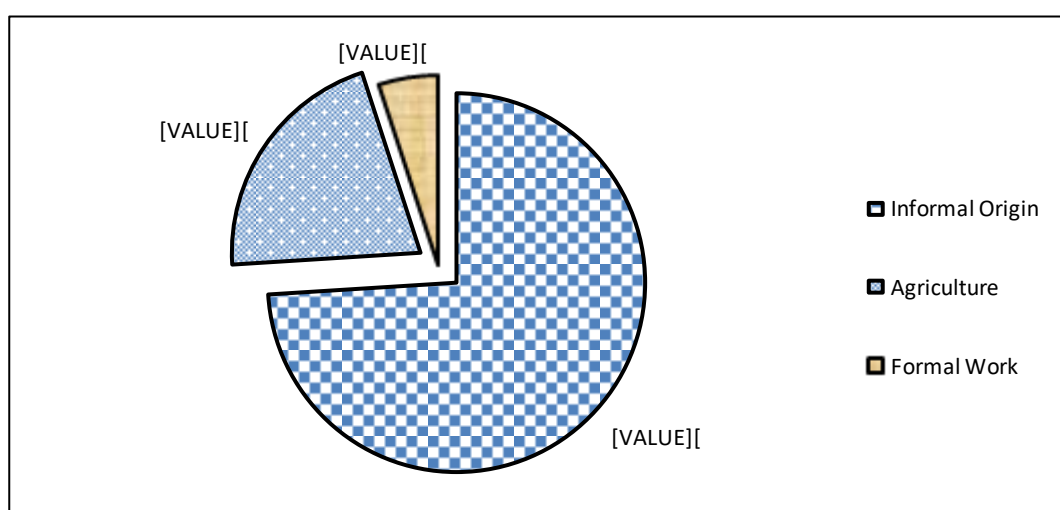


**Figure 1: Origin of Respondents**

As represented in figure 1, among the total respondents, 71 percent are migrants, whereas 62 percent migrated from their own country and 9 percent from India. The numbers of migrated informal workers are higher in Kathmandu, Lalitpur and Bharatpur compared to the other three metropolitan cities. The view of Harris and Todaro (1970) supports this result that, generally, the informal sector complements migration. The migration of household heads is strongly associated with informal business creation in the dynamic area (Sheehan & Riosmena, 2013).

**Origin of Informal Work**

The origin of the informal sector refers to the occupations they were involved in before getting involved in current informal workers. The informal sector job is the first-hand job for many respondents (74 percent), as represented in figure 2. It is the effect of migration from rural to urban areas. In a new place, migrants have difficulty finding employment in the formal sector, so the informal sector becomes a staging ground for those trying to get formal sector jobs (Abdullov et al., 2012). About 21 percent of respondents are from the agriculture sector. People transform agriculture into the informal sector because of low productivity in the agriculture sector. Only 5 percent of respondents have entered the informal sector, leaving the formal sector.



**Figure 2: Origin of Informal Work**

**Age, Education, and Family Size**

The informal workers have been analyzed based on the respondent's age, education and family size.

**Table 1: Distribution of Age, Education and HH Size of Respondents**

Variables	Mean	Std. Deviation	Min	Max	Std. Error
Age	35.87	12.21	12	71	0.59
Education	5.62	4.51	0	18	0.22
HH size	4.65	1.88	1	16	0.09

Source: Field Survey, 2020

In this table, the age statistics of respondents in the study, the mean age of respondents is 35.87 years with a considerable standard deviation of 12.21, covering low ages of 12 up to 72 among the respondents. The low standard deviation from the mean age is indicative of a consistently distributed sample.

For the education of the respondents, the average education level is only 5.62 years of schooling because a large percentage (54) of respondents in Birganj, compared to other metropolitan cities, were illiterate. The low level of education is the main reason behind the increase in the informal economy in urban Nepal. The average family size of the respondents is found to be 4.65, which is quite similar to the national level of 4.88 (CBS, 2012), which is the last census survey of Nepal. Among the six study sites, the average family size in Biratnagar is higher (5.48), and in Kathmandu is lower (4.28).

**Age Group of Respondents**

The age distribution of the respondents is represented in figure 3.

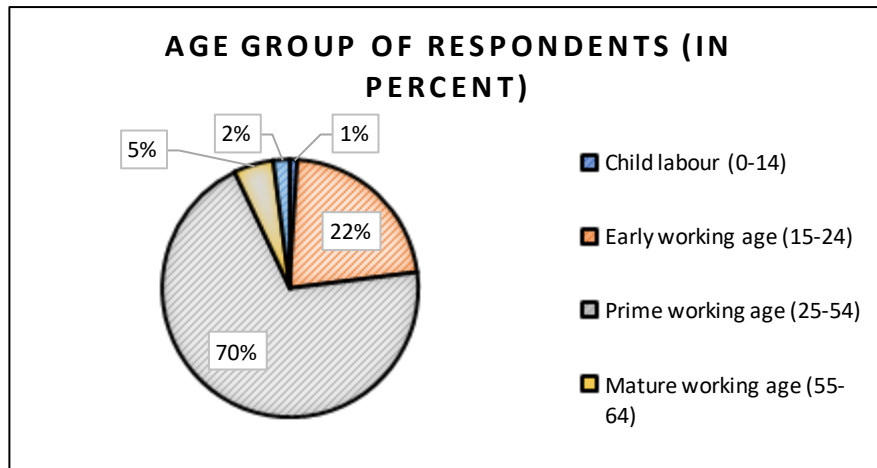


Figure 3: Age Group of Respondents

The most significant number of respondents, more than two-thirds, are from the prime working age group (25-54 years). Only a negligible percentage of respondents are involved in child labour and the elderly age group. It indicates that due to the lack of formal jobs, people of prime working age are involved massively in the informal sector.

**Location-wise Educational Level of Respondents**

The radar chart is used to analyze the different levels of education based on six metropolitan cities of Nepal (Figure 4).

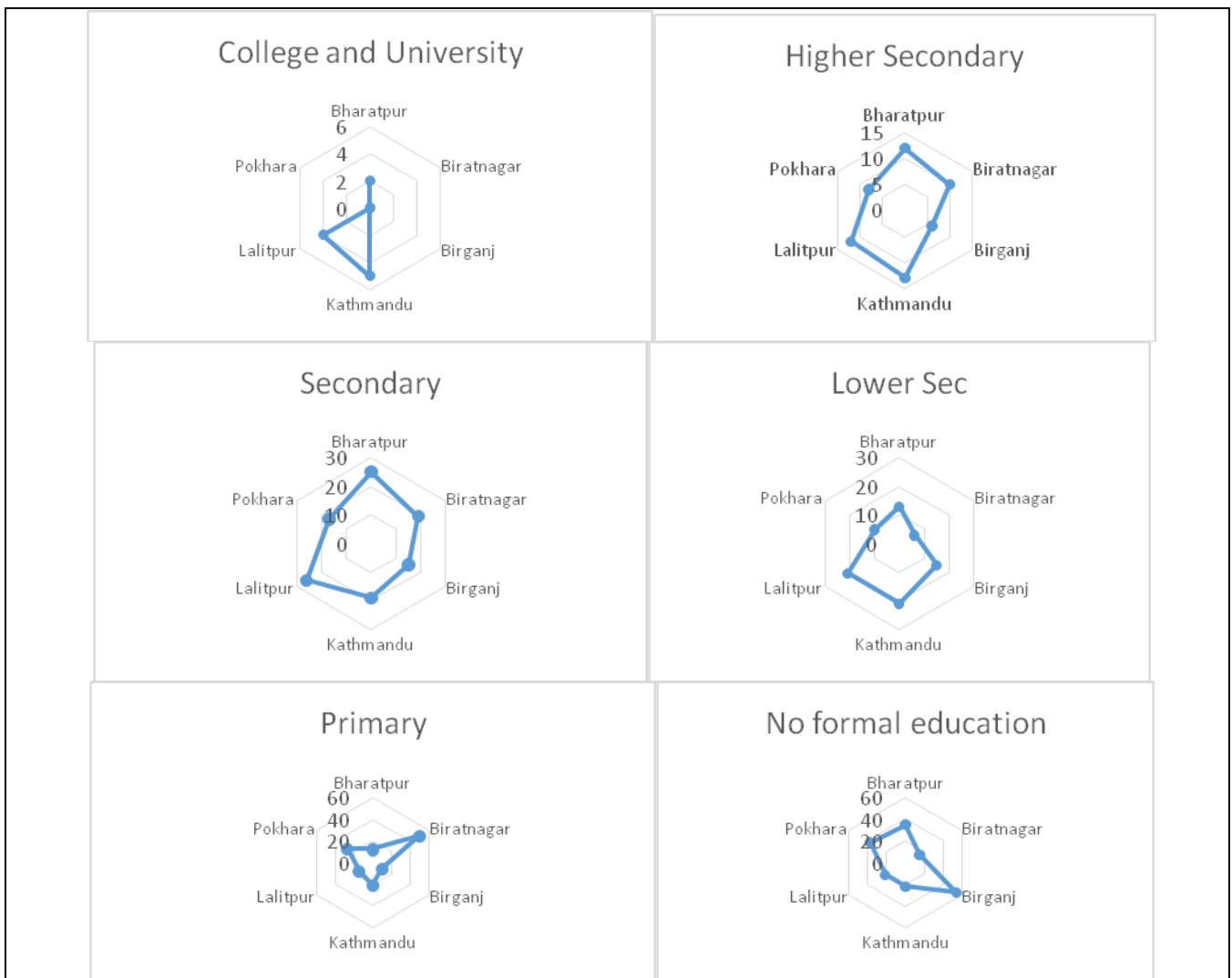


Figure 4: Intensity of Education

A greater percentage of illiterate respondents are involved in Birganj Metropolitan City, whereas a smaller percentage in Biratnagar is in the informal sector than all other metropolitan cities. Similarly, a more significant percentage of respondents with primary education are engaged in Biratnagar Metropolitan City than in other study areas. The cities are similar in the case of lower secondary and secondary level education. However, in the case of higher education, a significant percentage of respondents are in Kathmandu, Lalitpur, and Bharatpur compared to other cities. No respondent works in the informal sector and has a university education in Pokhara, Biratnagar, and Birganj.

### *Gander, Marital Status, and Ethnic Groups*

The sex, marital status, and ethnic group are shown in Table 2. It is clear that over two-thirds of respondents are male (69.50%) and married (75%). More than half (53.66%) of respondents are from the indigenous group. Negrón (2014) views ethnicity as a social categorization most prominent in heterogeneous societies. Ethnicity has been recognized to do with business startups and job success (Fafchamps & Minten, 2002). These statistical data suggest higher than average participation rates of Nepalese males, married and indigenous, in the informal economy.

**Table 2: Sex, Marital Status, and Ethnic Groups**

Sex	Freq.	%	Marital status	Freq.	%	Ethnic Group	Freq.	%
Male	294	69.5	Married	319	75.4	Dalit	61	14.4
Female	129	30.5	Not married	84	19.9	Indigenous group	227	53.7
Total	423	100	Widowed	15	3.5	Bramhan/Chhetri	135	31.9
			Separated	5	1.2	Total	423	100
			Total	423	100			

### *Years of Experience*

Years of experience are the knowledge gained from working in a particular field for a particular period. With the years of experience in the study, the mean years of experience are 10.23 with a standard deviation of 9.29, covering the least experience age of 1 year up to 50 years among the respondents. In comparison among the Metropolitan Cities, the mean age of experience and maximum age of experience were both higher in Birganj Metropolitan City and low in Bharatpur.

**Table 3: Years of Work Experience**

Metropolitan Cities	No.	mean	Std. Deviation	Min	Max
Bharatpur	48	8.79	8.32	1	30
Biratnagar	48	11.79	10.73	1	40
Birganj	48	12.88	11.33	1	50
Kathmandu	150	10.31	9.32	1	50
Lalitpur	81	8.59	9.90	1	32
Pokhara	48	10	8.07	1	30
Total	423	10.23	9.29	1	50

Figure 5 displays information about the working age of the informal worker. It can be seen that more than one-third (41%) of the respondents are working for five years or less in a particular informal business and service. The last five years, as defined, is the period 2015 AD - 2020 AD, representing the year of the recent great earthquake's effect on Nepal's economy.

The figure shows that many people are involved in the informal sector after Nepal's great earthquake of 2015. One-fourth of respondents are working for 6 to 10 years, 12 percent have 11 to 15 years, and 11 percent have experienced 16 to 20 and 21 over. Adhikari et al. (2021) argued that those who work for a long time in the informal sector automatically leave work. It indicates that people are involved in the informal sector for their livelihood in the short run, and in the long run, they are not interested in such a sector.

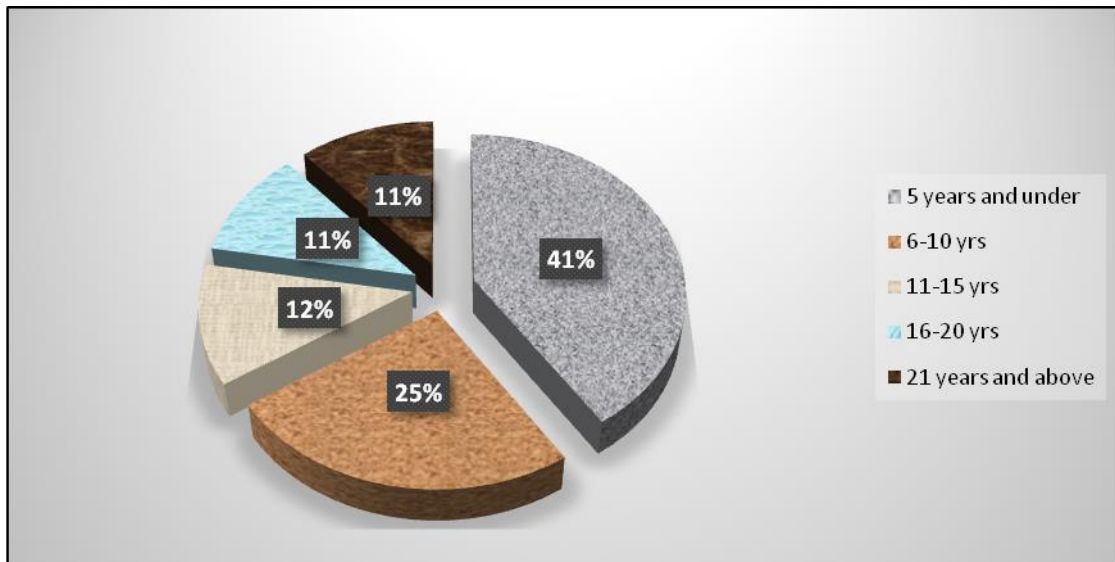


Figure 5: Years of Experience under different group

**Households Asset and Residence Status**

Around 89.36 percent of total respondents reside in their own homes, whereas 10.64 percent in rented is quite similar to the national level of 90 percent (CBS, 2012) as in the last survey of Nepal.

The Metropolitan City-wise residence situation of the respondents is shown in figure 6. It is found that those who work in Lalitpur Metropolitan City have their own house in their permanent place. About 90 respondents have their own house, those who work in Kathmandu, Pokhara and Birganj, whereas, in the case of Bharatpur and Biratnagar, only around 70 percent of respondents have their own house. A tiny percentage of respondents do not own a house in the nation. In the given diagram, the indication yes stands for they have their own house; otherwise, no.

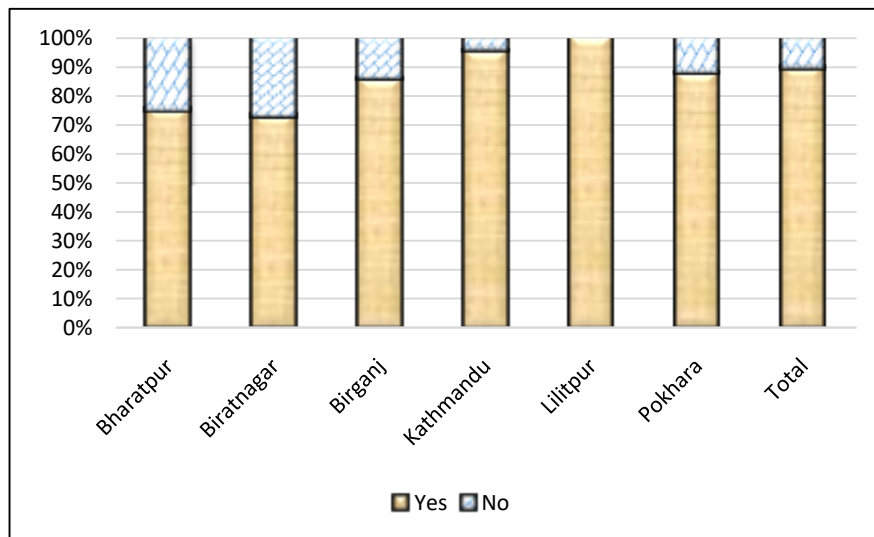


Figure 6: Household Residence Status

**The Relation of Use of Durable Consumer Goods and Saving**

Durable goods are an essential tool for modern life. They are taken as an indicator of people's living standards. The use of more durable goods refers to high living standards and vice versa. About 92 percent of respondents have some level of durable goods, whereas only around 8 percent have no type of durable goods. This indicates that large numbers of informal workers can effortlessly fulfill their basic needs from informal work.

Table 4 shows that more household savings refer to more durable goods use than no savings. The value of  $\chi^2$  is significant at the 1 percent level 0.000 p-value for all levels. The goodness of fit in the model is less than 0.01.

**Table 4: Use of Durable Goods and HH Saving**

Use of Durable Goods	Household Savings		Total	$\chi^2$
	Yes	No		
Yes	255 (98)	134 (82)	389 (92)	<b>34.1299***</b>
No	5 (2)	29 (18)	34 (8)	
Total	260 (100)	163 (100)	423 (100)	

\*\*\*0.01, \*\* 0.05, \*0.1 level of significant; Figures within parentheses are percentages.

### **Savings Status**

The saving statistics are shown in table 5. More than 60 percent of respondents have been able to save from their income. Among them, the average monthly saving is NRs.6081.54 with considerable standard deviation, covering most negligible savings of NRs.500 up to NRs.50000 among the respondents. The low standard deviation from the mean saving indicates a consistently distributed sample. The average value of respondents' available assets is more than 15 lakhs.

**Table 5: Saving Statistics**

Monthly Saving Statistics (in NRs)				
Obs	Mean	Std. Dev.	Min	Max
260	6081.54	6194.12	500	50000
Value of Available Assets Statistics				
Obs	Mean	Std. Dev.	Min	Max
423	1543487	3082329	0	25000000

### **Perception and Problems Related to Informal Work**

The respondents' perception is related to the tentative scenario of the informal sector in an urban area of Nepal. The perception of respondents on the focused issues of the study is given in Table 6. Around 95 percent of total respondents have reported that their involvement in this sector has increased their social integration. Around 90 percent of respondents feel satisfied with their current occupation in the informal sector. Almost all (97%) respondents think that their basic needs are met by informal work.

Interestingly, the highest percentage (70%) of respondents is not satisfied with the assistance given by government institutions. Moreover, more than three-fourth percent of respondents feel different kinds of harassment in their informal business.

### **Social Participation and Network**

Social and institutional involvement and participation are significant factors that help workers know details about the informal sector's activities and protect them from different hurdles created by other sectors. However, of the total respondents, almost all have not been members of social or professional associations.

## **Discussion**

The informal economy is a significant component of labor markets worldwide, particularly in developing countries. Age significantly impacts informal economy involvement. Younger workers and prime working age seek flexibility due to lack of formal job opportunities, Chen (2007) emphasizes that because of their lack of training and work experience, people in this age range are particularly vulnerable to changes in the economy.

Younger individuals, often engage in informal work due to a lack of formal employment opportunities and the need for flexibility (Amin & Makhija, 2021). While older workers seek financial support from early retirement. This dual role highlights differing motivations. One important factor in the informal economy is gender. Due in large part to societal expectations and restricted access to formal career options, women are overrepresented in the workforce. Women frequently participate in informal work to balance family responsibilities Kabeer (2015).

Another important aspect affecting participation in the informal economy is educational achievement. People with lower levels of education are more likely to work informally because they are not qualified for formal occupations (Schneider & Enste, 2000). Individuals with lower levels of education tend to dominate informal employment due to a lack of qualifications for formal jobs (Charmes, 2022). Dynamics of informal work are strongly influenced by family size and marital status. Larger families may need several sources of income, which frequently results in all



members—including the children—looking for work (Edmonds, 2006). Because children may forsake their schooling in order to make financial contributions, this dependency on informal labor might prolong poverty cycles.

Experiences in the informal economy are significantly shaped by ethnicity. Minority ethnic groups frequently encounter obstacles to formal employment, which forces them to work in informal businesses (Portes & Haller, 2002). Support the evidence by Portes and Rumbaut (2019), marginalized ethnic groups frequently face obstacles to regular employment, which forces them to pursue informal work. Social networks facilitate job access, but ethnic discrimination can limit opportunities. Informal networks are crucial for marginalized communities, navigating the labor market (Massey et al., 1993).

## Conclusion

The main objective of this paper is to analyze the dimensional analysis of the informal sector in the urban area of Nepal. Marginalized and impoverished people mostly rely on the informal economy for their livelihood. It is necessary to talk about the respondents' social demographics, including their sex, age, caste, education, marital status, and employment status, in order to comprehend the realities faced by informal workers.

The mean age of respondents is about 36 years with a considerable standard deviation, and the most significant number of respondents, more than two-thirds, are from the prime working age group (35-54 years). The working age of the informal workers is 41 percent of the respondents, who work for five years or less in a particular informal business and service. Similarly, over two-thirds of respondents are male and married. More than half of the respondents are from an indigenous group. As compared to males, more female respondents were self-employed. In total, 73 percent of female respondents are in this sector, but only 51 percent of male respondents are there. Informal work is the dominant occupation. About three-fourths of household heads are engaged in this sector. Agriculture and private job are primary for around one-fourth of household heads. The study found that around 95% of respondents reported that their involvement in this sector had increased their social integration. Around 90% of respondents feel satisfied with their current occupation in the informal sector. Almost all (97%) respondents think that their basic needs are met by informal work. About 77 percent of respondents feel harassed in their informal business—the incidence of harassment related to the informal business by metro police is the largest at about ninety percent. Social and institutional involvement and participation are significant factors, but almost all have not been members of social or professional associations.

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