

Strategy to promote the Social and Solidarity Economy in informal microenterprises in Oaxaca: The case of mezcal producers from Santiago Matatlán, Oaxaca. (2020-2023)

Estrategia para impulsar la Economía Social y Solidaria en las microempresas informales de Oaxaca: El caso de los productores de mezcal de Santiago Matatlán, Oaxaca. (2020-2023)

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Abstract

The informal economy has served as a short-term alternative to the lack of formal sector jobs in the capitalist economy, providing a means of livelihood for thousands of people living in marginalized conditions. However, it must be acknowledged that in the long term, the informal economy only contributes to maintaining low productivity and competitiveness in the economy of the state of Oaxaca, thereby reinforcing the vicious cycle of poverty. To formulate a strategy for transitioning informal microenterprises in Oaxaca into formal organizations within the social and solidarity economy, while analyzing the case of mezcal producers in Santiago Matatlán, Oaxaca. We deem it appropriate to conduct a strategic analysis of the threats and opportunities presented by the current external environment and the strengths and weaknesses of the informal economy sector in the state of Oaxaca, starting from the specific case of Santiago Matatlán, Oaxaca. The goal is to identify potential strategies that should be implemented to promote social and solidarity economy in this locality and, in a broader context, in the state of Oaxaca. The aim is to contribute to the formulation of public policies aimed at enhancing the productivity and competitiveness of the economy, specifically in Santiago Matatlán and in the broader context of the state of Oaxaca.

Capitalist crisis, Informal economy, Social and Solidarity Economy

Resumen

La economía informal ha actuado en el corto plazo como una alternativa a la falta de empleos del sector formal de la economía capitalista, proporcionando a miles de personas que viven en condiciones marginales una forma de ganarse la vida. Sin embargo hay que reconocer que en el largo plazo la economía informal solo contribuye a mantener baja la productividad y competitividad de la economía del estado de Oaxaca, reforzando con ello, el círculo vicioso de la pobreza. El objetivo de esta investigación es formular una estrategia de transición de las microempresas informales de Oaxaca a organizaciones formales de la economía social y solidaria (ESS), analizando el caso de los productores de mezcal de Santiago Matatlán, Oax. Consideramos conveniente hacer un análisis estratégico sobre las amenazas y oportunidades que presenta el actual entorno externo y las fortalezas y debilidades del sector de economía informal del estado de Oaxaca, partiendo del caso particular de la localidad de Santiago Matatlán Oaxaca, para identificar las posibles estrategias que se deben implementar para impulsar la ESS en esta localidad y en general en el estado de Oaxaca. Se pretende contribuir a la formulación de políticas públicas que pretendan mejorar la productividad y competitividad de la economía en particular de Santiago Matatlán y en general del estado de Oaxaca.

Crisis capitalista, Economía informal, Economía Social y Solidaria

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Introduction

The Covid-19 pandemic generated in the period 2020-2022 one of the increasingly continuous crises of global capitalism, which will be prolonged by the inflation caused by the war between Russia and Ukraine. This economic crisis generated in the state of Oaxaca, Mex, and throughout its territory, a decrease in economic activity. This economic crisis generated in the state of Oaxaca, Mex, and throughout its territory, a decrease in economic activity, due to business closures, increased unemployment, loss of income and a decrease in the level of well-being for the population in general, but mainly for the most marginalised and competitively weaker, increasing poverty and widening inequalities in relation to the rest of the country's entities.

This situation has not only been caused by the external environment, but also by the internal environment due to the low productivity and economic competitiveness of the state, linked to the practice of a traditional economy of an important part of the Oaxacan population that resists modern conditions of economic relations, as evidenced by 73.2% of the 570 municipalities in the state.

The seriousness of this situation is that in every crisis of capitalism, the worst part is faced by the population of regions such as Oaxaca, due to the structural weaknesses of low productivity and competitiveness of its business economy.

An alternative to the negative effects of the economic crises of capitalism is the Social and Solidarity Economy (SSE) as a model of productive organisations that seek social welfare and that can take advantage of the potential offered by the economy of the popular sector as one of the alternatives to the economic model of capitalism.

It is in this context that this research aims to contribute to the analysis of the obstacles to taking advantage of the potential of the Oaxacan popular sector economy to promote the social and solidarity economy as a more efficient model of economic organisation that contributes to economic growth and the fight against poverty.

Background

In Oaxaca, the economic crisis in the period from 2020 to 2022, generated unemployment and underemployment, due to the measures of confinement and social distancing imposed by the government to contain the spread of the Covid-19 pandemic virus; companies had to reduce their staff or close, with the most affected being the least educated population with the lowest income, who have no job security and have greater difficulty finding employment. As a result of this phenomenon, there was a consequent increase in poverty, mainly in the sector of the population with the most precarious economic conditions, due to the loss of their jobs and the difficulty of maintaining family subsistence.

According to the National Institute of Statistics, Geography and Informatics and its National Survey of Occupation and Employment, in 2021 Oaxaca, the unemployment rate was 1.28% and the poverty rate was 41.9%. Of this universe, 43.1% (about 1,762,800 people) were in moderate poverty, while 23.3% were in extreme poverty (about 951,800 people). The percentage of poverty in Oaxaca is 24.4 percentage points higher than the national percentage (INEGI, 2022).

Likewise, the confinement and social distancing necessary to avoid the further spread of the pandemic, pushed humanity as an alternative to make use of information and communication technologies (ICTs) in all its activities, but mainly in economic activities, through the application of digitalisation, automation and artificial intelligence in the production processes of goods and services, which generated considerable labour savings and an increase in unemployment, displacing less skilled labour for the competencies required by the new technologies. It should be noted that this phenomenon of labour marginalisation is a characteristic of the dynamics of capitalism that has occurred in the past.

This situation led the unemployed and marginalised Oaxacan population to follow two strategies to solve their economic subsistence problems: emigration to the United States of America (USA) and family entrepreneurship of informal micro-enterprises, as an alternative to the lack of opportunities for decent and well-paid jobs.

Oaxacan emigration is mostly for economic reasons in the hope of sending remittances in dollars to their families. In 2020, 35,936 people emigrated abroad and 93 out of every 100 went to the United States of America to find work (INEGI, 2021).

Informal entrepreneurship is an initiative to organise informal family and communal micro-enterprises in urban and rural areas, through the production and sale of goods, food or manufactured products for immediate consumption and services related to the transport of food or cleaning for the population close to their immediate environment. Informal economic activities in Mexico and in Oaxaca are very important, as they typically support low unemployment rates. According to INEGI, Oaxaca is one of the entities in the country with the highest rates (81.7%) of labour informality. (Op. Cit.).

The problem

Although we recognise that in the short term, the informal economy has provided a resilient response to the subsistence of thousands of Oaxacans who live in conditions of poverty and marginalisation, we must also recognise that in the long term, as has been the case, it only contributes to maintaining the productivity and competitiveness of the state economy low, thus reinforcing the vicious circle of poverty. In other words, we consider that the main problem limiting the productivity of the Oaxacan economy is the dominance of the informal economy (81.7%), which generates a series of negative consequences that reinforce the vicious circle of poverty and the well-being of the population.

The question that arises is how to gradually formalise the informal economy and how to break the cycle of low productivity, low income, low savings, low investment, low and low-paid employment and poverty? In this research we consider that a policy to gradually end the informal economy and break this vicious circle of poverty by increasing the productivity of the economy of the state of Oaxaca can be implemented by harnessing the potential of the 81.7% of informal economy enterprises in the popular sector of the state of Oaxaca by gradually formalising these enterprises into SSE organisations that can achieve the objectives of social and local welfare and be more productive and competitive in the market.

Objective

The objective of this research is to formulate a strategy to encourage informal microenterprises in Oaxaca to adopt the model of social and solidarity economy social organisations.

Theoretical framework

The economic crisis of neoliberal capitalism

The economic crisis generated by the Covid-19 pandemic in 2020, occurred in a period of economic and social instability within the capitalist system in which serious problems affecting the economy, institutions and society as a whole are manifested. For Coraggio (2011) the neoliberal capitalism that gained momentum since the 1980s has provoked the economic crises "by the massive exclusion from employment, the erosion of wages and social rights, the expanded concentration of wealth, the liberation of a globalised market fierce in its punishment of those who cannot compete, the expansion of a so-called informal sector that phagocytizes itself by the savage competition for survival".

Economic crises in the capitalist system tend to disproportionately affect the weakest workers for a number of reasons: reduced investment and demand; falling production and economic activity; impact on precarious informal sectors; increased competition for jobs; chain layoffs; reduced wages and benefits; disinvestment in training and skills development. Id est, economic crises in capitalism often affect the weakest workers due to the interaction of factors such as declining demand, falling business investment and lack of labour protections (Ripani, 2022).

The informal economy

The informal economy began to be analysed in the 19th century by Marx, who observed that unemployment is a particular phenomenon of market capitalism, which he called the reserve army. For Marx, this group acts as a reserve of labour available to be employed at times of high demand and dismissed at times of low demand. The industrial reserve army helps to keep wages low and to put pressure on employed workers to accept less favourable working conditions.

In addition, this reserve of workers also contributes to maintaining capital's control over the labour force and perpetuating inequality in the capitalist system (cited in Chacón, 2021).

According to the International Labour Organisation (2020) "the informal economy is part of the market economy because it produces (legal) goods and services to be sold or for which other types of remuneration are received. It encompasses informal work both in informal enterprises (unregistered small enterprises) and outside them. Informal entrepreneurs and informal workers share an important characteristic: they are not recognised or protected by legal and regulatory frameworks. The informal economy does not include the criminal economy or the reproductive or care economy".

From our perspective, the origins of the informal economy in states such as Oaxaca are rooted in various historical and economic circumstances such as the backwardness of their economic development due to the lack of infrastructure, education and social services that limit opportunities and lead to the proliferation of the informal economy. Such economic inequalities, which have driven Oaxacan workers to migrate to areas with better job opportunities in search of employment and better living conditions, have led to the formation of marginal urban communities that rely on temporary and unregulated work.

In addition, legal and regulatory barriers have made it difficult to create formal enterprises, which encourages people to operate in the informal economy. And, following Betancour (2014), the economic crises of Mexican capitalism have induced the most economically weak to resort to informal activities as a form of subsistence when formal opportunities diminish.

In general, the informal economy emerges as a response to the limitations and challenges people face in their search for employment and livelihoods, and can be both a survival strategy and a reflection of deficiencies in the economic and legal system.

The informal economy generates negative impacts on the Oaxacan economy such as:

- a) Tax evasion, which reduces government revenue to generate development conditions for society.
- b) Lack of access to credit and financing, which limits their ability to invest in their businesses and expand their activities.
- c) Unstable and unsafe working conditions, with low wages, irregular hours and lack of labour protections.
- d) Lack of job security that reduce workers' basic labour rights.
- e) Unfair competition in the markets by offering their products at lower prices.
- f) Economic instability by circumventing state regulations to protect consumers.
- g) Lack of access to health, retirement and unemployment services which harms workers and their basic rights.
- h) Creates a favourable climate for corruption by paying bribes to public officials to avoid regulations.

All this leads to low productivity due to lack of access to training, technologies and financial resources, which limits their ability to compete effectively and contribute to economic growth (Devillard, 1990).

However, we must recognise that the informal economy also has positive aspects such as:

- a) Being an alternative to capitalism in generating employment, as the informal economy provides employment to people who would otherwise not have job opportunities in formal capitalist enterprises, which is especially important in entities such as Oaxaca with low opportunities for decently paid employment;
- b) Labour flexibility, as informal activities often allow for greater flexibility in terms of working hours and conditions, which can be beneficial for certain groups of workers, such as single mothers or the elderly;
- c) Contribution to Gross Domestic Product, although not always officially recorded, the informal economy can represent a significant part of a state's GDP, contributing to economic activity;

d) Economic resilience in times of economic crisis, such as that generated by the Covid-19 pandemic, as the informal economy can act as an alternative by providing people with a way of earning a living when formal opportunities diminish.

Ultimately, the impact of the informal economy on a country's development depends on a number of factors, including the size of the informal economy, government policies, the quality of regulation, and investment in education and training. In many cases, finding ways to gradually integrate informal workers and activities into the formal economy can contribute to sustainable and equitable development.

The social and solidarity economy and the informal economy

An alternative to capitalism has been the social and solidarity economy due to its fundamental differences in terms of values, objectives and organisational structures. This model of social organisation refers to a set of economic and business practices centred on values of solidarity, cooperation, participation and sustainability.

It is an organisational model that, unlike the capitalist enterprise that primarily seeks to maximise the profits of its owner and the economic accumulation of capital, it seeks to maximise the welfare of its members and the community in which it is located. It is based on cooperation and solidarity and seeks to promote social values of equity and sustainability (Fontenau, 2010).

This model, unlike informal micro-enterprises, aims, with the associative strength of the workers or producers, to be a formal social organisation and to have greater economic efficiency and longer life expectancy, through long-term sustainable economic growth, with an interest in social issues and care for the environment, unlike informal micro-enterprises, which only aim to solve their individual or family problem of short-term economic subsistence.

This model of economic organisation can contribute to the informal economy to:

1. Gradual formalisation, as this model seeks to formalise economic activities through the creation of cooperatives, associations and other organisational structures that promote self-management and collective decision-making. This can help informal workers to access legal and social protection and to integrate more effectively into the formal economy.
2. It contributes to capacity building as the SSE often prioritises training and skills development for its members. This can increase productivity and quality of work in the informal economy, thereby improving income opportunities and quality of life for informal workers.
3. SSE initiatives often facilitate access to sources of finance and credit for collective ventures and projects, which helps informal workers to invest in their businesses and expand their activities in a sustainable way.
4. The SSE contributes to the reduction of labour exploitation and precarious conditions in the economy as it seeks to promote fairer and more equitable labour relations, which can improve the working conditions and dignity of informal workers.
5. The SSE encourages innovation in business models and economic approaches. This can inspire informal workers to explore new ways of working and collaborating that enable them to overcome the constraints of informality.
6. The SSE is based on principles of cooperation and solidarity. This can influence the creation of networks and alliances among informal workers, strengthening their collective voice and capacity to advocate for better conditions. (INAES, 2022).

It is important to note that the relationship between the social and solidarity economy and the informal economy can be complex and vary according to the cultural, social and economic context of each country. However, the SSE has the potential to offer a more inclusive and sustainable approach to address some of the challenges associated with economic informality.

Methodology

This research is based on the inductive method, through the analysis of the particular case of micro-entrepreneurs producing mezcal in the town of Santiago Matatlán, Oaxaca, in order to make proposals for strategies at the state level. We also rely on qualitative research, as it prioritises the discovery and refinement of research questions through observation, i.e. with data without numerical measurement (Bernal, 2010).

Scope and limits

This research is based on the strategic analysis of the external and internal environment of informal mezcal micro-producers in the town of Santiago Matatlan Oaxaca, in the period 2020-2023, to identify and formulate a set of strategies to induce the adoption of the organization of a SSE model, without pretending to reach the implementation of these for reasons of time and funding.

Research design

We were guided by Fred R. David's (2013) strategic planning model. David (2013), which is based on the development of a diagnosis (strategic analysis), in which the external environment is evaluated by identifying the threats and opportunities that the informal economy and the SSE model have, as well as the internal analysis of the strengths and weaknesses that informal microenterprises have to adopt the SSE model for their development, once the main factors of these environments are identified, the next step will be to identify the strategies with the support of the SWOT matrix to achieve the objective of this research.

Universe and simple

The study universe is comprised of 108 informal mezcal-producing micro-enterprises in Santiago Matatlán, Oaxaca, identified in the field research. The type of sample to be used is the non-probabilistic purposive sample (Muguiru, 2017), which in this case is 57 mezcal micro-producers, it is a purposive sample with interviewees that meet the purpose of the research.

Strategic analysis

General characteristics of Santiago Matatlán, Oax.

The town of Santiago Matatlán is located in the central valleys region of the state of Oaxaca, 45 kilometres from the city of Oaxaca, near Matatlán, there are other emblematic places of Oaxaca, such as Mitla and Tlacolula. In the following picture, you can see its location with the blue road.



Figure 1 Location of Santiago Matatlán, Oax.
Source: Google Maps

It is known worldwide for the production of mezcal. According to CONEVAL data (2022), 58.3% of its population suffers from extreme poverty and 30.5% from extreme poverty. And according to Data México (2020), the economically active population of this locality corresponds to 61.7% of the total inhabitants, who earn an average monthly income of 3,490 Mexican pesos.

In contrast, according to INEGI (2019), in 2015 95.2% of the total national production of mezcal was concentrated in large and medium-sized enterprises, so that only the remaining 4.8% corresponds to micro and small enterprises, which predominate in number in Santiago Matatlán, the "mezcal capital of the world." Furthermore, the existence of 329 mezcal factories has been recorded in Oaxaca, of which 317 are categorised as informal micro-enterprises (Espinosa, et. al., 2017) The above is an example of the low productivity and competitiveness of the existing informal mezcal businesses in Santiago Matatlán, which do not seek growth and only carry out subsistence activities.

Strategic Analysis

Threats

Legal instability and fiscal risks

Informal mezcal businesses in Santiago Matatlán often operate without an adequate legal structure, which leaves them vulnerable to legal problems. This can include the possibility of facing sanctions or fines for not complying with legal requirements, such as trademark licenses, government permits to trade alcoholic beverages, and specific regulations for the safe production of the beverage. Moreover, without a clear legal entity, the owners of these businesses may be personally liable in the event of litigation or non-compliance. The problem is highlighted when the majority of these businesses in the locality in question are in breach of the law, which has hindered their expansion in the market.

Unfair competition

Formal businesses are obliged to comply with specific regulations, such as obtaining licenses, paying taxes, and meeting quality and safety standards. This can increase their operating costs compared to informal firms that avoid these requirements. Informal firms can offer lower prices due to their lower tax and regulatory burden, and can claim to be following traditional practices, which may gain sympathy among some consumers and make authorities reluctant to take action against them.

However, by avoiding formalisation of enterprises to avoid paying regulations and tax requirements, mezcal producers also reject the possibility of expanding their market, as formalisation and regulation of their productive and commercial activities is necessary to sell their products in other markets, such as the international market, which accentuates their low competition and marginalisation.

Limited access to finance

Due to the poor trade of their products and their legal irregularity, informal mezcal enterprises in Santiago Matatlán are unable to prove their income, which prevents them from accessing productive credit to boost the growth of their businesses, as they are unable to demonstrate assets or collateral to back up their commitment to pay.

Moreover, their irregular nature is an additional difficulty in attracting national or foreign investors, as they lack financial records or solid operations to ensure their growth and guarantee profits to investors.

Inability to participate in public tenders

Another disadvantage of the informal character of Santiago Matatlán's mezcal enterprises is their inability to access bidding opportunities or government contracts. The informality of Santiago Matatlán's mezcal enterprises generally excludes them from participating in public tenders due to the lack of compliance with the legal, regulatory and financial requirements necessary to compete in these processes. In order to access public tender opportunities, these enterprises must consider legal formalisation, compliance with fiscal and commercial regulations, and improving their execution capacity to meet the standards required in the public sector.

Public tenders are designed to ensure transparency and the proper use of public funds. Informal companies may lack the necessary transparency in their financial operations and cannot provide guarantees that they will manage public funds properly if awarded a contract.

Labour and health risks

In the informal mezcal enterprises in Santiago Matatlán, workers are exposed to hazardous working conditions, such as lack of personal protective equipment, lack of safety and risk training, and the handling of dangerous tools during the mezcal production process. They face health and safety risks due to the lack of safety protocols in the mezcal factories.

In addition, mezcal production involves the fermentation and distillation of liquids, which can create public health risks if quality testing of the resulting products is not implemented. Lack of regulation and oversight can result in contaminated or adulterated mezcal, which can cause consumer intoxication.

To address these labour and health risks, it is critical that informal mezcal businesses in Santiago Matatlán and elsewhere consider formalising and complying with required safety and quality regulations and standards.

In addition, adequate training of workers in safe practices and investment in personal protective equipment and safe machinery are essential to reduce risks in the workplace. Supervision and enforcement of specific regulations for mezcal production are also crucial to ensure product quality and safety.

Lack of access to social security and employment benefits

The majority of informal mezcal enterprises in Santiago Matatlán operate outside of legal formality, meaning that they are not registered with labour authorities and do not comply with legal obligations related to social security and labour benefits. Many of the workers in the mezcal factories do not have formal labour contracts that establish employment conditions and benefits. And the lack of proper documentation makes it difficult to implement labour benefits.

In addition, the lack of social security and employment benefits in informal enterprises not only affects workers, but can also have negative consequences for society as a whole, as it can increase the burden on government welfare and health care systems. Many of the informal mezcal enterprises in Santiago Matatlán have a short-term focus and may not consider employee retention and wellbeing as a priority. This can result in a lack of investment in employee benefits.

Limitations on market expansion

Lack of formalisation is often accompanied by a lack of resources and effective marketing and promotion strategies. This limits the ability of informal mezcal enterprises in Santiago Matatlán to reach new customers and promote their products in competitive markets. Operating informally can expose enterprises to legal and fiscal risks that can be an impediment to expansion. Lack of compliance can lead to penalties and litigation, affecting financial stability and the ability to compete in wider markets.

National and international markets often have specific regulations and standards that companies must meet to enter. This includes quality standards, labelling, food safety and trade regulations.

The informality of mezcal companies in Santiago Matatlán means that they are not prepared to meet these requirements, which limits their access to new markets. To compete internationally, informal enterprises must face additional barriers, such as tariffs, quotas, and import and export regulations. These barriers can be difficult to overcome without a solid legal structure and the ability to comply with customs and international trade regulations.

Vulnerability to economic changes

If the Santiago Matatlán region relies heavily on tourism, events such as the Covid-19 pandemic or economic crises can drastically decrease the influx of visitors and thus affect the demand for local products, including mezcal. Lack of formalisation and operating informally make mezcal enterprises in Santiago Matatlán especially vulnerable to economic changes, as they lack the tools and resources to adapt effectively to challenging economic situations. To increase their resilience, these enterprises can consider legal formalisation, diversifying their sources of income, seeking financing, and maintaining sound financial practices.

Limited reputation

The lack of regulation and oversight of informal mezcaleros in Santiago Matatlán may result in products of variable quality and uncertain safety. Consumers may be concerned about the safety of products they purchase from informal enterprises due to the lack of quality control and the possibility of contamination or adulteration, and the lack of proper documentation, record keeping, and reporting may result in the perception that they are hiding information or evading taxes, causing potential customers to choose to purchase reliable products from regularised enterprises.

Lack of access to business training and resources

Training programmes and resources tend to have limited assets and quotas, and organisers prioritise enterprises that have the most significant growth potential and economic impact for Oaxacan regional development.

Informal mezcal enterprises are often seen as less promising as they refuse to formalise their businesses and avoid regulating and certifying their products, which makes it difficult for them to participate in calls for support from public institutions.

Opportunities

Financing informal enterprises

There are some cooperatives and savings funds that grant productive loans to informal enterprises, which, despite not being able to demonstrate a fixed income, make it easier to obtain loans. Also, government institutions sometimes offer support programmes for small enterprises, including informal ones, with preferential interest rates or partial guarantees. These loans allow informal mezcal enterprises to access resources to boost their growth even outside the legal framework. In addition, there are non-governmental organisations that provide advice to entrepreneurs and formal companies to obtain micro-credits and investment. And the advantage of the mezcal producers of Santiago Matatlán is the potential for growth of their businesses if they become regularised and expand their market.

Legal and labour rights protection

There are collectives and associations that offer free training and legal advice that mezcal entrepreneurs can access, which encourage the formalisation of their businesses by explaining the advantages and regulatory procedures. In this way, fostering the regulation of informal mezcal enterprises favours the attraction of professional and better trained workers, which generates a mutual benefit in favour of the growth of these enterprises.

Participation in public tenders

Encouraging the formalisation of mezcal enterprises can allow them to participate in public tenders by governmental bodies, which benefits them with the awarding of contracts for the sale of their products. This can also favour the image of the company to compete in new markets.

Access to international markets

Mezcal companies in Santiago Matatlán can trade their products abroad if they carry out the corresponding regulatory procedures in the corresponding instances, as these are a fundamental requirement to move their goods through customs. They even need to be formalised both in the country of origin and abroad.

Improved image and reputation

Since an informal enterprise generates distrust in the market due to its lack of sanitary regulation or suspicious production processes, encouraging its formalisation can help mezcal producers in Santiago Matatlán to attract new clients, as well as secure their current clientele by establishing quality protocols to ensure their products.

Compliance with quality and safety standards

By regulating production processes and certifying their goods, mezcal companies can avoid possible sanctions, the risk of which is greater in their informal status, as well as obtain noticeable improvements in their production in favour of their optimisation, which translates into cost reduction, maximisation of resources and assurance of the quality of their products. A fundamental requirement for the mezcal producers of Santiago Matatlán is the certification of the liquor in specialised laboratories, in order to avoid alterations in the drink that could be negative for consumers.

Reducing legal and fiscal risks

Due to the fact that informal mezcal companies in Santiago Matatlán carry out commercial activities without being registered with the tax authorities, there is a risk of receiving excessive monetary fines that directly affect the economy of mezcal producers. This is why regularising these enterprises can allow them to carry out economic activities without the risk of receiving legal or fiscal sanctions.

Government support

The formalisation of the mezcal enterprises in Santiago Matatlán allows them to participate in government support programmes, which grant credits or goods in kind that boost the growth of the enterprises.

In addition, through regulation and the payment of fees, the state obtains higher revenues that are converted into infrastructure and more social programmes, which benefit the enterprises themselves.

Access to training and business development programmes

There are a number of programmes that offer free or low-cost advice to businesses with growth potential, the main requirement of which is proper and legitimate documentation. Therefore, if the regulation of mezcal enterprises in Santiago Matatlán is encouraged, they can have access to courses and training of various kinds that favour their growth through the optimisation of administrative, productive and commercial processes.

Weaknesses

Traditional economic rationality

While traditionalist rationality can have benefits in preserving local culture and identity, it can also limit opportunities for growth and efficiency in informal mezcal enterprises. It is often a challenge to find a balance between preserving traditions and adopting modern practices that can improve product quality, operational efficiency and access to new markets.

In Santiago Matatlán, distrust of government institutions and outside companies is high. This leads informal mezcal producers to opt for management practices and structures that avoid external intervention, resulting in subsistence practices and low growth. In addition, these enterprises often value autonomy and independence in their decision-making, so they see modern regulations and business practices as a threat to their freedom and control over their operations, mainly towards the loss of the qualities of artisanal mezcal.

Low business productivity

Lack of productive training and poor working conditions not only affect mezcal factory workers, but can also have a negative impact on the quality of the product and, ultimately, on the competitiveness of enterprises in the market.

To address these issues, it is essential to promote the legal formalisation of informal enterprises, raise awareness of labour rights, and provide access to training programmes and business counselling.

For many informal mezcal enterprises, the main focus may be on survival rather than constant improvement. They may be more concerned with staying afloat than investing in training and labour improvements. And if operating in a local market with little competition, informal enterprises may not feel the pressure to improve their operations or working conditions in order to compete. Resistance to change and adherence to traditional practices may make informal mezcal enterprises in Santiago Matatlán reluctant to adopt new ways of operating, even if they could improve product quality and labour conditions. Lack of incentives for innovation

For most informal mezcal enterprises in Santiago Matatlán, the primary goal is survival rather than innovation. They may be more concerned with staying afloat and meeting the existing demands of the local clientele than with investing in research and development to expand their market. Moreover, their informal nature prevents them from accessing government support to boost innovation in their production processes, not to mention their resistance to change. Mezcal production is often based on deep-rooted cultural traditions and practices that have been passed down from generation to generation. This tradition can lead to resistance to change and reluctance to adopt new technologies or production practices.

Lack of investment in human capital

Lack of training and professional development makes mezcal enterprises in Santiago Matatlán less likely to innovate in their production processes and products. Innovation often requires technical knowledge and specific skills, but due to the reluctance to modify their mezcal production processes, it is difficult to optimise their business activities.

Labour instability

Informality in mezcal enterprises in Santiago Matatlán results in precarious working conditions and increased labour instability for mezcal factory workers.

This often puts employees in a vulnerable position and has negative effects on their financial well-being and job security, hindering the possibility of their professional development and accentuating their low competitiveness. In addition, excessive working hours and lack of job security can lead to the risk that mezcal companies may be fined if their workers complain to the authorities, which can have a negative impact on companies that without registration or savings funds may cease their activities.

Commercial intermediation

Mezcal resellers buy products in bulk from informal enterprises in Santiago Matatlán at lower prices and then resell them at a higher price for higher profits. This reduces the profit margin of mezcal producers, which affects the profitability of their businesses and prevents their growth. By relying heavily on resellers to sell their products, informal mezcal enterprises have less control over the distribution and marketing of their products. This makes them vulnerable to changes in the resellers' business strategy or ethics. In addition, because the resellers have formal businesses, they can access new markets, while the producers do not get a fair income for the work invested.

The environmental impact of mezcal

Mezcal production generates organic waste, such as agave fibres after juice extraction, which if not properly managed can contaminate soil and water. The lack of regulation of the production practices of informal mezcal enterprises in Santiago Matatlán has resulted in the contamination of its water resources and potentially usable land for planting in the locality. Mezcal producers may not be aware of the environmental impacts of their operations or may not consider environmental sustainability as a priority due to resistance to changing their traditional procedures or investing in training.

Strengths

Human and natural resources

Due to knowledge passed down through generations, the planting of agave, which is the raw material for mezcal production, has allowed mezcal producers to reduce costs in their production operations.

In most of the informal mezcal enterprises, the members of the nuclear family are the main labour force, which avoids expenses in hiring external workers and possible training in case of lack of knowledge about mezcal production.

Collaboration and mutual support

In Santiago Matatlán, mezcal production is a particular element of the cultural capital of the inhabitants, which explains the huge influx of mezcal factories in the region. This allows for collaborative relationships between producers, who work together during the planting and harvesting of maguey, as well as solidarity practices in the acquisition of inputs such as glass bottles in periods of scarcity from suppliers.

Community participation

A relevant event for the community of Santiago Matatlán is the collective participation in the defence of the Denomination of Origin of mezcal, as this distillate is a good that gives identity to the inhabitants and prevents outsiders from taking advantage of it.

Potential for networks and associations

There is a notable willingness on the part of most mezcal producers to form part of collective projects for the production and trade of the region's liquor, as they are aware of the shortcomings of their particular enterprises in contrast to the large companies that have better human, technological and financial resources. For this reason, there have been collaborations between producers, such as the transfer of raw materials or the loan of facilities, as a way of generating or preserving beneficial relationships between mezcaleros.

Strategic formulation

The previous strategic analysis was the basis to feed the SWOT Matrix and to identify the following elements of the overall strategy:

General long-term strategic objective (three years): to promote the development of social and solidarity economy organisations in the informal mezcal-producing micro-enterprises of Santiago Matatlán, Oaxaca.

Long-term general strategy: To reduce the informal economy of mezcal producers in Santiago Matatlán Oaxaca through the promotion of facilities to adopt the social and solidarity economy organisation model, with the support of the following programmes:

- Training programme for informal micro-entrepreneurs on the advantages of the SSE model.
- Simplified formalisation programme for SSE organisations.
- Programme of tax incentives for SSE organisations.
- Programme for the promotion of formal markets.
- Social security access programme.

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