



The Informal Economy: A Reading of the Concept

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Abstract:

This study seeks to shed light on two important issues. The first relates to the methodological aspect concerning the crisis of concepts in the humanities and social sciences and the disputes surrounding them, particularly in how they are observed empirically in the field or converted into measurable indicators; thus, the concept becomes a variable. This situation is referred to as the "conceptual crisis." The second concerns the concept of the informal economy and the disputes surrounding its analysis across different knowledge fields and between official and academic discourse. This study addresses these issues through the following sections:

1. The a priori consideration of the concept in the social and human sciences.
2. From the conceptual crisis to the concept as a variable.
3. The informal economy: consensus in description and divergence in analysis.
4. Critical dialogue among researchers and the issue of adaptation-interpretation in the concept of the informal economy.

Keywords : concepts ; conceptual crisis; interpretation; informal economy.

1. Introduction:

A concept has epistemic authority in the context of intellectual discourse and the debate it generates, as well as reflecting the social existence of its users, whether researchers or social actors. A concept can be produced by a crisis, becoming one of its synonyms and indicators in its description and definition of its nature, giving each concept its identity. In addition to describing the context, whether characterized by development and advancement or by backwardness and regression, it always carries cognitive dimensions and explanatory value.

New concepts, upon entering the philosophical, economic, sociological, psychological, and other theoretical heritage, usually attract the attention of researchers and thinkers, who discuss them extensively as if they were a matter of consensus. Ultimately, however, differences arise regarding how their importance is perceived across various fields of knowledge, and even more so in how they are observed empirically or converted into measurable indicators, making the concept a variable.

This situation is referred to as the "conceptual crisis," highlighting the difficulty of linking real-world factors (field) and cognitive factors (theories) on one hand, and on the other hand, how concepts transform from one knowledge field to another, which is known in the epistemology of social sciences as adaptation or interpretation. Additionally, some terms assigned to the same concept may be scientific, while others are popular, especially within academic institutions, and may or may not coincide with the terminology used by political or military authorities. Here,



multiple types of concepts emerge for the same phenomenon, intensifying debate to the extent that some terms are considered official and others unofficial.

From the above, the cognitive relationship between the concept and the variable becomes clear, reflecting a significant part of the relationship between theory and field, which this study seeks to highlight by addressing the following issues applied to the concept of the informal economy:

1. The a priori consideration of the concept in the social and human sciences.
2. From the conceptual crisis to the concept as a variable.
3. The informal economy: consensus in description and divergence in analysis.
4. Critical dialogue among researchers and the issue of adaptation-interpretation in the concept of the informal economy.

2. The A Priori Consideration of the Concept in Social Sciences:

Previous questions indicate a crisis in concepts, as users from all specializations do not grant them the same meaning or operate from the same references. Consequently, concepts become subjective and arbitrary, formulated hastily based on a crisis, or constructed from the "self" as a thinking tool, privileging intellectual authority over reality, becoming an official spokesperson for social groups living the concept without allowing society to speak for itself or examining the development of theoretical methodology.

We do not rely on Durkheimian theory, which seeks causes and challenges scientific rules in discovering "social phenomena as things" (Durkheim (E), 1958, pp. 124–126), aiming to approach social phenomena from a positivist perspective encompassing objectivity and scientific rigor. Despite its empirical development within social sciences, it has proven limited. This is observed in Max Weber's well-known method of "understanding," where questions raised by concepts remain relative despite striving for scientific explanation, because understanding itself is subjective ("une subjectivité"), incorporating personal experience, reasoning, observations, readings, and accumulated scientific knowledge.

From this perspective, a concept manifests as expressing an underlying phenomenon, which we do not interpret in the same way or possess uniform references for; it embodies a network of infinite relationships among individual and collective situations, sometimes adhering to context and objective conditions. It reflects the ontological complexity of social and human life, requiring multiple and diverse approaches—philosophical, psychological, political, cultural, and anthropological—to reveal both subjectivity and objectivity inherent in the concept under discussion.

Since all descriptions of situations, facts, and representations transform into concepts in crisis, accompanied by imprecision and heightened significance, they constitute a form of collective psychology, becoming a crisis for a moment and a test of truth, requiring both new and established answers (Harendt (H), 1972, p. 156).

As the concept is thought, we think about events and what has occurred, recalling experiences that generate concepts. Only social history situates concepts in context, moving them from the social imagination of users into a tangible framework.

Few researchers investigate and question the representations of society's various strata regarding actions to mitigate certain phenomena. One cannot combat what is not represented



consistently, or lacks consensus in description, to later diagnose and devise practical strategies to monitor the concept.

Relying solely on observed reality, as social sciences often do through listing phenomena and their variables, or using sociography or mere observation without analysis and interpretation, does not provide sufficient answers. Philosophers have shown that questioning develops thought, exposes truth, and opens topics as initially bounded but ultimately infinite, transcending time and place, defining distinct thinking perspectives between "we" and "others," and considering context and historical-environmental dimensions. A concept may only partially reflect reality; it does not represent reality entirely, nor is it interpreted the same by all users, particularly when applied to unfamiliar realities not rooted in the contradictions and manifestations of the study domain.

Thus, this intellectual situation in conceptual handling raises the issue of "conceptual ontology" (Ducrot (L), 1980, p. 65), the manner of its existence, often recognized as a social state, gradually forming representations. These representations express objective and subjective states, which are never uniform across individuals in society.

Concepts fundamentally pose an epistemological issue: they do not primarily address ontology or the social existence of the phenomenon in society, but rather aim for "understanding," which, despite expressing lived reality, requires abstraction as a paradigm for thinking, infinite questioning, analysis, and interpretation (Marin (E), 1975, p. 7). A concept seeks to embody objective knowledge, establishing a relationship with latent truth for the researcher and perceived as truth by individuals.

3. From the Conceptual Crisis to the Concept as a Variable:

A concept is a meaning, a general idea, the sum of traits and characteristics clarifying a holistic meaning. The concept of a thing (philosophy and mysticism) is understood only through reason, not the senses (Comprehensive Dictionary of Meanings – Arabic-Arabic Dictionary), symbolically representing common characteristics among a set of objects. It is defined as a general mental representation of shared, stable features among observable subjects, applicable to any object possessing the same traits. Concepts have several key characteristics (Joudit Ahmed Saada & Jamal Yaqub Al-Youssef, 1988):

- **Abstraction:** Transition from the perceptible to the conceptual.
- **Generalization:** Collecting common traits among subjects under one concept and applying it to an infinite category of similar possible subjects.
- **Dimensions:** Theoretical and applied, as it refers to real subjects.
- **Scientific language:** Concepts are the language of science; a discipline must have an independent subject and a conceptual system to reach laws and theories through the scientific method.

Scholars differ on types of concepts based on their disciplines. Scientific studies classify concepts as:

- **Classification concepts:** Integrating subjects into a unified category, e.g., prose – poetry.
- **Comparative concepts:** Comparing objects or events.



- **Quantitative and qualitative concepts:** Quantitative traits like length or weight, qualitative traits like beauty or ugliness.
- **Theoretical concepts:** Highly abstract and non-operational, e.g., intelligence, imagination.

In social sciences, concepts divide into material/perceptible and abstract/meaningful concepts, e.g., freedom, responsibility, justice, democracy. These are most used in humanities and social sciences, reflecting the social existence of users—researchers and social actors alike—while holding epistemic authority in discourse. A concept can emerge from a crisis, becoming a synonym or indicator in its description and definition, giving it identity: describing context, development, regression, or stagnation, while always carrying cognitive dimensions and explanatory value.

Concepts renew across researcher generations; each generation adopts its research patterns, transforming and exchanging concepts, raising unprecedented social, political, and philosophical questions due to changing contexts and demands. This generates ideological use within ideology and cognitive dimensions appearing natural in guiding analysis toward specific epistemic directions. New generations adopt new theories and branches of knowledge.

From theoretical heritage in philosophy, sociology, and psychology, we see how new concepts attract attention, discussed extensively as if by consensus. Examples include paradigm, human behavior, and practices; ultimately, differences emerge regarding their significance across knowledge fields.

This situation is referred to as the "conceptual crisis," highlighting the difficulty of linking real-world factors (field) and cognitive factors (theories). In social sciences, researchers must usually observe concepts empirically or in the field, converting them into measurable indicators, making the concept a variable (Yala Farouk, 2016, pp. 08–09).

A variable is a term that involves something that changes, taking on different values or multiple attributes. It is essentially a concept that expresses differences among elements of a particular category. A variable indicates a specific attribute, which can take a number of states, values, or characteristics, and refers to the statistical data collected by the researcher regarding the magnitude of the attribute or property in an element, unit, or individual.

A variable refers to a specific concept that is defined operationally in research and measured quantitatively or described qualitatively. For example, intelligence is a mental attribute of individuals at varying degrees; it is also a variable because it does not have the same value, level, or degree across all individuals.

It is necessary for the elements of a category to differ for it to be called a variable. If the elements are of the same type, the attribute is considered a fixed measure rather than a variable. For example, conducting a study on males only means the gender variable is fixed (i.e., it becomes a constant). Therefore, a variable can be defined as the difference among individuals in the values or levels of a particular attribute. Researchers study both variables and constants.

Variables can be classified in multiple ways, and these classifications are useful in various types of research, especially when collecting data. We will use several classifications of variables from two fundamental perspectives with great importance in scientific research: measurement



level and research design. The table below illustrates types of variables and the characteristics of each type (Yala Farouk, 2016, pp. 08–09):

Basis of Classification	Type of Variable	Characteristics
Measurement Level	Quantitative	Continuous: A variable measured using interval-level instruments, sometimes called a measured variable. Values represent differences along a single continuum and include integers and fractions. Examples: satisfaction, adjusted age. No gaps exist between variable values.
		Discrete: Values are not continuous, so fractions cannot be used; all values are whole numbers. Example: number of family members.
	Categorical	A nominal-level variable whose categories function as names. Its primary purpose is to classify the concept into categories. Example: gender, college. Numbers in these variables do not express quantities of attributes; differences lie in type rather than degree.
Research Design	Independent	In experimental or quasi-experimental research, the independent variable is manipulated by the researcher to observe its effect on the dependent variable. It is often categorical. Example: incentives.
	Dependent	The variable affected by the independent variable; often continuous. Example: performance.
	Moderator	A variable that may change the effect of the independent variable on the dependent variable. It is considered a secondary independent variable under the researcher's control. For example, if the effect of a teaching method depends on student gender, gender is a moderator or secondary independent variable.
	Control	A variable whose effect the researcher attempts to eliminate, under their control.
	Extraneous / Confounding / Latent	An unintended independent variable not included in the study design, not under researcher control, but influencing the study results or affecting the dependent variable. It cannot be observed or measured but must be considered in discussing and interpreting results.



In addition to these classifications, researchers may treat a concept theoretically and transform it in the field into a real or quasi-variable, such as attributes (individuals: gender, age; institutions: type, size) or an abstract variable not measurable, such as globalization or governance. Researchers may also handle manifest or latent variables (concepts).

All these possibilities for a concept in the field require caution from researchers to ensure empirical measurement, which in statistics is called tool validity, meaning the instrument created by the researcher measures what it was intended to measure.

4. The Informal Economy: Consensus in Description and Divergence in Analysis

To understand this idea, which revolves around researchers' consensus in describing many concepts in the humanities and social sciences but often encountering divergence in analyzing these phenomena ("concepts"), we will use an illustrative example: the concept of the "informal economy."

Consensus in describing the informal economy does not require intellectual effort in describing and observing cases of practitioners or participants in this type of economy because official statistics can be consulted, whether from the state under study or from regional and international United Nations Human Development reports, to determine the size and spread of the informal economy across countries and sectors.

However, divergences quickly emerge among those studying this phenomenon, even within the same knowledge field. One early sign of divergence is the terminology used for the same phenomenon, reflecting the same situation and facts, sometimes with multiple synonyms: gray economy, clandestine economy, hidden economy, free economy, black economy, parallel economy, marginal economy, underground economy, shadow economy, etc. Other times, negation is used as opposition to the original concept: informal economy, abnormal economy, unmonitored economy, illegal economy, unregulated economy, unrecorded economy, unreported economy, abnormal economy, etc. Additionally, descriptive phrases like "under the table" or "off the books" are used.

Differences intensify when the same concept is studied across multiple fields such as economics, sociology, political science, law, and statistics, which all consider it a subject of interest. Consequently, divergence in terminology extends to differences in measuring, diagnosing, and proposing solutions.

Economists, for example, often describe the informal economy as all economic activities outside the formal economy regulated by the government (Feige (E.L), 1989). This type of economy involves public income where certain types of income and means of generation are unregulated by social institutions within a legal and social environment (Gërxhani (K), 2004, pp. 267–300). All economic activities not subject to taxation, not monitored by the government, and not included in the national output fall under this category, unlike the formal economy.

Sociologists view it as actions aimed at filling gaps and deficiencies in the formal economy. Legally, it represents hidden economic activity outside any legal framework, while statisticians consider it unmeasurable or beyond quantification.

Terminology varies between scientific and popular usage within academic institutions and may coincide or differ from official terms used locally by political and military authorities, or by



local and international bodies such as the National Economic and Social Council (unregistered in statistics and accounting), the International Labour Office, the International Labour Organization (providing unregistered and unprotected jobs), the International Cooperation Organization (activities not appearing in national accounts), and the International Monetary Fund (tax-evasive economy). Thus, multiple concept types exist for the same phenomenon, intensifying debates about official and unofficial terms.

Discrepancies increase when concepts are transferred between contexts, such as considering the informal economy in developing versus developed countries. This type of economy is mainly associated with developing countries, even though informal economies exist in all economic systems.

Researchers also diverge in determining the causes of informal economy emergence, diagnosing it, and proposing solutions. Its manifestations and representations are multiple, emerging from crises in modern states, economic disruption, and financial capitalism. It is a concept of crisis and, simultaneously, a crisis-concept itself, prompting the question: Is this due to the social sciences' failure in approaching concepts, or the researchers' limitations, given that we adhere to a scientific ("scientiste") rather than scientific ("scientifique") approach? This calls for a multidisciplinary perspective, as social phenomena surpass specialization due to the ontological complexity of contemporary societies and individuals in unstable, continually transforming social structures and mentalities.

5. Critical Dialogue Among Researchers and the Issue of Adaptation-Interpretation of the Informal Economy Concept

The conceptual crisis appears in the symmetry and methods each specialist in a knowledge field uses to adapt concepts to their scientific and research topics.

Here, the dialectical relationship between the crisis concept (here, the informal economy) or the historical-social situation, and the conceptual crisis becomes clear: when a concept is tied to a historical moment, once it passes or diversifies, it no longer serves its purpose (Bourdieu (P), 1982, p. 154).

When examining concepts previously studied in the West, one must adopt a "cultural approach to science," freeing concepts from disciplinary attribution and ideological bias, and granting interpretive dimensions during transitional phases in socially and politically inward-looking societies. One must distinguish between purely technical concepts and scientific concepts, between macro-knowledge concepts with multiple interpretations and micro-specialized concepts specific to a field.

The informal economy concept is imported from the West and must be carefully adapted to Algeria, considering historical, social, cultural, religious, political, and psychological differences; the society's specificity must be considered.

The ontological complexity of social and human life requires critical dialogue and re-examining concepts and their interpretations. An essential epistemological idea is to help novice researchers break with convention. Social problems are defined based on awareness, as per Merton: the greater the awareness, the greater the perception of social problems.



The informal economy is linked to awareness: first, the state's awareness of societal particularities, and second, the individual's awareness as a citizen living under laws and regulations.

Thus, defining a concept requires a priori engagement, linking it to reality and its manifestations. The urgent theoretical importance lies in uncovering seemingly identical phenomena that appear as a single truth but are, in reality, distinct (Todorov (T), 1989, p. 123). For example, multiple terms for the informal economy express a particular reality, yet upon examination, they differ despite vague boundaries. Weber, in addressing rationality, raises the question of irrationality, prompting researchers to interpret political phenomena that appear irrational. By listening to individuals' concerns rather than speaking for them, researchers discover alternative concepts beyond conventional sociological or historical interpretations (Morin (E), 1984, p. 4).

Similarly, the informal economy concept, when approached as formal researchers do, differs from practitioners' lived experiences. Allowing practitioners to express their concerns provides stereotypical images of the phenomenon differing from researchers' previous assumptions; the formal may become informal and vice versa.

This recalls Durkheim's core idea: "the thing contrasts with the idea." Knowledge of things from within differs from external observation, and knowledge failing to establish corresponding categories and concepts is superficial (Durkheim (E), 1958, p. 142).

Therefore, to move beyond these intellectual speculations about concepts, it is necessary to deconstruct and rediscover the relationships between things, which involves the extensive discussion between phenomenology and positivism, and to distance oneself from pre-packaged models of circulating concepts without attempting to link them to context and societal development in all its political and cultural dimensions.

Critical dialogue should also not be confined to purely theoretical discussion but must rely on statistics and the meanings they carry, with awareness that relying solely on numbers is insufficient, because numbers do not tell the full story. Rather, social reality must be detailed without starting by judging a phenomenon as cultural, political, or economic without relying fundamentally on the material evidence that establishes this.

6. Conclusion:

All researchers agree that concepts (the informal economy being one of them) must be treated cautiously based on epistemic foundations or social reality in all its dimensions, according to the following precautions:

1. Always start from the idea that concepts are interwoven; there is no absolute truth regarding them.
2. Any prior classification of social phenomena will constrain the definition of concepts and prevent their deconstruction and development, rendering studies ineffective.
3. Be cautious of exaggerated concepts, as they are often positional, ideological, or political rather than scientific; the more a researcher overstates the studied reality, the more the concepts deviate from reality.
4. A concept reflects the social existence of its users and usually carries some ideology.



5. There is no consensus on how to conceptualize concepts or their importance across different knowledge fields.
6. There is always a challenge in how concepts transform from one knowledge field to another, known in the epistemology of social sciences as adaptation or interpretation.
7. Another, more serious challenge is how to transfer a concept from the environment in which it originated to another environment.
8. The greatest difficulty for researchers is how to observe and measure concepts in the field or empirically, transforming them into measurable indicators, thus making the concept a variable.

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