

# **A labour force survey module on informal employment (including employment in the informal sector) as a tool for enhancing the international comparability of data**

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## **1. Introduction**

The purpose of this paper is to propose the design of a standard module of questions on informal employment (including employment in the informal sector) for inclusion in national labour force surveys. The inclusion of such questions in labour force surveys would represent an important step towards enhancing the cross-country comparability of statistics on employment in the informal sector/informal employment. Section 2 of the paper summarises the definitions of the informal sector and of informal employment, to which the questions of the module refer. Section 3 deals with issues relating to the current availability of national statistics on the informal sector/employment and their lack of comparability across countries; it also outlines various ways to improve data comparability. One method, i.e. the harmonisation of micro-data sets through use of a standard module of survey questions, is described in Section 4, which discusses labour force surveys as a source of data on employment in the informal sector/informal employment and proposes a set of questions that may be included in them.

## **2. Definitions**

### **2.1 International statistical definition of the informal sector**

In January 1993, the *Fifteenth International Conference of Labour Statisticians (15<sup>th</sup> ICLS)* adopted an international statistical definition of the informal sector that was subsequently included in the revised international *System of National Accounts (SNA 1993)*. Inclusion in the SNA of the informal sector definition was considered essential as it would make it possible to identify the informal sector separately in the accounts and, hence, to quantify the contribution of the informal sector to the gross domestic product. In order to obtain an internationally agreed definition of the informal sector, which was acceptable to labour statisticians as well as national accountants, the informal sector had to be defined in terms of characteristics of the production units (enterprises) in which the activities take place (enterprise approach), rather than in terms of the characteristics of the persons involved or of their jobs (labour approach).

*Employment in the informal sector* then includes all jobs in informal sector enterprises or all persons who, during a given reference period, were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job.

The 15<sup>th</sup> ICLS resolution (*ILO 2000*) defined *informal sector enterprises* on the basis of the following criteria:

- They are private unincorporated enterprises (excluding quasi-corporations), i.e. enterprises owned by individuals or households that are not constituted as separate legal entities independently of their owners, and for which no complete accounts are available that would permit a financial separation of the production activities of the enterprise from the other activities of its owner(s). Private unincorporated enterprises include unincorporated enterprises owned and operated by individual household members or by several members of the same household, as well as unincorporated partnerships and co-operatives formed by members of different households, if they lack complete sets of accounts.
- All or at least some of the goods or services produced are meant for sale or barter, with the possible inclusion in the informal sector of households producing domestic or personal services in employing paid domestic employees.
- Their size in terms of employment is below a certain threshold to be determined according to national

circumstances, and/or they are not registered under specific forms of national legislation (such as factories' or commercial acts, tax or social security laws, professional groups' regulatory acts, or similar acts, laws or regulations established by national legislative bodies as distinct from local regulations for issuing trade licenses or business permits), and/or their employees are not registered.

- They are engaged in non-agricultural activities, including secondary non-agricultural activities of enterprises in the agricultural sector<sup>[1]</sup>.

The meaning of the term 'sector' follows the SNA 1993. For national accounting purposes, a sector (institutional sector) is different from a branch of economic activity (industry). It simply groups together similar kinds of production units, which in terms of economic objectives, functions and behaviour have certain characteristics in common. The result is not necessarily a homogeneous set of production units. For the purposes of analysis and policy-making, it may thus be useful to divide a sector into more homogeneous sub-sectors.

The term 'enterprise' is used here in a broad sense, referring to any unit engaged in the production of goods or services for sale or barter. It covers not only production units, which employ hired labour, but also production units that are owned and operated by single individuals working on own account as self-employed persons, either alone or with the help of unpaid family members. The activities may be undertaken inside or outside the enterprise owner's home, and they may be carried out in identifiable premises, unidentifiable premises or without fixed location. Accordingly, self-employed street vendors, taxi drivers, home-based workers, etc. are all considered enterprises. Still, it may well be possible that persons engaged in very small-scale or casual activities may not report in official statistical surveys that they are self-employed, or employed at all, even though their activity falls within the above definition of an enterprise. Similar problems may arise in respect of persons, whose activity is at the borderline between self-employment and wage employment, such as outworkers, subcontractors or free-lancers. Women are more likely than men to be engaged in such activities.

## 2.2 Definition of informal employment

In parallel to the growth of the informal sector in many countries, a rise in various forms of non-standard, atypical, alternative, irregular, precarious, etc. forms of employment can be observed. From the beginning, it had been clear that an enterprise-based definition of the informal sector would not be able to capture all aspects of such a trend towards an increasing 'informalisation' of employment.

For the time being there is no internationally agreed definition for the statistical measurement of informal employment, as this aspect has not yet been defined and adequately addressed in statistics at the national level (*Husmanns 2001*). However, a proposal for defining informal employment has been made in the ILO report on '*Decent Work and the Informal Economy (ILO 2002a)*'. The report defines informal employment as the total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households, or the total number of persons engaged in informal jobs during a given reference period.

The conceptual framework for defining informal employment disaggregates total employment according to two different dimensions: type of production unit and type of job (see *Annex*). Type of production unit is defined in terms of legal organisation and other enterprise-related characteristics, while type of job is defined in terms of status in employment and other job-related characteristics. Production units are classified into three groups: formal sector enterprises, informal sector enterprises, and households. *Formal sector enterprises* comprise corporations (including quasi-corporate enterprises), non-profit institutions, unincorporated enterprises owned by government units, and those private unincorporated enterprises producing goods or services for sale or barter which are not part of the informal sector. The definition of *informal sector enterprises* has already been given in Section 2.1 above. *Households* as production units include households producing goods for their own final use (e.g. subsistence farming, do-it-yourself construction of own dwellings), as well as households employing paid domestic workers (maids, laundresses, gardeners, watchmen, drivers, etc.).<sup>[2]</sup> Households producing *unpaid* domestic or personal services (e.g., housework, caring for family members) for own final consumption are excluded, as such

activities fall presently outside the SNA production boundary and are not considered employment.

*Jobs* are distinguished according to status-in-employment categories and according to their formal or informal nature. For status in employment, the following five ICSE-93 groups are used: own-account workers; employers; contributing family workers; employees; and members of producers' cooperatives. The basis used for distinguishing informal jobs is that they are outside the framework of regulations either because (a) the enterprises, in which the jobs are located, are too small and/or not registered, or (b) labour legislation does not specifically cover or has not been tested in application relating to atypical jobs (such as casual, part-time, temporary or home-based jobs) or to subcontracting arrangements in production chains (such as industrial outwork), so that the jobs (and, therefore, their incumbents) are unprotected by labour legislation. In order for most labour law to be implemented, it is necessary to recognise the existence of an employment relationship between employer and employee. Informal jobs, however, include forms of employment for which there is no clear employer-employee relationship.

Accordingly, *informal employment* comprises:

- own-account workers and employers who have their own informal sector enterprises (Cells 3 and 4);
- contributing family workers, irrespective of whether they work in formal or informal sector enterprises (Cells 1 and 5);
- employees who have informal jobs, whether employed by formal sector enterprises, informal sector enterprises, or as paid domestic workers by households (Cells 2, 6 and 10)<sup>[3]</sup>;
- members of informal producers' cooperatives (Cell 8)<sup>[4]</sup>; and
- persons engaged in the own-account production of goods exclusively for own final use by their household, such as subsistence farming or do-it-yourself construction of own dwellings (Cell 9).

Each of these groups may be further disaggregated to identify specific types of jobs for analysis and policy-making.

Employees are considered to have informal jobs if their employment relationship is not subject to standard labour legislation, taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.) for reasons such as: non-declaration of the jobs or the employees (e.g., clandestine workers, illegal immigrant workers); casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold; employment by unregistered enterprises or by persons in households; or jobs where the employee's place of work is outside the premises of the employer's or customer's enterprise (*ILO 2002a*).<sup>[5]</sup>

It is widely recognised that certain types of workers are difficult to classify by status in employment because they are at the borderline of two or more of the ICSE-93 groups, especially between own-account workers and employees. An example is outworkers (home-workers). The framework referred to in this paper makes it possible to capture all outworkers in informal employment, irrespective of their classification by status in employment. Outworkers would be included in Cells 3 or 4, if they are deemed to constitute enterprises of their own as self-employed persons, and if these enterprises meet the criteria of the informal sector definition. Persons working for such informal outworking enterprises as contributing family workers would be included in Cell 5, and persons working for them as employees in Cells 6 or 7. Outworkers working as employees for formal sector enterprises would be included in Cell 2, if they have informal jobs. Thus, errors in classifying persons by status in employment would affect data on informal employment based on the labour approach to a lesser extent than they affect data on employment in the informal sector based on the enterprise approach.

### **3. Available national statistics**

Until now, the ILO Bureau of Statistics has collected statistics from national sources only on employment in the informal sector, which was the concept used by the ILO and for which an internationally

agreed statistical definition existed. Nevertheless, it is likely that in addition at least some data on other forms of informal employment are available in many countries, including developed countries, for many of which the concept of the informal sector is of limited relevance. However, such data have not yet been collected by the ILO, because the informal economy or informal employment are new concepts presently being developed. Thus, the assessment of available national statistics, which is made below, is limited to available national statistics on employment in the informal sector. It is based on experience with a database on employment in the informal sector, which the ILO Bureau of Statistics established in 1998 to meet an increasing demand by users for statistics on the informal sector. The database was updated in 2001. It contains official national statistics and related methodological information on employment in the informal sector (or related other concepts) for countries of Africa, Latin America and the Caribbean, Asia and the Pacific, and the transition countries of Central and Eastern Europe and the former Soviet Union, to the extent that data are available. Other countries are included in the database only to the extent that the informal sector is considered to be of significant importance in these countries and official national statistics are collected on it.

On the occasion of the general discussion on 'Decent Work and the Informal Economy' during the 90<sup>th</sup> Session of the International Labour Conference (June 2002), the ILO Bureau of Statistics used its database to prepare a publication entitled '*ILO Compendium of official statistics on employment in the informal sector*' (ILO, 2002b). As shown in the compendium, more than 60 countries dispose of statistics on employment in the informal sector (or small or micro-enterprises or related other concepts) obtained from labour force surveys, informal sector surveys or other sources. These include all major developing and transition countries except China and Nigeria. Nigeria conducted an informal sector survey at the end of the 1990s. The results have not yet been shared with the ILO; however, it should be possible to obtain data from the survey, once the Federal Office of Statistics of Nigeria releases them. By contrast, no information is currently available for China.

### 3.1 Lack of data comparability

The 15<sup>th</sup> ICLS provided considerable flexibility to countries for defining the informal sector. Some elements of flexibility were desired, because the 15<sup>th</sup> ICLS resolution was the first international recommendation ever adopted on the topic, and its main purpose was to provide technical guidelines for the development of informal sector statistics at the national level. Other elements of flexibility arose from lack of agreement among the conference delegates. However, flexibility reduces international comparability. Moreover, some countries continue to use national statistical definitions of the informal sector, which are not always in line with the international definition. As a result, available national statistics are often not comparable across countries.

Data comparability problems result from a number of factors as listed below:

- differences in the concepts on which the statistics are based;
- differences in the branches of economic activity covered, particularly in respect of the inclusion or exclusion of agricultural activities;
- differences in the criteria used to define the informal sector, for example, employment size of the enterprise (or establishment) versus non-registration of the enterprise;
- different cut-off points used for the employment size criterion;
- the inclusion or exclusion of paid domestic employees employed by households, or of producers of goods exclusively for own final use by their household;
- the inclusion or exclusion of persons with a secondary job in the informal sector;
- the inclusion or exclusion of persons engaged in professional or technical activities;
- different age limits for persons employed in the informal sector;

- different reference periods;
- differences in data sources;
- differences in geographic coverage.

A major deviation from the international definition is that many countries do not yet use the criterion of legal organisation of the enterprise (private unincorporated enterprise) in their national statistical definitions of the informal sector. Often, countries also do not use the criterion of lack of a complete set of accounts in their national definitions. In other words, the data provided often refer to employment in small or micro-enterprises, including small corporations and quasi-corporations. This leads to an overestimation of the size of the informal sector. In fact, not all countries, for which data are available, utilise the concept of 'informal sector' in their statistics. Some use alternative concepts that, albeit closely related, are not identical, such as small and micro- enterprises, household economic activities, mobile activities, unregistered employment, or specific combinations of the variables 'status in employment', 'industry' and 'occupation'.

In order to draw the attention to such differences, countries have been grouped in the statistical tables of the *ILO Compendium of official statistics on employment in the informal sector* according to the concept, on which their statistics are based: informal sector, small or micro-enterprises, or other related concepts (*ILO 2002b*).

Of equal importance is the fact that some countries include small-scale or unregistered agricultural activities in their definition of the informal sector, while others do not. Since the vast majority of agricultural activities in most countries are undertaken in rural areas, such differences have a larger effect on the international comparability of data for rural areas than for urban areas.

Many of the countries, for which data are available, use the criterion of non-registration of the enterprise, either alone or in combination with other criteria such as small size or type of workplace location, to define the informal sector. In most cases the criterion refers to the non-registration of the enterprise as a corporation, or to its non-registration with the tax authorities or for statistical purposes. Many other countries use small size as a criterion to define the informal sector, either alone or in combination with criteria such as the non-registration of the enterprise or the type of workplace location. The criterion of non-registration of the employees of the enterprise is used only by some of the transition countries of Central and Eastern Europe to define unregistered employment.

The cut-off points for the size criterion differ among countries. However, there are very clear preferences for cut-off points such as A less than 5@, A5 or less@, A less than 10@ or A10 or less@. While most countries use the same size limit for all branches of economic activity, some use different size limits for different branches. Some differences among countries also exist depending on whether the size criterion is applied to each establishment or to the enterprise as a whole, and whether it refers to the total number of persons engaged or to the number of employees.

National practices concerning the treatment of paid domestic employees employed by households vary widely across countries and data sources, as they do concerning the treatment of producers of goods exclusively for own final use by their household. The international comparability of data for women is more affected by differences in the treatment of these groups of persons than is the international comparability of data for men.

Available national data on persons employed in the informal sector often refer only to those whose main or only job/activity is in the informal sector and exclude those with a secondary job/activity in the informal sector, such as farmers or government employees. As the number of persons with a secondary job/activity in the informal sector can be quite large in some countries, data that exclude persons with a secondary job/activity in the informal sector should be considered as a lower-bound estimate of total employment in the informal sector.

Another deviation from the international definition of the informal sector is that a number of countries exclude all persons engaged in professional and technical occupations from their statistics, irrespective of the characteristics of their enterprises.

Many countries conducting stand-alone surveys on the informal sector do not use any age limits in their definition of persons employed in the informal sector, while countries obtaining the information from labour force surveys, other household surveys or mixed household and enterprise surveys (modular approach) tend to use the same age limits that apply to the economically active population in general.

Relatively few countries have data on employment in the informal sector in the form of annual averages. In most cases, the data refer to specific points or periods of time during the year, i.e. they are affected by seasonal and other variations in informal sector activities during the year. It is thus possible that the data over- or underestimate employment in informal sector activities that are not undertaken on a regular basis.

Data sources for employment in the informal sector vary among countries that produce these statistics. The most common sources are labour force surveys and special informal sector surveys, based on a mixed household and enterprise survey approach, or establishment censuses and surveys. Other sources include multi-purpose household surveys, household income and expenditure surveys, surveys of household economic activities or household industries, small or micro-enterprise surveys, and official estimates prepared by the countries themselves or in cooperation with the ILO Bureau of Statistics.

In a number of countries, data on employment in the informal sector are available for urban areas only. In some countries, the scope of surveys providing data on informal sector employment does not even cover all urban areas but is restricted to major metropolitan areas or capital cities. Because of national differences in the characteristics that distinguish urban from rural areas, the distinctions between them are not amenable to a single definition that would be applicable to all countries. In the absence of an international standard definition, the data are based on national definitions of urban areas established by countries in accordance with their own needs.

For the time being, time series data are scarce because only few countries dispose of statistics on the informal sector, which are available on a regular basis at frequent intervals (e.g., every year). In most countries, data on the informal sector are collected on an ad-hoc basis or with a more than annual periodicity (e.g. every five or ten years). Thus, cross-country variations in survey years are another factor affecting the international comparability of informal sector data.

Still another factor is cross-country differences in data quality. While, to our knowledge, until now no national statistical agency has ever made a systematic evaluation (in terms of sampling errors and, likely to be even more important, of non-sampling errors) of the quality of the informal sector statistics that it produces, it can be assumed that the data quality varies among countries depending upon their level of statistical development and the resources available to produce and analyse the statistics. It can however also be assumed that the quality of data on employment in the informal sector is generally higher than the quality of data on the economic characteristics of informal sector enterprises (e.g. their value added).

More detailed methodological information on the statistics reported to the ILO can be found in the country-specific descriptions attached as an annex to the publication *'ILO Compendium of official statistics on employment in the informal sector' (ILO 2002b)*.

### **3.2 Means of improving data comparability**

In Section 3.1 above, a number of limitations of the currently available statistics were indicated. As statistics represent an important tool for evidence-based research and policy-making, there is a need to make more and better statistics on the informal economy available, including improvement of their cross-country comparability. These should include not only data on employment in the informal sector, but also data on other forms of informal employment (outside the informal sector). Enhancement of the cross-country comparability of national data can be achieved either through harmonised macro-data sets or harmonised micro-data sets.

*Harmonised macro-data sets* are obtained through re-processing of existing survey data in cooperation with the national statistical agencies concerned, or through model-based adjustments. *Re-processing of data* requires a substantial amount of efforts and resources to reduce currently existing problems of cross-country comparability of the statistics. The experience with the database of the ILO Bureau of Statistics has shown the importance of collecting detailed methodological information on informal sector statistics along with the data themselves. Such meta-data are not only needed to evaluate the quality of the statistics, but also to harmonise available national data to the extent possible. Unfortunately, however, it is sometimes difficult and time-consuming to obtain consistent meta-data because survey methodologies are not well documented.

To address the problem of lack of international comparability of informal sector statistics, the international Expert Group on Informal Sector Statistics (Delhi Group), at its third meeting, formulated a set of recommendations for the harmonisation of national definitions of the informal sector on the basis of the framework set by the international definition. The harmonised definition of the informal sector resulting from the recommendations by the Delhi Group is based on the largest common denominator of currently used national definitions. It leads to a rather narrowly defined subset of the informal sector, for which countries should, in principle, be able to make internationally comparable data available: private unincorporated enterprises (excluding quasi-corporations), which produce at least some of their goods or services for sale or barter, have less than five paid employees, are not registered, and are engaged in non-agricultural activities (including professional or technical activities). Households employing paid domestic employees are excluded (*Central Statistical Organisation/India 1999*).

The ILO Bureau of Statistics requested national statistical offices to provide data on employment in the informal sector according to the harmonised definition of the Delhi Group, in addition to data based on their national definitions of the informal sector. However, only eight countries (Barbados, Ethiopia, Georgia, India, Latvia, Mexico, Russian Federation, Turkey) were able or ready to provide data according to the harmonised definition<sup>[6]</sup>. As an example, the table in the Annex provides figures according to both the national and the harmonised definition for Ethiopia and the Russian Federation. In principle, more countries would be able to provide data according to the harmonised definition, if they had the necessary resources and skills to re-process existing survey data. One may conclude from the experience made that the potential of this method for harmonising national data on the informal sector is limited by resource constraints. It is also limited by the loss of information, which the unavoidable use of a largest-common-denominator approach entails.

Harmonisation of data through *model-based adjustments* means that differences are estimated by categorising the national data sets into groups, each of them representing one type of measurement of employment in the informal sector/informal employment. The estimated differential 'measurement effect' is then used to adjust the data into a standard measurement method (Mehran 2002). Model-based adjustments are less demanding on resources than a harmonisation of national macro-data sets through re-processing of survey data. However, the method is also less transparent and its results may be more difficult to interpret.

*Harmonised micro-data sets* means that individual survey records are made available in a standard format, which enables users to use the data for preparation of their own tables. One way to obtain harmonised micro-data sets is to collect information from survey respondents in a standard format by using standard sets of questions/survey items and response categories. Examples include the labour force survey of the European Union countries and the standard questionnaire for the child labour surveys undertaken by the ILO under the International Programme for the Elimination of Child Labour (IPEC). This is the approach suggested in the present paper to enhance the cross-country comparability of statistics on the informal sector/informal employment.

As a start, it would be useful to concentrate on the inclusion or redesign, in existing national labour force surveys, of a module of standard questions relating to the criteria for the identification of persons employed in the informal sector and in other forms of informal employment (see Section 2), and on their characteristics.

## **4. Labour force survey module on informal sector employment/ informal employment**

Many countries have already made positive experiences in the use of labour force surveys as a source of data on employment in the informal sector. In addition, labour force surveys appear to be the most appropriate survey instrument for applying the definition of informal employment proposed by the ILO (*ILO 2002a*). However, the definition still needs to be tested, and eventually refined, for statistical purposes. In cooperation with interested national statistical offices, methodological studies on the statistical measurement of informal employment should be undertaken, aimed at specifying operational criteria for application of the definition, and identifying relevant sub-categories of informal jobs as targets for data analysis and policy-making. The results of such studies would also provide essential inputs to the development of an internationally accepted statistical definition of informal employment, which includes its component sub-categories.

Some countries (e.g., Mexico, Turkey, India, Ukraine) have used the following operational criteria to define informal employment: lack of coverage by social security systems, lack of entitlement to paid annual or sick leave, or lack of written employment contracts. An issue that needs to be addressed in specifying the definition of informal jobs in operational terms is the possible discrepancy between the formality of employment situations and their reality. Sometimes employees, although in theory protected by labour legislation, covered by social security, entitled to employment benefits, etc., are in practice not in a position to claim their rights because mechanisms to enforce existing regulations are lacking or deficient. The question arises then as to what should be the criterion to be measured: the legal situation, or the actual situation? There are good reasons for choosing the latter, because in such situations the existence of informal employment is to a large extent a governance problem.

### **4.1 Labour force surveys as a source of data on informal sector employment/ informal employment**

Monitoring the number and characteristics of the persons working in the informal sector, or in informal employment, and the conditions of their employment and work can be achieved by periodically including, in an existing labour force or similar household survey, a few additional questions pertaining to the informal sector/informal employment definitions and to the characteristics of informal sector employment/informal employment. The costs of doing so are relatively low. The additional questions should be asked of all persons employed during the reference period of the survey, irrespective of their status in employment. In this way, it is possible to collect comprehensive data on the volume and characteristics of informal sector employment/informal employment and to obtain information on employment and working conditions from all categories of informal workers, including employees and contributing family workers. These data can be related at the macro-level to the corresponding data on formal sector employment/formal employment and on unemployment as obtained from the same source, and at the micro-level to all the other information collected in the same survey concerning the persons in question. In other words, the total population (or working age population) can be classified into employed, unemployed and economically inactive persons, and the employed can be sub-classified by status in employment, the informal vs. formal nature of their jobs, the type of production units (formal sector enterprises, informal sector enterprises, or households) in which the activities are undertaken, etc.

Labour force or similar household surveys are often conducted at a higher frequency than specialised, in-depth informal sector surveys. Thus, the data obtained from the former concerning the evolution of labour inputs to informal sector activities/informal jobs can be used to extrapolate data from the latter concerning other characteristics (e.g. value added) of the informal sector/informal employment.

Employees may find it difficult to provide information on some of the criteria used to define the informal sector, especially the legal organisation, bookkeeping practices and registration of the enterprise for which they work. It is, however, possible to obtain an estimate of the total number of persons employed in the informal sector using only the information provided by respondents identified as employers or own-account workers regarding the characteristics of their enterprise, including legal organisation, bookkeeping practices, registration and/or number of persons engaged. Another possibility is to base the estimate on all respondents irrespective of their status in employment and to obtain from respondents, who are employees,

approximate information on the legal organisation, type of accounts and registration of the enterprise for which they work. For this purpose, one or two questions on the type of enterprise (government agency, public enterprise, factory, bank, insurance company, commercial chain, small workshop, shop or restaurant, etc.) are required.

In many countries a large number of informal sector activities/informal jobs are undertaken as secondary jobs. Thus, it is essential that the questions for identification of the informal sector/informal employment be asked not only in respect of the respondents' main jobs but also in respect of their secondary jobs. Furthermore, persons can be classified in the informal sector/informal employment only if they have been identified as employed in the first place. To ensure that all informal sector activities/informal jobs are covered, it is often necessary to make special probes on activities/jobs that might otherwise go unreported as employment. For example, special probes may be required for unpaid work in small family enterprises, activities undertaken by women on their own account at or from home, undeclared activities, and informal activities performed as secondary jobs by farmers, government officials or employees of the private formal sector. In order to capture adequately the work of children in the informal sector/informal jobs, it may also be necessary to lower the minimum age limit that the surveys use for measurement of the economically active population. In designing or re-designing the survey sample, care should be taken to include an adequate number of areas where informal workers live.

There are certain limitations to the use of labour force or similar household surveys for the measurement of informal sector employment/informal employment:

- Informal sector employment/informal employment is obtained as part of total employment, which is usually measured in relation to a short reference period such as one week. Since many informal sector activities/informal jobs are characterised by seasonal and other variations over time, the data on informal sector employment/informal employment obtained for a short reference period are unlikely to be representative for the whole year. Improved representativeness in the time dimension may be achieved by repeating the measurement several times during the year in the case of quarterly, monthly or continuous surveys, or in using a longer reference period such as one year in the case of annual or less frequent surveys.
- Estimation of the number of informal sector enterprises is difficult, if not impossible. The reason is that due to the existence of business partnerships, the number of informal sector enterprises is not identical with the number of informal sector entrepreneurs.
- The possibilities for disaggregating the data by branch of economic activity and other characteristics depend upon the sample size and design. Sometimes, the number of informal workers included in the survey sample is too small to make detailed sub-classifications.

## 4.2 Proposal for a standard module of questions

Usually, the following information on persons employed in the informal sector/informal employment is already available from a labour force survey:

- Socio-demographic characteristics: sex, age, marital status, relationship to the reference person of the household, level of education, place of usual residence, urban vs. rural area, etc.;
- Household/family characteristics: number of household/family members, household/family type, etc.;
- Hours of work and earnings;
- Branch of economic activity (industry), occupation and status in employment;
- Other characteristics of the job: full-time vs. part-time work, job permanency (permanent, temporary, seasonal, occasional, etc. job).

The information obtained from the survey question(s) on branch of economic activity makes it possible to exclude persons engaged in agriculture, hunting, forestry and fishing activities (ISIC, Rev. 3 divisions 01, 02 and 05), domestic employees employed by households (ISIC, Rev. 3.1 division 95 – Activities of private households as employers of domestic staff), as well as persons exclusively engaged in



For employees:

Q7: Are you employed by the government, a public or state-owned enterprise, or a non-profit institution, NGO, association, etc.?

- |        |           |
|--------|-----------|
| 1. Yes | Go to Q10 |
| 2. No  | Continue  |

Q8: Which is the legal organisation/status of the enterprise where you are employed?

1. Joint stock company, corporation )
2. Limited liability company/partnership )
3. Registered cooperative ) Go to Q10
4. Ordinary partnership )
5. Individual ownership )
6. Other, specify ... )
7. Do not know Continue

Q9: By which type of enterprise are you employed?

1. Factory or plantation
2. Bank or insurance company
3. Commercial/restaurant/service chain
4. Construction company
5. Hospital or school
6. Engineering firm, architects'/lawyer's/doctor's office, etc.
7. Farm, small workshop, garage, shop, restaurant or service undertaking
8. Other, specify ...

Continue

Q10: Where do you mainly undertake your work?

1. At home (no special work space)
2. Work space inside or attached to home
3. Factory, office, workshop, shop, kiosk, etc. independent from home
4. Farm or agricultural plot
5. Home or workplace of client
6. Employer's home
7. Construction site
8. Market or bazaar stall
9. Street stall
10. No fixed location (mobile)
11. Other, specify ...

While 'place of work' is not used as a criterion to define the informal sector/informal employment, a question on it is nevertheless useful to help identify certain sub-groups of informal workers, such as home-based workers and street vendors.

To obtain data on the number of *persons in informal employment*, it suffices to include some questions for the identification of informal jobs of employees. For all other categories of status in employment, the classification of jobs as informal follows directly from the status in employment of the job and/or the characteristics of the enterprise in which the job is undertaken (see the proposed definition of informal employment in Section 2.2). Thus, the questions, which are suggested below for testing, refer to employees only.

Q11: Do you have a written employment contract with your employer?

1. Yes
2. No

Q12: If you became sick or injured and could not work, would you be paid for the hours or days not worked?

1. Yes
2. No
3. Do not know

Q13: Are you given any paid annual leave?

1. Yes
2. No
3. Do not know

Q14: If you were pregnant, would you risk to be dismissed by your employer?

1. Yes
2. No
3. Do not know
4. Not applicable

Q15: Does your employer pay social security contributions for you, or are social security contributions deducted from your salary?

1. Yes
2. No
3. Do not know

Q16: Unless there is a fault of yours, can you be dismissed by your employer without advance notice?

1. Yes
2. No
3. Do not know

On the basis of the above sequence of questions, *employers, own-account workers and contributing family workers employed in the informal sector* (excluding persons producing goods exclusively for own final use by their household) would be identified through the following combination of response categories:

Q1 = 1 and Q3.3 < 5 and (((Q4 = 2-5 or (Q4 = 1 and Q5 = unincorporated enterprise with invalid form of registration)) or Q6 = e.g. lump sum tax or no tax payment)

*Employees employed in the informal sector* (excluding paid domestic workers) would be identified through the following combination of response categories:

Q1 = 1 and Q3.3 < 5 and (Q7 = 2 and (Q8 = 4-5 or (Q8 = 7 and Q9 = 7)))

*Persons in informal employment* would include (i) employers and own-account workers having informal sector enterprises, (ii) all contributing family workers, (iii) producers of goods exclusively for own final use by their household, and (iv) those employees (including paid domestic workers) who respond with "No" or "Do not know" to questions Q11, Q12, Q13 or Q15, or with "Yes" or "Do not know" to questions Q14 or Q16.

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## ANNEX

**Conceptual Framework: Informal Employment**

| 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 (a) | 3                            |        | 4         |        | 5                           | 6         | 7      | 8                                  |        |
| Households (b)                  | 9                            |        |           |        |                             | 10        |        |                                    |        |

- (a) As defined by the Fifteenth International Conference of Labour Statisticians (excluding households employing paid domestic workers).
- (b) Households producing goods exclusively for their own final use and households employing paid domestic workers.

Dark grey cells refer to jobs that by definition do not exist in the type of production units in question.

Light grey cells refer to jobs which exist in the type of production units in question but which are not relevant to informal employment.

Un-shaded cells refer to types of jobs that represent the different segments of informal employment.

**Cells 1 and 5:** Contributing family workers: no contract of employment and no legal or social protection arising from the job, in formal sector enterprises (cell 1) or informal sector enterprises (cell 5). The informal nature of their jobs follows directly from the status in employment.

**Cells 2, 6 and 10:** Employees who have informal jobs, whether employed by formal sector enterprises (cell 2), informal sector enterprises (cell 6) or as paid domestic workers by households (cell 10).

**Cells 3 and 4:** Own-account workers (cell 3) and employers (cell 4) who have their own informal sector enterprises. The informal nature of their jobs follows directly from the characteristics of the enterprise they own.

**Cell 7:** Employees working in informal sector enterprises but having formal jobs.

**Cell 8:** Members of informal producers' cooperatives. The informal nature of their jobs follows directly from the characteristics of the producers' cooperative of which they are member.

**Cell 9:** Producers of goods exclusively for own final use by their household (e.g. subsistence farming).

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

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

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

| Country               | Year | Urban/<br>rural | Number in 1 000 |         |         | Women<br>per 100<br>men | Percent of total employment (1) |      |       |
|-----------------------|------|-----------------|-----------------|---------|---------|-------------------------|---------------------------------|------|-------|
|                       |      |                 | Total           | Men     | Women   |                         | Total                           | Men  | Women |
| National definition   |      |                 |                 |         |         |                         |                                 |      |       |
| Ethiopia              | 1999 | Urban           | 1 149.5         | 485.6   | 663.9   | 137                     | 50.6                            | 38.9 | 64.8  |
|                       |      | Rural           | 3 665.3         | 958.7   | 2 706.7 | 282                     | 86.9                            | 73.2 | 93.0  |
|                       |      | Total           | 4 814.8         | 1 444.2 | 3 370.6 | 233                     | 74.2                            | 56.4 | 85.7  |
| Russian Fed.          | 2001 | Urban           | 4 525.0         | 2 403.0 | 2 122.0 | 88                      | 9.2                             | 9.6  | 8.8   |
|                       |      | Rural           | 3 654.0         | 1 924.0 | 1 730.0 | 90                      | 23.8                            | 23.2 | 24.5  |
|                       |      | Total           | 8 179.0         | 4 326.0 | 3 853.0 | 89                      | 12.6                            | 12.9 | 12.3  |
| Harmonised definition |      |                 |                 |         |         |                         |                                 |      |       |
| Ethiopia              | 1999 | Urban           | 1 118.5         | 463.3   | 655.2   | 141                     | 49.2                            | 37.1 | 64.0  |
|                       |      | Rural           | 2 137.7         | 455.5   | 1 682.3 | 369                     | 50.7                            | 34.8 | 57.8  |
|                       |      | Total           | 3 256.2         | 918.8   | 2 337.4 | 254                     | 50.2                            | 35.9 | 59.4  |
| Russian Fed.          | 1999 | Urban           | 2 228.0         | 1 101.0 | 1 127.0 | 102                     | 4.5                             | 4.4  | 4.7   |
|                       |      | Rural           | 560.0           | 294.0   | 266.0   | 90                      | 3.7                             | 3.6  | 3.8   |
|                       | 2001 | Total           | 3 567.0         | 1 784.0 | 1 783.0 | 100                     | 5.5                             | 5.3  | 5.7   |

(1) In the same geographic areas, branches of economic activity, age limits, etc.

Source: ILO Bureau of Statistics on the basis of official national data

[1] The 15<sup>th</sup> ICLS recognised that, from a conceptual point of view, there was nothing against the inclusion, within the scope of the informal sector, of private unincorporated enterprises engaged in agricultural and related activities, if they met the criteria of the informal sector definition. The recommendation to exclude agricultural and related activities from the scope of informal sector surveys, and to measure them separately, was however made for practical data collection reasons.

[2] The 15<sup>th</sup> ICLS definition of the informal sector excludes households producing *goods* for their own final use, but provides an option to include households employing paid domestic workers. The framework referred to in this paper *excludes* households employing paid domestic workers from the informal sector.

[3] Cell 7 refers to employees working in informal sector enterprises but having formal jobs. Such cases may occur when enterprises are defined as informal in using size as the only criterion, or where there is no administrative link between the registration of employees and the registration of their employers. However, the number of such employees is likely to be small in most countries. Where the number is significant, it would be useful to define the informal sector in such a way that enterprises employing formal employees are excluded. Such a definition has been proposed, for example, for Argentina (*Pok 1992*) and is in line with the 15<sup>th</sup> ICLS resolution, which includes the non-registration of the employees of the enterprise among the criteria for defining the informal sector (*ILO 2000*).

[4] Producers' cooperatives, which are formally established as legal entities, are incorporated enterprises and, hence, part of the formal sector. Members of such formally established producers' cooperatives are considered to have formal jobs. Producers' cooperatives, which are not formally established as legal entities, are treated as private unincorporated enterprises owned by members of several households. They are part of the informal sector if they meet all the criteria of the definition.

[5] The definition corresponds to the definition of unregistered employees as specified in paragraph 9 (6) of the informal sector resolution adopted by the 15<sup>th</sup> ICLS. It encompasses the ICSE-93 definitions of non-regular employees, workers in precarious employment (casual workers, short-term workers, seasonal workers, etc.) and contractors.

[6] Another set of comparable data is available for 12 Latin American countries in the ILO Regional Database for Latin America and the Caribbean. It refers to the number of persons employed in small or micro-enterprises as a percentage share of total

employment, according to a harmonised definition of small or micro-enterprises used by the ILO Regional Office for Latin America and the Caribbean to disseminate statistics on employment in the informal sector.

[7] In some countries, the type of tax payment by enterprises depends upon their legal organisation and registration, which also determine the type of accounts to be submitted by the enterprise. In such cases, a question on the type of tax payment may be more easily understood by survey respondents than questions on the registration of the enterprise.