



## Regional Course on SDGs Indicators: Measuring decent work using microdata from labour force surveys

### Measuring informality - Concepts and measurement of informality

Tite Habiyakare, Senior Statistician,  
ILO Regional Office for Asia and the Pacific

Chiba (Japan)  
30 September – 4 October 2019

## Contents

1. Summary conceptual framework
2. Informal sector
3. Informal jobs
4. Key derived variables
5. Key questions and flowcharts

# 1. Summary conceptual framework

## International statistical standards on IE

- **Resolution concerning statistics of employment in the informal sector (15th ICLS, 1993)**  
[http://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS\\_087484/lang--en/index.htm](http://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS_087484/lang--en/index.htm)
- **Guidelines concerning a statistical definition of informal employment (17th ICLS, 2003)**  
[http://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/guidelines-adopted-by-international-conferences-of-labour-statisticians/WCMS\\_087622/lang--en/index.htm](http://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/guidelines-adopted-by-international-conferences-of-labour-statisticians/WCMS_087622/lang--en/index.htm)

## Relevance (1): in the SDGs

- An SDG indicator:
  - 8.3.1 Proportion of informal employment in non-agriculture employment, by sex;
- Selected to measure SDG Target 8.3:
  - Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

## Relevance (2): labour market & GDP

- An important contribution to jobs creation:
  - Informal employment was **68.2%** of employment in the AP region in 2016 (2018 APESO, p.32);
- Considerable contribution to national account and the GDP:
  - High proportions of the GDP are generated by the informal economy (for countries that have done such comprehensive estimates; e.g.: up to **46.3%** of the GDP in India in 2008; source: ILO/WIEGO, 2013).

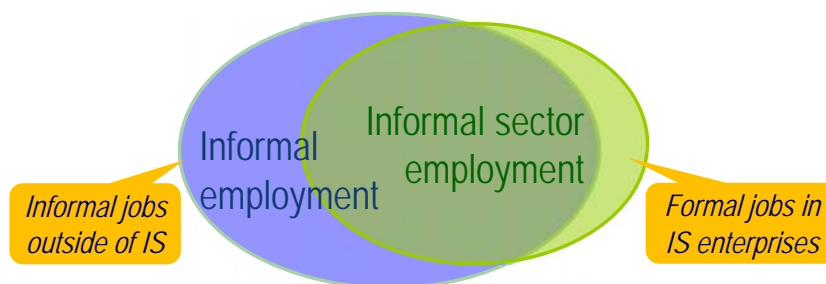
## Two separate concepts: IS & IE

- Informal sector (IS): enterprise-based (ref. the characteristics of the establishment);
  - Informal employment (IE): job-based (ref. the characteristics of the job).
- *Employment in the informal economy is used as a third separate concept, resulting from a combination of the two above.*

## Employment in the informal economy

Two components (and 2 statistical units):

- Employment in informal sector enterprises (Informal sector employment)
- Employment in informal jobs (Informal employment)



- Two different aspects of informalization of employment
- Important to keep separate as often require different policies

**Employment in the Informal Economy:**  
= Informal sector employment + informal employment outside of Informal Sector

## 2. Concepts: informal sector

### Informal sector enterprises: 15<sup>th</sup> ICLS

- Private unincorporated enterprises (SNA: household unincorporated enterprises)
  - Owned by individual household members, several members of the same household, or members of different households
  - Not constituted as separate legal entities independently of their owners, and no separate/ no complete sets of accounts available
- Establishment size in terms of employment below a certain threshold (based on national practices; Delhi Group: less than 5 employees, for international reporting)
- **AND/OR** enterprise not registered.

## Relation between SNA institutional units & production units

Institutional units by sector SNA 2008		Production units by type (15 <sup>th</sup> ICLS)	
Corporations ( <i>market units</i> )		Formal sector enterprises	
Government units ( <i>non-market units</i> )			
Non-profit institutions ( <i>non-market units</i> )			
Households	Household unincorporated market enterprises ( <i>market units</i> )	Informal sector enterprises	
	Households producing <b>mainly</b> for own final use	Households	Producers of goods <b>mainly</b> for own use (but also sell / barter some output)
		Households	Producers of goods exclusively for own use
		Households	Employers of paid domestic workers

ilostat.ilo.org 11

## Classification: Production units by type

- **Formal sector enterprises**: corporations (incl. quasi-corporate enterprises), non-profit institutions, government units, and those private unincorporated enterprises that meet formalization criteria;
- **Informal sector enterprises**: as defined by 15th ICLS, but excluding households employing paid domestic workers (17th ICLS);
- **Households**: households producing goods **exclusively** for their own final use, and households employing paid domestic workers.

## 3. Concepts: informal jobs

### Informal employment Definition -17<sup>th</sup> ICLS (2003)

Total number of informal jobs,  
whether carried out in formal sector enterprises,  
informal sector enterprises  
or households,  
during a given reference period  
(17<sup>th</sup> ICLS Guidelines, Para 3)

**Informal jobs:** operational definition depends on,

- status in employment (ICSE-18);
- characteristics of the job (benefits).

# Informal employment

## Definition -17<sup>th</sup> ICLS (2003)

- **Self-employed**
  - Employers, own-account workers & members of producers' cooperatives
    - Formal/ informal nature of job depends on characteristics of their enterprise
    - Have informal jobs if their enterprises are part of the informal sector
- **Contributing family members**
  - Employment usually not subject to labour legislation, no contractual relationship
  - All have informal jobs regardless of whether the enterprise is formal or informal.

# Informal employment

## Definition -17<sup>th</sup> ICLS (2003)

- **Employees**
  - Have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.)
  - Criteria most commonly used:
    - Lack of contributions to **social security** system by employer
    - Lack of entitlement to paid annual leave
    - Lack of entitlement to paid sick leave



# Summary conceptual framework

Conceptual framework for informal employment<sup>(a)</sup> (17<sup>th</sup> ICLS guidelines)

Production units by type	Jobs by status in employment									
	Own-account workers		Employers		Contributing family workers	Employees		Members of producers' cooperatives		
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal	
Formal sector enterprises					1	2				
Informal sector enterprises <sup>(b)</sup>	3		4		5	6	7	8		
Households <sup>(c)</sup>	9					10				

## Notes

(a) Cells shaded in dark grey refer to jobs, which by definition do not exist in the type of production unit in question. Cells shaded in light grey refer to formal jobs. Unshaded cells represent the various types of informal jobs.

(b) As defined by the 15<sup>th</sup> ICLS resolution (excluding households employing paid domestic workers).

(c) Households producing goods exclusively for their own final use and households employing paid domestic workers.

**Informal employment:** Cells 1 to 6 and 8 to 10.

**Employment in the informal sector:** Cells 3 to 8.

**Informal employment outside the informal sector:** Cells 1, 2, 9 and 10.

# Summary definition of IE

2.83. In summary, informal employment is defined as comprising:

- (a) own-account workers and employers employed in their own informal sector enterprises (household unincorporated enterprises with at least some market production that are unregistered or small in terms of the number of employed persons (e.g., fewer than five employees);
- (b) all contributing family workers;
- (c) employees holding informal jobs, i.e., employees not covered by legal protection or social security as employed persons, or not entitled to other employment benefits such as paid annual or sick leave;
- (d) members of informal producers' cooperatives (not established as legal entities); and
- (e) own-account workers producing goods exclusively for own final use by their household (if considered employed).

Source: ILO (2013), Manual on the informal sector & informal employment, p.42

## 4. Key derived variables

### Variables to create (1)

- Employment: inside a variable such as **Labour force status classification** (**employed**, unemployed, outside the labour force)- **ilo\_ifs**;
- Informal and formal sector: variable called **Aggregated institutional sector**, using the main job (formal sector, **informal sector**, household)- **ilo\_job1\_ins\_sector**;
- Informal and formal employment: variable **Nature of the job** (formal, **informal employment**)- **ilo\_job1\_ife**.

## Variables to create (2)

Other intermediary variables that may be needed for the calculation of key derived variables:

- Status in employment: variable **Aggregated status in employment**, with main categories (employees or wage workers, employers\*, own-account workers\*, and contributing family helpers);
- Etc.

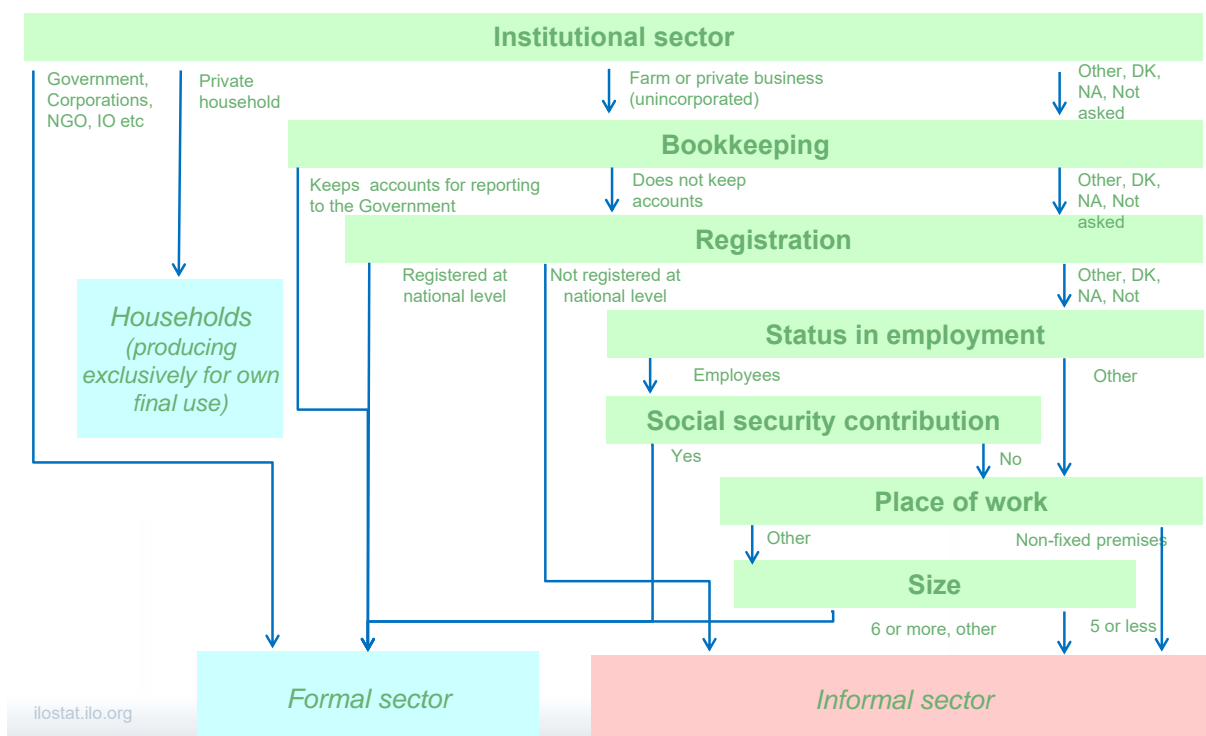
(\*) May include Members of cooperatives in countries where they exist (depending on whether they have employees or not).

## 5. Key questions and flowcharts

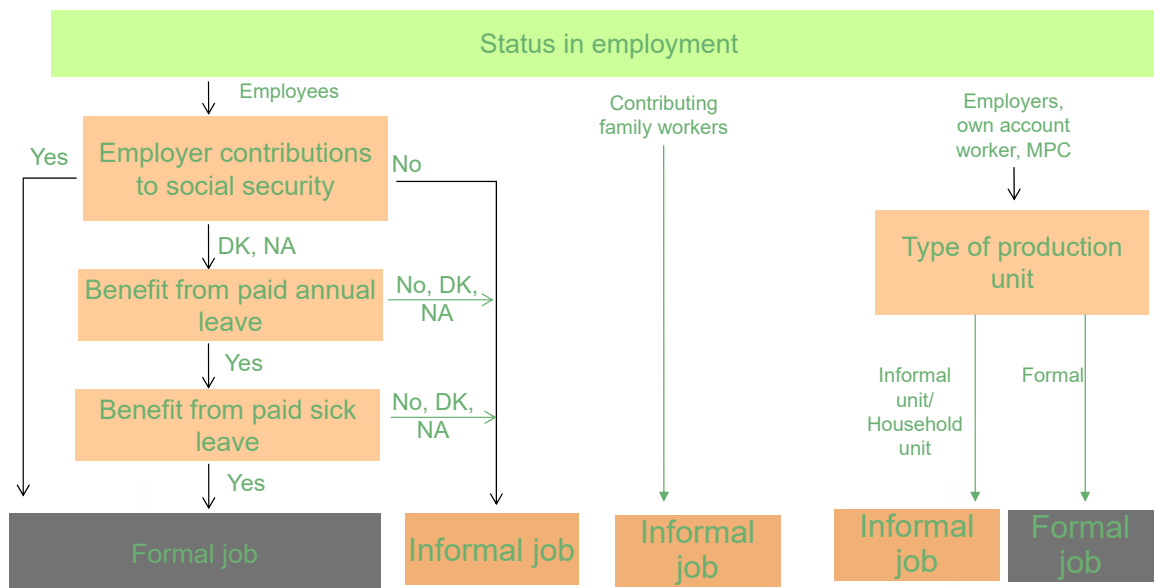
# Key questions: informal economy

Informal sector employment (ISE)	Informal jobs
<ul style="list-style-type: none"> <li>• Institutional sector</li> <li>• Legal organization / type of ownership</li> <li>• Registration of enterprise</li> <li>• Type of accounts kept</li> <li>• Taxation</li> <li>• Size</li> <li>• Industry (if excluding agriculture)</li> <li>• Type of place of work</li> </ul>	<ul style="list-style-type: none"> <li>• Status in employment</li> <li>• Job-related benefits (employees)                             <ul style="list-style-type: none"> <li>○ Contribution by employer to pension funds / retirement schemes</li> <li>○ Paid annual leave</li> <li>○ Paid sick leave</li> <li>○ Medical or health coverage, or other job-based benefits as per national context</li> </ul> </li> </ul>

## Informal Sector Model Flowchart



# Informal Employment Model Flowchart



## References

- ILO (2018); [Women and Men in the Informal Economy: A Statistical Picture](#); Geneva, 2018, 3<sup>rd</sup> Edition;
- ILO (2013); [Measuring informality: A statistical manual on the informal sector and informal employment](#); Geneva, October 2013;
- ILO (1993); [Resolution concerning statistics of employment in the informal sector](#); Geneva, January 1993;
- ILO (2003); [Guidelines concerning a statistical definition of informal employment](#); Geneva, November 2003.