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Theoretical analysis of the informal economy in Latin América: a systematic review

Análisis teórico de la economía informal en América Latina: una revisión

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Abstract

The informal economy, or informality, remains a pervasive issue in developing countries, including those in Latin America. This study delves into the key theoretical aspects of informality, examining its characteristics, impacts, and particularly its contribution to economic growth. Utilizing a systematic review methodology and the PRISMA method, the study selected twenty-two pertinent articles from databases such as Web of Science, Scopus, and SciELO. The findings reveal that the informal economy significantly impacts economic growth, adversely affecting productivity,

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formal employment creation, and tax collection. The conclusions underscore that informality detrimentally affects regional economic development due to regulatory deficiencies, low productivity, tax evasion, and inadequate labor protection. Addressing these challenges necessitates the implementation of policies and strategies focused on enhancing the education and training of informal workers, reducing administrative and fiscal barriers, improving infrastructure and basic services, reinforcing regulatory enforcement, and promoting the formalization of informal enterprises.

Keywords: Informality; Informal economy; Informal sector; Underground economy; Labor informality.

Resumen

La economía informal o simplemente informalidad, es una realidad latente en los países en vías de desarrollo, los países latinoamericanos no son la excepción de este fenómeno social. El presente estudio analiza los aspectos teóricos más relevantes de la informalidad, sus características, impactos, pero sobre todo su contribución en el crecimiento económico. La metodología adoptada corresponde a una revisión sistemática, para lo cual se recurrió al método PRISMA, seleccionándose veintidós artículos relevantes de distintas bases de datos como Web of Science, Scopus y SciELO. Los resultados muestran que la economía informal tiene un impacto significativo en el crecimiento económico, que afecta negativamente la productividad, la generación de empleo formal y la recaudación de impuestos. Las conclusiones, evidencian que la economía informal impacta negativamente en el desarrollo económico de la región, debido a la falta de regulación, baja productividad, evasión fiscal y la falta de protección laboral. Para enfrentar este desafío, es crucial implementar políticas y estrategias que promuevan la educación y capacitación de los trabajadores informales, reduzcan las barreras administrativas y fiscales, mejoren la infraestructura y los servicios básicos, fortalezcan la fiscalización y fomenten la formalización de las empresas informales.

Palabras Clave: Informalidad; Economía informal; Sector informal; Economía sumergida; Informalidad laboral.

1. Introduction

The informal economy is a growing phenomenon that has diversified across various economies worldwide. Altındağ *et al.* (2020) define it as economic activities that occur outside the regulation and protection of the State, operating without adherence to established legal and fiscal requirements. This sector has significantly impacted many Latin American countries and has been a topic of ongoing debate regarding its

effects on economic development. Castro *et al.* (2023) highlight that the informal economy also faces challenges related to job security, health, and access to appropriate technologies. Therefore, public policies are needed to encourage the formalization of the economy and to improve working conditions.

Globally, informal businesses account for 33% of production, a figure that rises to 41% in Latin America, largely due to the limited capacity of urban economies to generate adequate employment opportunities (Uquillas, 2018). In the Mexico-Guatemala cross-border region, where the population on the Mexican side grows at a rate of 4% per year, intense migration and informal activities are significantly impacting the structure of the border area and its natural infrastructure (Corredor and Gracia, 2022).

In Latin America, the informal economy is estimated to constitute a significant portion of national production, although its precise measurement and impact on the regional economy remain unclear (Alba and McKnight, 2022). The authors note that for many residents, the informal economy often serves as the sole source of employment and livelihood, which perpetuates informality across various aspects of daily life (Barrenechea and Encinas, 2022). In Peru, for example, the informal economy is a widespread issue, with approximately 70% of the labor force engaged in informal employment.

According to data from 2021, 75.3% of employed workers in Peru were in informal employment, with 63.3% working in the informal sector and 12.0% employed outside it. Since that year, labor informality has increased beyond pre-pandemic levels, and unemployment rates have also risen significantly during the pandemic (Inquilla *et al.*, 2023).

Kamichi (2023) identifies several factors contributing to the expansion of the informal economy in Peru, including population growth, the slow pace of formal economic expansion, and a shortage of employment opportunities. The informal economy encompasses economic activities that occur without adhering to state regulations and protections, and that do not meet established legal and fiscal requirements.

Kamichi (2023) indicates that in Peru, approximately 35% of Gross Domestic Product (GDP) is attributed to the informal economy, revealing that a substantial portion of national production remains unrecorded and excluded from official statistics. Moreover, around 60% of total working hours in the country are derived from informal employment, underscoring the sector's crucial role in job creation.

Masca and Chis (2023) highlight that the informal economy is not confined to developing countries; it also manifests in developed nations due to the globalization of economies. Similarly, Bergolo and Cruces (2021) note that informality enables practices that generate wealth outside the bounds of the law. However, these informal economic activities are not captured in the National Accounts of these countries, resulting in a lack of understanding regarding their impact on national economies. This absence of data complicates the formulation of effective economic, fiscal, and tax policies.

In many instances, such decisions can lead to adverse consequences, including tax evasion, deficits, and inflation. Historically, the informal economy was believed to be prevalent only in developing countries or in specific advanced countries with unique characteristics, such as Italy, where it has long played a significant role. However, with the advent of globalization, wealth and employment are now also being generated outside the legal framework in developed countries.

Kamichi (2023) notes that in Peru, the informal economy has been present for an extended period. Its growth is closely linked to population increases and a lack of opportunities, as the formal sector is unable to create sufficient employment to meet the population's demands.

The health crisis resulting from COVID-19 significantly exacerbated economic instability, intensifying labor informality, particularly within the independent labor sector. Many individuals turned to informal work as a means of subsistence due to reduced or lost income. This shift led them to engage in street vending of various goods and services, often at considerable personal health risks (Abanto *et al.*, 2021).

Guo *et al.* (2022) argue that informality arises from the inability of governments to establish clear regulations and effectively secure property rights. This shortcoming is manifested in the difficulties encountered in enforcing laws in everyday situations. Such deficiencies contribute to the growth of informality, as existing legal frameworks often obstruct efforts to formalize and operate within the bounds of the law.

According to Kamichi (2023), the social and economic transformations of the 1980s and 1990s contributed to rising unemployment, defined as the condition where individuals actively seek work but fail to find viable employment opportunities. Additionally, the practices from that era continue to impose significant costs related to legal and regulatory compliance. These impacts are evident in key areas such as labor markets, tax structures, and the regulations governing business creation.

The purpose of this article is to analyze the most significant theoretical aspects of informality, including its characteristics and impacts, with a particular focus on its contribution to economic growth through a systematic review.

Horvath and Yang (2022) indicate that the informal economy, also known as the underground or parallel economy, represents a sector of economic activity that is not officially recorded in national statistics. As a result, its measurement and impact on national economic development remain unclear. This lack of information poses a significant constraint on the design of economic, fiscal, and tax policies, as it impedes effective macroeconomic decision-making by the government.

In this context, Altındağ *et al.* (2020) assert that the informal economy encompasses economic activities conducted outside the purview of regulatory oversight and governmental control, including non-compliance with state requirements such as tax payments and social security contributions. Conversely, Bennihi *et al.* (2021) highlight that this economic sector is characterized by the absence of formal labor protections, including violations of basic labor rights such as working hours and fair wages.

According to Coşkun (2022), the informal economy is characterized by a lack of job security and stability, as workers in this sector typically do not have formal contracts, and their employment conditions are subject to economic fluctuations. Additionally, the quality of services provided tends to be low due to the absence of state oversight. Furthermore, according to Habibi *et al.* (2022) The informal economy is frequently linked to precarious working conditions, labor exploitation, and limited access to social security and employment benefits. These issues are pervasive within this sector, reflecting systemic deficiencies in worker protection and support.

According to Castro and Moreira (2021), informal economic activities in Latin America predominantly occur outside the formal sector, meaning they are neither registered nor regulated by governmental authorities. Individuals engaged in these activities often do so out of economic necessity, lacking access to formal employment opportunities. Reyes *et al.* (2022) further highlight that one of the most prevalent forms of informal work is street vending. This includes the sale of various goods and services-such as food, clothing, and electronics-on public streets. Informal vendors typically operate without a fixed location, frequently relocating within different city areas to attract customers.

Alba and McKnight (2022) highlight that informal trade is a prevalent economic activity across Latin America. Reyes *et al.* (2022) report that thousands of individuals operate in popular markets and fairs, selling products without business licenses or adherence to tax obligations. Similarly, Castro *et al.* (2023) note that these informal traders provide a diverse array of goods-from food and clothing to electronics-but often encounter challenges in accessing credit and banking services. Hernández (2023) underscores the significance of the informal economy in Latin America, characterized by economic activities that operate outside the bounds of legality and formality, failing to meet established legal and fiscal standards. According to Sarkar and Sinha (2022), this sector primarily consists of small informal enterprises, self-employed individuals, and street vendors who conduct transactions in cash and avoid declaring their income.

Martinez *et al.* (2022) have indicated that the informal economy in Latin America is substantial and plays a significant role in regional economic activity. According to the ILO, approximately 50% of the employed population in the region works within the informal economy. This high level of informality has major implications for economic development, as it constrains growth and productivity, complicates tax collection and the implementation of effective public policies, and contributes to inequality and labor instability.

Castro *et al.* (2023) highlight that the informal economy undermines social protection, as informal workers often have limited access to social security and other employment benefits. This sector also distorts the tax system, negatively affecting the tax culture among citizens who do fulfill their tax obligations. Fernand and Pastas (2022). Consequently, the informal economy represents a significant challenge for Latin American countries striving to achieve sustainable and inclusive economic growth. Martinez *et al.* (2022) emphasize that the informal economy substantially impacts economic growth, defined as the sustained increase in the production of goods and services. This issue has sparked considerable debate among experts. Onyenechere *et al.* (2022) note that while the informal economy contributes to job creation and increased economic activity, it also poses challenges for sustainable development.

Martinez *et al.* (2022) highlight that informality often results in a significant deficit in technological resources and training, which impedes efforts to enhance efficiency and product quality. Consequently, as noted by Masca and Chis (2023), this deficiency undermines the competitiveness of formal sectors and poses challenges for productive and profitable industries. Robles *et al.* (2022) further emphasize that the absence of adequate technology and training stifles the growth and development of these informal activities, thereby negatively impacting the broader economy.

Additionally, Tello (2022) asserts that the informal economy adversely affects tax collection, complicating the state's ability to finance public policies. In parallel,

Coşkun (2022) notes that these activities operate outside the legal framework, resulting in unpaid taxes. This situation imposes constraints on the state's capacity to execute public and social projects, ultimately impacting long-term economic growth. Kamichi (2023) highlights that the informal economy plays a crucial role in the economic growth of Latin America, sparking significant debate among experts. While it is true that the informal economy contributes substantially to job creation and economic activity, it also poses challenges to sustainable Development. In similar vein Alvarado *et al.* (2022) identify several negative impacts of informality, including reduced production, inadequate access to technology, and limited opportunities for skill development. These factors directly affect the quality of goods and services provided by this sector. Additionally Zhao *et al.* (2022) point out that these issues lead to diminished competition with the formal sectors due to the inherent difficulties in regulating and integrating informal activities.

To effectively address the informal economy in Latin America, it is crucial to implement policies and strategies that foster the formalization of informal enterprises. According to Barrenechea and Encinas (2022), promoting job training programs to enhance the employability of individuals in the informal sector is essential. This can lead to the development of comprehensive plans that include technical and professional training, along with business advisory services aimed at facilitating the formalization of informal enterprises. Additionally, there is a pressing need to simplify and reduce administrative and fiscal barriers that impede formalization efforts. Díaz (2022) emphasizes the importance of streamlining bureaucratic procedures, lowering the costs associated with formalization, and offering tax incentives to businesses that transition to the formal sector. Furthermore, Tello (2022) highlights the necessity of improving infrastructure and basic services in areas heavily influenced by the informal economy. This includes ensuring access to quality water, electricity, and public transportation, as well as creating suitable spaces for economic activities.

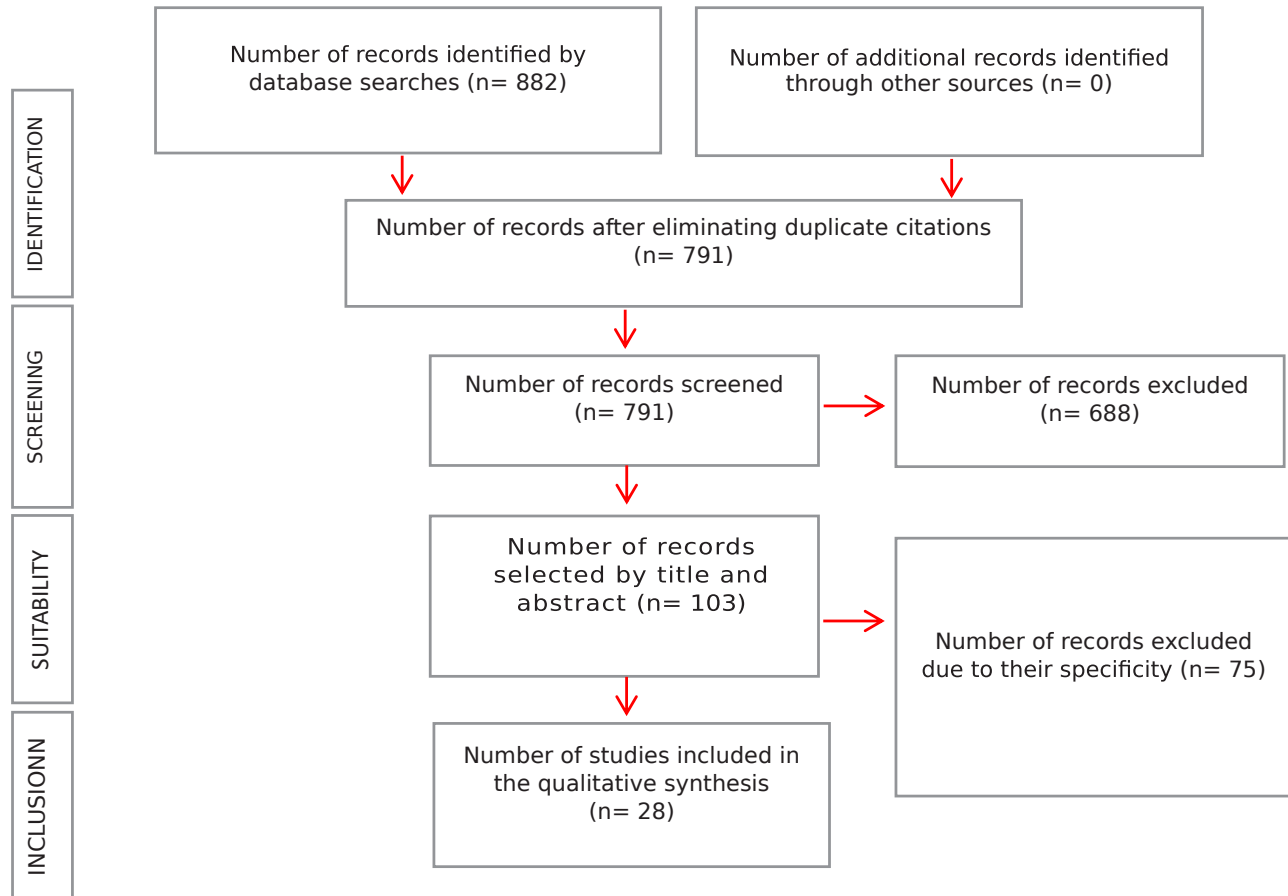
Finally, strengthening the enforcement of

labor and tax laws is essential. According to Aranibar *et al.* (2022), enhancing the state's capacity to enforce regulations is critical, as is promoting a culture of compliance among both workers and informal enterprises. Additionally, Fernand and Pastas (2022) stress the importance of fostering collaboration between the government, private sector, and civil society, and according to Khan *et al.* (2022) further highlight that joint efforts to tackle the informal economy should include the implementation of awareness-raising programs, information campaigns, and corporate social responsibility initiatives.

2. Methodology

The study adhered to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) protocol, as outlined by Page *et al.* (2022) PRISMA provides a set of minimum standards for conducting systematic reviews and meta-analyses, enhancing transparency and enabling effective monitoring of the research process. Although PRISMA does not have a dedicated version for rapid reviews, employing the PRISMA checklist significantly improves transparency and facilitates rigorous oversight of the review process.

The research process was divided into four phases: i) the first phase consisted of searching for and finding relevant studies. Exhaustive searches were carried out in scientific databases such as Scopus, Web of Science and SciELO, using keywords related to the topic of study, such as "labour informality", "Latin America", "Peru" and "informal work". These keywords were selected with the aim of finding relevant studies that addressed the situation of informality in Latin America, and more specifically in the case of Peru. ii) Selection of studies: Once the search results were obtained, a selection of studies that met the established inclusion criteria was made. These criteria could include the relevance of the study to the research topic, the methodological approach used, the quality of the study, among others. The selected studies were reviewed in detail to determine their suitability for inclusion in the analysis. iii) Data mapping: At this stage, a systematic extraction of relevant data from the selected studies was carried out (Figure 1).

Figure 1. Flowchart of Inclusion Decisions

Source: Authors' own elaboration based on Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA).

This stage involved extracting key information from the selected studies, such as study type, sample characteristics, variables analyzed, and results obtained. The objective was to gather comprehensive data for a thorough and rigorous analysis of the studies included in the review. Finally, the synthesis and reporting of results entailed analyzing and summarizing the key findings from the selected studies, identifying common patterns or trends, and presenting these results in a clear and concise manner. Tables, graphs, and diagrams were used to effectively visualize and communicate the main findings of the review.

Inclusion and exclusion criteria were established and documented to identify proposals grounded in scientific research. Consequently, only peer-reviewed scientific articles were included in the review. Given the current limitations on available

research due to the pandemic, conference proceedings, books, and book chapters were excluded. This decision was based on the understanding that these sources generally have a lower dissemination and impact within the scientific community compared to peer-reviewed journal articles.

Additionally, a thorough search was conducted in the Scopus and Web of Science databases using a carefully designed search formula to identify relevant literature on the informal economy. The search strategy employed the following formula: TITLE-ABS-KEY ("informal economy" OR "informal work" OR "informal employment") AND (LIMIT TO (DOCTYPE, "ar") OR LIMIT TO (DOCTYPE, "re")) AND (LIMIT TO (SRCTYPE, "j") AND (LIMIT TO (SUBJAREA, "ECON"))). This search yielded a total of 882 documents, meeting the established inclusion and exclusion criteria.

Subsequently, duplicate entries were removed, resulting in a total of 791 articles. An initial screening of titles and abstracts was conducted, leading to the exclusion of 688 studies that did not align with the research objectives concerning the scope of the study. The remaining 103 articles were then evaluated for relevance, focusing on those that offered broad and generalizable insights into the informal economy, while excluding those with findings limited to specific products or geographic regions. Ultimately, 31 documents were selected for qualitative analysis. Following the PRISMA guidelines, a systematic literature review was performed to examine the state of informality in Latin America and Peru. The

findings from this review provided a more precise and current understanding of the phenomenon and its implications for business and economic development in the region.

3. Results

Thirty-one articles from various countries that met the inclusion and exclusion criteria were selected for analysis. These articles were grouped according to the following characteristics: number, database year, authors, article title, country of publication, type of manuscript, methodological approach and category, and Table 1 presents this relevant information on informality in Latin America in an organised manner.

Table 1. Bibliographic systematisation matrix

N°	Database	Year	Authors	Country of publication	Type of manuscript	Methodological approach	Category
1	Scopus	2020	Altındağ <i>et al.</i>	Turquía	Literature review	Cualitative	Informality
2	Scopus	2023	Castro <i>et al.</i>	Brasil	Literature review	Cualitative	Informality
3	Scopus	2022	Alba & McKnight	Brasil	Systematic Review	Cualitative	Informal economy
4	Scopus	2021	Barrenechea	Perú	Original research	Cualitative	Democracy
5	Scielo	2023	Kamichi	Perú	Systematic Review	Cualitative	Fiscal Policies
6	Scopus	2022	Martinez <i>et al.</i>	Colombia	Systematic review	Cualitative	Fiscal Policies
7	Scopus	2021	Bergolo & Cruces	Uruguay	Systematic Review	Cualitative	Unemployment
8	Scopus	2022	Guo <i>et al.</i>	China	Systematic Review	Cualitative	Government policies
9	Scopus	2021	Castro y Moreira	Brasil	Systematic Review	Cualitative	Inequality
10	Scopus	2022	Habibi <i>et al.</i>	Irán	Systematic review	Cualitative	Economic policies
11	Scopus	2022	Horvath & Yang	Estados Unidos	Systematic Review	Cualitative	Unemployment
12	Web of Science	2022	Coşkun	Estados Unidos	Systematic Review	Cualitative	Informality
13	Scopus	2022	Aranibar <i>et al.</i>	Perú	Systematic Review	Cualitative	Unemployment
14	Scielo	2022	Reyes <i>et al.</i>	Chile	Systematic Review	Cualitative	Unemployment

15	Web of Science	2022	Alvarado <i>et al.</i>	Estados Unidos	Systematic Review	Cualitativa	Informal economy
16	Scopus	2022	Onyenechere <i>et al.</i>	Nigeria	Systematic Review	Cualitativa	Informality
17	Scielo	2022	Fernand & Pastas	Chile	Systematic Review	Cualitativa	Corruption
18	Scopus	2022	Robles <i>et al.</i>	Filipinas	Systematic Review	Cualitativa	Formalisation
19	Scopus	2022	Sarkar & Sinha	Estados Unidos	Systematic Review	Cualitativa	Unemployment
20	Scopus	2022	Masca & Chis	Estados Unidos	Systematic Review	Cualitativa	Unemployment
21	Web of Science	2022	Khan <i>et al.</i>	Turquía	Systematic Review	Cualitativa	Clientelism
22	Scopus	2022	Zhao <i>et al.</i>	China	Systematic Review	Cualitativa	Informal economy
23	Scopus	2021	Bennihi <i>et al.</i>	Argelia	Original article	Cuantitativa	Informal economy
24	Scopus	2022	Díaz	Perú	Original article	Cualitativa	Informal gold mining
25	Latin Rev.	2023	Hernández	América Latina	Essay	Cualitativa	Unequal development
26		2020	Page <i>et al.</i>	Canadá	Original article	Cualitativa	PRISMA Declaration
28	Scopus	2022	Montañez <i>et al.</i>	México	Original article	Cuantitativa	Working conditions
29	Scopus	2022	Tello	Perú	Editorial note	Cualitativa	Technical efficiency
30	Scopus	2018	Uquillas	México	Original article	Cuantitativa	Informal economy
31	Scopus	2022	Corredor & Gracia	Ecuador	Original article	Cuantitativa	Informal economy
32	Scopus	2022	Inquilla <i>et al.</i>	Perú	Original article	Cuantitativa	Informal economy

Source: Authors' own elaboration.

Furthermore, the analysis of these articles revealed common patterns and trends concerning labor informality in the region. It was noted that many studies concentrated on the informal sector, where workers often lack social protection and employment benefits. Additionally, a significant number of articles emphasized the connection between informality and poverty, illustrating how the absence of formal employment exacerbates inequality and contributes to lower living standards for workers.

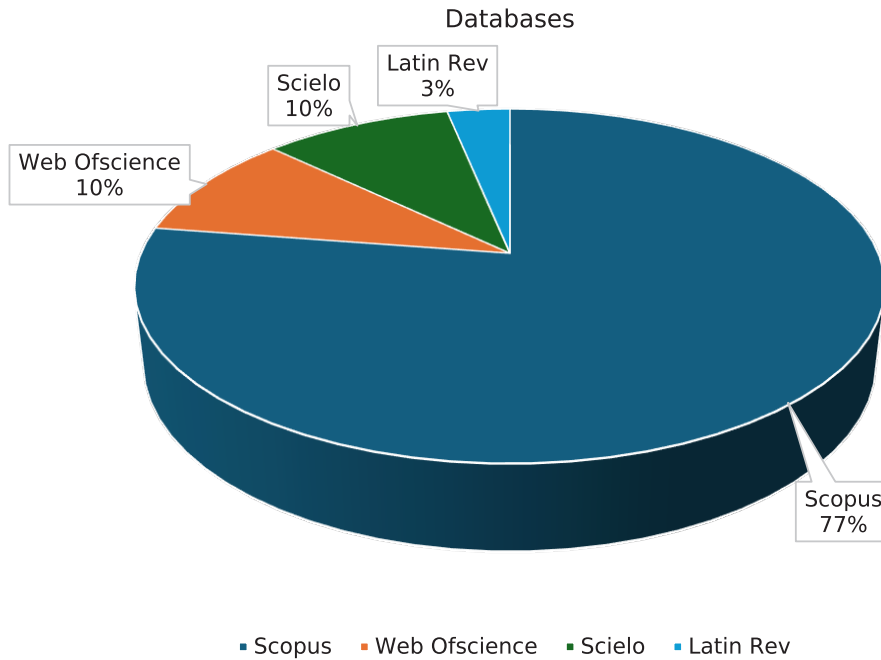
Similarly, scientific articles were evaluated

according to the type of manuscript, with a preference for those employing a qualitative approach. The key categories identified for this review include terms such as “informality and economic impact,” “informal economy and fiscal policies,” “informality and unemployment,” “government policies and the informal economy,” “economic policies and inequality,” “informality and corruption,” and “clientelism and informality,” among others. These terms are prevalent in the countries examined and are relevant across the continents discussed, as detailed in Table 1.

With regard to the articles according to the databases that have contributed to this research, 77% correspond to Scopus, 10% to SciELO, 10% to Web of Science and only 3% to others (Graph 1).

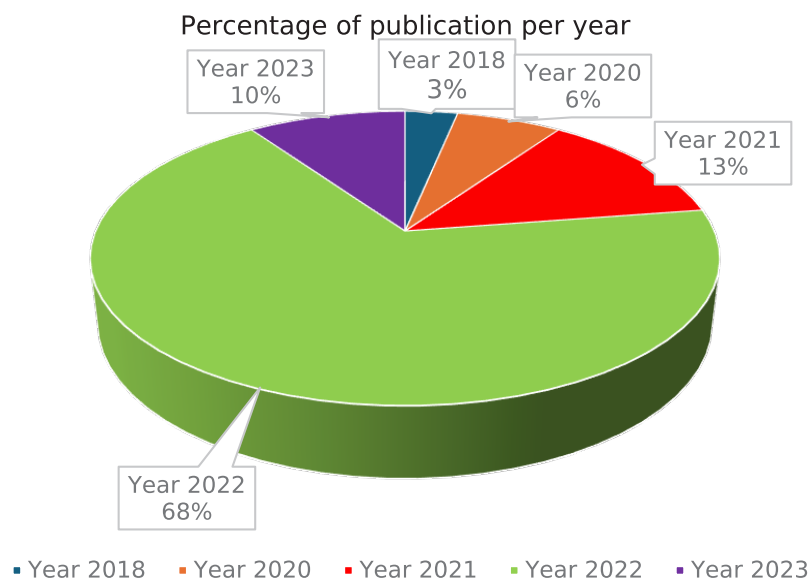
In relation to the articles by year of publication, 68% were published in 2022, 13% in 2021, 10% in 2023, 6% in 2020 and the lowest number of articles in 2018 with 3% (Graph 2).

Graph 1. Frequency of selected articles according to the database



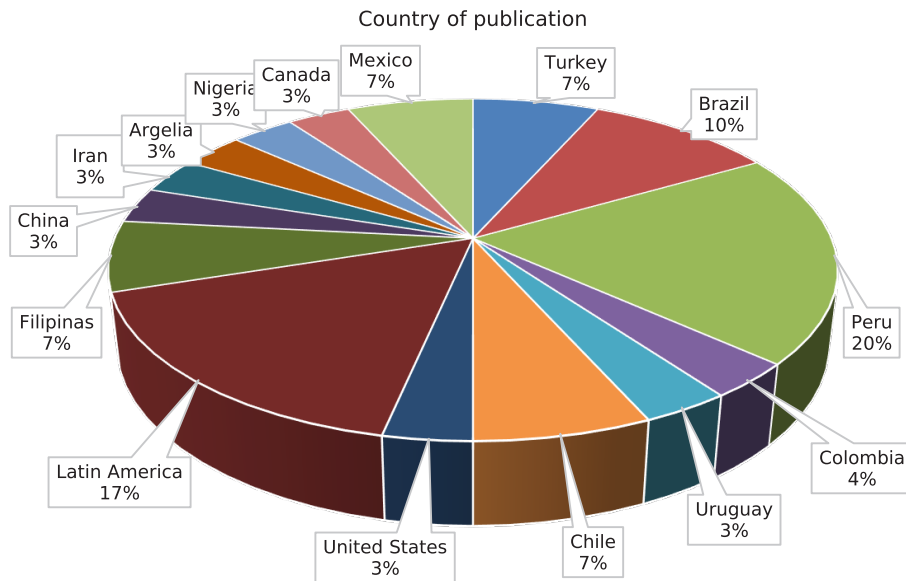
Source: Authors' own elaboration.

Graph 2. Frequency of selected articles by year of publication



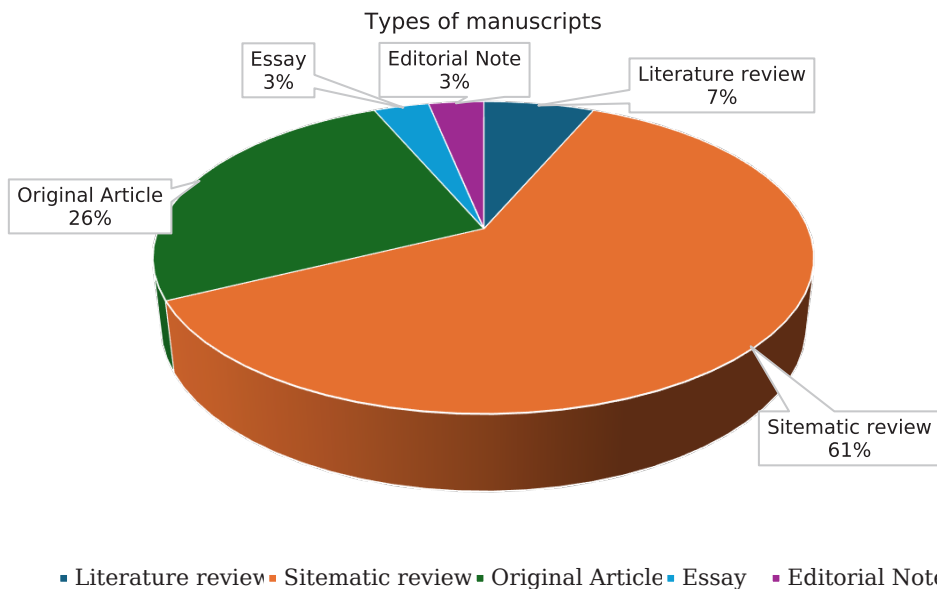
Source: Authors' own elaboration.

Graph 3. Frequency of articles by country of publication



Source: Authors' own elaboration.

Graph 4. Types of manuscripts used in research



■ Literature review ■ Sitematic review ■ Original Article ■ Essay ■ Editorial Note

Source: Authors' own elaboration.

With regard to the articles by country of publication, it can be seen that 20% of the articles were published in Latin America, 20% in Peru, 10% in Brazil, 10% in Turkey, the Philippines, Mexico and Chile with 7% each, Canada, Nigeria, Algeria with 4%, China, Colombia and Uruguay with 3% (Graph 3).

According to the type of manuscript, 61% are systematic review articles, 26% are original articles, bibliographic review with 7%, and in smaller quantities correspond to editorial note and essay with percentages of 3% and 3% respectively (Graph 4).

4. Discussion

The study identifies several shared characteristics and challenges throughout the region. It emphasizes that the informal economy consists of economic activities operating beyond the regulatory framework and oversight of authorities. This situation results in inadequate labor protections and the infringement of fundamental labor rights.

Among the main results found, there is a lack of job security and stability, as well as low productivity and quality in the goods and services offered by the informal sector. Accordingly, this is related to tax evasion and precarious working conditions faced by informal workers. In addition, limited accessibility to social security and other employment benefits is identified, which contributes to labour precariousness and inequality in the region.

These findings point to a negative impact on the social protection and welfare of informal workers, which is an important challenge to address. In response, Horvath and Yang (2022) noted that tax evasion by informal workers and the lack of state capacity to collect taxes also negatively affect the financing of public policies and social services, which limits the state's ability to implement efficient policies and improve labour and social conditions.

Regarding the positive and negative impacts of the informal economy, there is debate among experts. While it is recognised that it can generate employment and increase economic activity, the significant challenges it presents for sustainable growth are also highlighted, thus (Montañez et al., 2022), point out that lack of productivity, tax evasion and the limited capacity of the state to finance public policies and social services are some of the main negative impacts identified.

To address the challenges of the informal economy in Latin America, there is a need for comprehensive policies and strategies. According to Kamichi (2023) These include promoting education and training for informal workers, reducing administrative and fiscal barriers, improving infrastructure and basic services, strengthening labour and fiscal control and enforcement, and encouraging the formalisation of informal enterprises.

According to Salazar-Xirinachs and Chacaltana (2023), in Latin America and the Caribbean, the workforce averages approximately 263 million workers, with around fifty percent, or about 140 million workers, engaged in the informal economy. This demographic is notably unprotected by labor standards and lacks contributions to social security. More critically, a substantial portion of this population lives in poverty or extreme poverty, and is classified among the most vulnerable groups.

In a similar vein, Varela and Retamoza (2023) highlight that informality refers to work conducted under precarious conditions, marked by low productivity and the lack of social security programs. Latin America, with its extensive informal sector, sees between 40% to 50% of its economically active population engaged in such work. This widespread informality fuels ongoing discussions about the driving factors behind the sector's growth, sparking a broad debate aimed at understanding this complex social phenomenon.

Kamichi (2023) Informality is closely linked to poverty, low productivity, low incomes, and inadequate educational attainment. The primary driver of informality is the lack of job opportunities, as most Latin American countries have not adequately focused on creating productive and sustainable jobs proportional to the influx of young individuals entering the labor market. Informality represents a structural issue where labor flexibilization, cost reduction, income diminishment, and procedural efficiencies have only marginally addressed the problem. It is therefore critical to enhance economic policies to boost demand, with the goal of positively impacting the formal sector and incorporating a greater number of workers. Additionally, recent years have seen a significant impact of Venezuelan migration on informality in Latin American countries, with many immigrants entering the labor market under informal conditions.

5. Conclusions

In conclusion, labor informality is a global issue with a pronounced impact in Latin America, where inadequate formal

employment opportunities drive a substantial portion of the population into the informal sector. This is particularly evident in regions like Mexico-Guatemala and Peru, where over 75% of workers are employed informally, a rate that has exceeded pre-pandemic levels.

The study underscores the need for a comprehensive and coordinated approach to tackle the informal economy in Latin America. It reveals that this parallel economy adversely affects the region's economic development due to insufficient regulation, low productivity, tax evasion, and inadequate labor protection. To address these challenges, it is essential to implement policies and strategies that focus on educating and training informal workers, reducing administrative and fiscal barriers, improving infrastructure and basic services, enhancing enforcement, and promoting the formalization of informal enterprises.

6. Conflict of interest

The authors declare no conflicts of interest that could influence the publication of this article.

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