

# **Defining and measuring informal employment**

By

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**Abstract**

The paper summarises the international statistical definition of the informal sector as adopted by the Fifteenth International Conference of Labour Statisticians (15<sup>th</sup> ICLS) in 1993 and referred to in the revised System of National Accounts (SNA 1993). With a view to complementing statistical measures of employment in the informal sector with broader statistical measures of informal employment, it also proposes a definition of informal employment as developed by the ILO for discussion by the International Labour Conference (ILC) in 2002 and endorsed by the 17<sup>th</sup> ICLS in 2003. The possibilities and limitations of labour force surveys as a source of data on employment in the informal sector and informal employment are discussed. To illustrate how the information can be obtained, examples of possible survey questions are included.

**Key words**

Informal sector; informal employment.

## 1. Introduction

The purpose of this paper is to present a conceptual framework that makes it possible to complement statistical measures of employment in the informal sector with broader statistical measures of informal employment, and to show how such measures can be obtained in using labour force surveys as the source of information. 'Employment in the informal sector' and 'informal employment' are both measures that are useful for analytical and policy-making purposes, as they refer to different aspects of the 'informalisation' of employment and to different targets for policy-making. One of the two concepts cannot replace the other. However, the two concepts need to be defined and measured in such a way that they are consistent and that one can be clearly distinguished from the other. Statistics users and others often tend to confuse the two concepts because they are unaware of the different observation units involved (enterprises vs. jobs).

Section 2 of the paper summarises the international statistical definition of the informal sector as adopted by the *Fifteenth International Conference of Labour Statisticians (15<sup>th</sup> ICLS)* in 1993 and referred to in the revised *System of National Accounts (SNA 1993)*. It also proposes a definition of informal employment as developed by the ILO for discussion by the *International Labour Conference (ILC)* in 2002 and endorsed by the *17<sup>th</sup> ICLS* in 2003. Section 3 discusses the possibilities and limitations of labour force surveys as a source of data on employment in the informal sector and informal employment. To illustrate how the information can be obtained, examples of possible survey questions are included.

## 2. Definitions

### 2.1 International statistical definition of employment in 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* 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 (*ILO 2000*) defined *informal sector enterprises* on the basis of the following criteria:

- They are private unincorporated enterprises (excluding quasi-corporations)<sup>1</sup>, 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 which produce 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 (if any) are not registered.
- They are engaged in non-agricultural activities, including secondary non-agricultural activities of enterprises in the agricultural sector<sup>2</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. Informal sector enterprises as defined by the 15<sup>th</sup> ICLS are a sub-sector of the SNA institutional sector '*households*'.

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.

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<sup>1</sup> In the SNA 1993, such enterprises are called 'household unincorporated enterprises' or 'household enterprises' because they form part of the SNA institutional sector 'households'. Since these terms are often misinterpreted by people who are not familiar with the SNA framework, the term 'private unincorporated enterprises' is used in this paper.

<sup>2</sup> 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.

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 informal (or non-standard, atypical, alternative, irregular, precarious, etc.) employment can be observed. From the beginning, it had been clear that an enterprise-based definition of the informal sector, such as the definition adopted by the 15<sup>th</sup> ICLS, would not be able – nor meant - to capture all aspects of such a trend towards an increasing ‘informalisation’ of employment. The international Expert Group on Informal Sector Statistics (Delhi Group) therefore joined statistics users in concluding that the definition and measurement of employment in the informal sector needed to be complemented with a definition and measurement of *informal employment* (CSO/India 2001).

The concept of informal employment is considered to be relevant not only for developing and transition countries, but also for developed countries, for many of which the concept of the informal sector is of limited relevance. A part of the growing ‘informalisation’ of employment may be attributed to the globalisation process of the economy. This is because enterprises tend to respond to competitive pressure in resorting to mixed-mode labour arrangements, in which observance of labour regulations for some workers is combined with the use of non-standard, atypical, alternative, irregular, precarious, etc. types of labour or various forms of sub-contracting.

A conceptual framework for defining informal employment was proposed in the ILO report on ‘*Decent Work and the Informal Economy*’, which had been prepared for discussion by the *International Labour Conference* at its 90<sup>th</sup> Session in June 2002 (Husmanns 2001; ILO 2002a). The conceptual framework was well received by the International Labour Conference, the Delhi Group and other meetings to which it had been presented. Several countries (Brazil, Georgia, India, Mexico and the Republic of Moldova) tested the framework successfully, and in December 2003 the 17<sup>th</sup> ICLS adopted guidelines endorsing it as an international statistical standard (ILO 2003). These guidelines complement the 15<sup>th</sup> ICLS Resolution concerning statistics of employment in the informal sector.

During discussions on terminology, some considered the term ‘informal employment’ as being too positive and thus potentially misleading for policy purposes, while others feared that statistics users might have difficulties to understand the difference between ‘informal employment’ and ‘employment in the informal sector’ and confuse the two terms. Nevertheless, the term ‘informal employment’ was

retained because there was no agreement regarding the use of an alternative term, such as ‘unprotected employment’.

The 17<sup>th</sup> ICLS defined informal employment as comprising the total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households, during a given reference period.

The purpose of the conceptual framework developed by the ILO is to relate the enterprise-based concept of employment in the informal sector in a consistent manner with a job-based concept of informal employment, and thereby extend the former concept to a broader one. The two concepts complement rather than replace each other because the observation units are different.

A person can simultaneously have two or more formal and/or informal jobs. Due to the existence of such multiple jobholding, jobs rather than employed persons were taken as the observation units for employment. Employed persons hold jobs that can be described by various job-related characteristics, and these jobs are undertaken in production units (enterprises) that can be described by various enterprise-related characteristics.

Thus, the framework disaggregates total employment according to two dimensions: type of production unit and type of job (*see the matrix attached as an 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 above. *Households* as production units are defined here as including households producing goods exclusively 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>3</sup>. Households producing *unpaid* domestic or personal services (e.g., housework, caring for family members) for their 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. Such breakdown by

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<sup>3</sup> The 15<sup>th</sup> ICLS definition of the informal sector excludes households producing *goods* exclusively for their own final use, but provides an option to include households employing paid domestic workers. The framework presented in this paper and adopted by the 17<sup>th</sup> ICLS does not use this option and, hence, *excludes* households employing paid domestic workers from the informal sector.

status in employment was considered useful for policy purposes. Cells, which are shaded in dark grey in the matrix attached as an annex, refer to jobs that by definition do not exist in the type of production unit in question. For example, there cannot be contributing family workers in household non-market production units. Cells shaded in light grey refer to formal jobs. Examples are own-account workers and employers owning formal sector enterprises, employees with formal jobs in formal sector enterprises, or members of formally established producers' cooperatives. The remaining un-shaded cells represent the various types of informal jobs. Each of these cells can and should be further disaggregated to identify specific types of jobs or production units for analysis and policy-making.

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 is not applied 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 employed in their own informal sector enterprises (Cells 3 and 4). The employment situation of own-account workers and employers can hardly be separated from the type of enterprise, which they own. The informal nature of their jobs follows thus directly from the characteristics of the enterprise.
- Contributing family workers, irrespective of whether they work in formal or informal sector enterprises (Cells 1 and 5). The informal nature of their jobs is due to the fact that contributing family workers usually do not have explicit, written contracts of employment, and that usually their employment is not subject to labour legislation, social security regulations, collective agreements, etc.<sup>4</sup>.
- Employees holding informal jobs, whether employed by formal sector enterprises, informal sector enterprises, or as paid domestic workers by households (Cells 2, 6 and 10)<sup>5</sup>. Employees are considered to have informal jobs if their employment

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<sup>4</sup> Family workers with a contract of employment and/or wage would be considered employees.

<sup>5</sup> Cell 7 refers to employees holding formal jobs in informal sector enterprises. Such cases, which are included in employment in the informal sector but excluded from informal employment, 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*).

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.) for reasons such as: non-declaration of the jobs or the employees; casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold (e.g. for social security contributions); employment by unincorporated enterprises or by persons in households; jobs where the employee's place of work is outside the premises of the employer's enterprise (e.g. outworkers without employment contract); or jobs, for which labour regulations are not applied, not enforced, or not complied with for any other reason<sup>6</sup>.

- Members of informal producers' cooperatives (Cell 8). The informal nature of their jobs follows directly from the characteristics of the cooperative of which they are member<sup>7</sup>.
- Own-account workers engaged in the production of goods exclusively for own final use by their household (such as subsistence farming or do-it-yourself construction of own dwellings), if considered employed according to the 13<sup>th</sup> ICLS definition of employment (Cell 9).

The major new element is the above definition of informal jobs of employees. However, given the large diversity of informal employment situations the 17<sup>th</sup> ICLS had to leave the operational criteria for defining informal jobs of employees for determination by countries in accordance with national circumstances and data availability. While the definition mentions the most important causes and effects of informal wage employment, it was not intended to provide a typology and definitions of the various different forms of informal employee jobs. Such a typology and definitions would have to be developed as part of further work on classifications by status in employment at the international and national levels. A strategy for developing a typology of atypical forms of employment, based on the International Classification of Status in Employment (ICSE-93), has been outlined by *Mata Greenwood and Hoffmann (2002)*.

*Employment in the informal sector* encompasses the sum of Cells 3 to 8. *Informal employment* encompasses the sum of Cells 1 to 6 and 8 to 10. The sum of Cells 1, 2, 9 and 10 may be called *informal employment outside the informal sector*, of which Cell 2 (employees holding informal jobs in formal sector enterprises) tends to generate the largest interest among researchers, social partners and policy-makers.

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<sup>6</sup> 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.

<sup>7</sup> 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 also meet the other criteria of the definition.



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 presented in this paper and adopted by the 17<sup>th</sup> ICLS 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, and in the light grey cell next to Cell 2, if they have formal jobs.

Thus, problems in assigning jobs to status-in-employment categories 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. They would lead to classification errors rather than coverage errors.

### **3. Measurement**

#### **3.1 Labour force surveys as a source of data 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 (*ILO 2002b*). In addition, labour force surveys appear to be the most appropriate survey instrument for applying the definition of informal employment endorsed by the 17<sup>th</sup> ICLS.

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 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<sup>8</sup>.

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

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<sup>8</sup> This is an advantage as compared with stand-alone informal sector surveys, where usually all information on the informal sector enterprise and its work force is obtained from the enterprise owner.

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. A labour force survey can also be used as the first phase of a mixed household and enterprise survey on the informal sector.

Labour force 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 on the characteristics of their enterprise (including legal organisation, bookkeeping practices, registration and/or number of persons engaged) provided by respondents identified as employers or own-account workers. 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. Both approaches have been used in the sequence of questions included in Section 3.2.1 below.

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, casual jobs, and informal activities performed as secondary jobs by farmers, government officials or employees of the private formal sector<sup>9</sup>. 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, which 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.

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<sup>9</sup> The underreporting of secondary jobs in labour force surveys is a widespread phenomenon requiring special attention.

There are certain limitations to the use of labour force surveys as a source of data on 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 may not be representative for the whole year. Improved representativeness in the time dimension can be achieved by repeating the measurement several times during the year in the case of quarterly, monthly or continuous surveys, or by 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. This is because the number of informal sector enterprises is not identical with the number of informal sector entrepreneurs, due to the existence of business partnerships.
- The possibilities for disaggregating the data by branch of economic activity (industry) 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 any detailed sub-classifications.

## **3.2 Survey questions**

### **3.2.1 Employment in the informal sector**

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 identify 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 the production of goods for own final use (ISIC, Rev. 3.1 division 96 - Undifferentiated goods-producing activities of private households for own use).

It should also be noted that, if properly designed, questions on the form of registration of the enterprise cover not only the criterion of non-registration, but at the same time also the criteria of kind of ownership, legal organisation and type of accounts, which are used to define private unincorporated enterprises (excluding quasi-corporations)<sup>10</sup>. Thus, only few questions need to be added to a labour force survey questionnaire in order to identify *persons employed in the informal sector*. An example based on the type of questions asked in the labour force surveys of many countries is given below.

**For all respondents:**

Q1: How many persons (including yourself) usually work in your enterprise/the enterprise where you are employed?

(If the enterprise has more than one establishment, the number of persons usually working in the **largest** establishment should be reported.)

- |                 |   |          |
|-----------------|---|----------|
| 1. Less than 10 |   | Continue |
| 2. 10 to 19     | ) |          |
| 3. 20 to 49     | ) | Go to Q4 |
| 4. 50 to 99     | ) |          |
| 5. 100 or more  | ) |          |

(Size classes to be determined according to national circumstances.)

Q2: Please give the exact number:                    /\_/\_/

Q3: How many of the persons working in your enterprise/the enterprise where you are employed are ... ?

	Total	Male	Female
1. Owners (incl. business partners)	/_/_/	/_/_/	/_/_/
2. Contributing family workers	/_/_/	/_/_/	/_/_/
3. Paid employees	/_/_/	/_/_/	/_/_/
4. Unpaid employees	/_/_/	/_/_/	/_/_/

(Note: If it is difficult to obtain information on the characteristics of enterprises from employees, an estimate of employment in the informal sector by sex and status in employment can be obtained only on the basis of the answers to Q3 provided by informal own-account workers and employers. Q3 is also needed for application of the harmonised definition of informal sector recommended by the Delhi Group, which specifies the size criterion in terms

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<sup>10</sup> In some countries (e.g. Turkey), 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.

of less than five paid employees (*Central Statistical Organisation/India 1999*).

**For employers, own-account workers and contributing family workers:**

Q4: Has the enterprise already been registered?

- |  |   |           |
|--|---|-----------|
| 1. Yes                                   |   | Continue  |
| 2. Is in the process of being registered | ) |           |
| 3. No                                    | ) | Go to Q10 |
| 4. Do not know                           | ) |           |
| 5. Do not want to answer                 | ) |           |

Q5: Under which form is the enterprise registered?

(Response categories to be determined according to national circumstances.)

Go to Q10

Or instead of Q4 and Q5:

Q6: Which is the type of tax payment by the enterprise?

(Response categories to be determined according to national circumstances, e.g.: corporate tax, real tax declaration, lump sum tax, no tax payment.)

**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. Private household employing domestic staff | ) |           |
| 7. Other, specify ...                         | ) |           |
| 8. 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. Private hospital or school
6. Engineering firm, architects'/lawyer's/doctor's office, etc.
7. Farm, small workshop/garage/shop/restaurant/service undertaking
8. Other, specify ...

Continue

(Note: Code 7 may serve as a proxy for informal sector enterprises.)

**For all respondents:**

Q10: Where do you mainly undertake your work?

1. At your home (no special work space)
2. Work space inside or attached to your 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 ...

(Note: 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.)

### **3.2.2 Informal employment**

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. Thus, the survey questions, which are suggested below as a possible basis to start from, refer to employees only.

Countries such as Brazil, Georgia, India, Mexico, Turkey and the Ukraine have used the following operational criteria to define informal employment: lack of a

work book (carteira assinada), lack of coverage by the social security system, lack of entitlement to paid annual or sick leave, lack of a written employment contract, or the casual/temporary nature of the work. 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 the existing regulations are lacking or deficient. The question then arises as to what should be the aspect 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.

The following example is based on a sequence of questions that was tested during 2003 in the quarterly labour force survey of the Republic of Moldova (*Department for Statistics and Sociology 2003*).

**For employees only:**

Q11: Are you employed permanently or temporarily?

1. Permanently
2. Temporarily

Q12: Are you employed on the basis of a written contract or agreement?

1. Yes
2. No

Q13: Does your employer pay contributions to the pension fund for you?

1. Yes
2. No
3. Do not know

Q14: Do you benefit from paid annual leave or from compensation instead of it?

1. Yes
2. No
3. Do not know

Q15: In case of incapacity to work due to health reasons, would you benefit from paid sick leave?

1. Yes
2. No

3. Do not know

Q16: In case of birth of a child, would you be given the opportunity to benefit from maternity leave?

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

Q17: Unless there is a fault of yours, could you be dismissed by your employer without advance notice?

1. Yes
2. No
3. Do not know

Q18: In case of dismissal, would you receive the benefits and compensation specified in the labour legislation?

1. Yes
2. No
3. Do not know

As a result of the test, questions Q13, Q14 and Q15 were chosen for defining informal jobs. Q17 and Q18, which did not work well, were deleted from the survey questionnaire as from January 2004.

On the basis of the sequence of questions presented in Section 3.2.1 above, *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) can 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) can be identified through the following combination of response categories:

Q1 = 1 and Q3.3 < 5 and ((Q7 = 2 and (Q8 = 4-5 or (Q8 = 8 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 (if



considered employed), and (iv) those employees (including paid domestic workers) who respond with “No” to questions Q13 or Q14 or Q15.

It should be emphasised that the questions Q1-Q18 and their response categories are meant to be merely indicative of the kind of information needed to identify employment in the informal sector and informal employment. Their exact wording will have to be determined by each country itself in light of its national circumstances. Some of the questions may not even be relevant to all countries, in which case they should be omitted or be replaced by other, more pertinent questions.

Not only self-respondents, but also proxy-respondents should be able to answer such questions, if properly designed. In the case of proxy-respondents, it will however be more difficult to obtain accurate information for some of the questions.

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## ANNEX

**Conceptual Framework: Informal Employment**

(Seventeenth International Conference of Labour Statisticians)

Producti on units by type	Jobs by status in employment								
	Own-account workers		Employers		Contributi ng family workers	Employees		Members of producers' cooperatives	
	Inform al	Form al	Inform al	Form al	Informal	Inform al	Form al	Inform al	Form al
Formal sector enterprises					1	2			
Informal sector enterprises <sup>(a)</sup>	3		4		5	6	7	8	
Households <sup>(b)</sup>	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 unit in question. Light grey cells refer to formal jobs. Un-shaded cells represent the various types of informal jobs.

**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 holding 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) employed in their own informal sector enterprises. The informal nature of their jobs follows directly from the characteristics of the enterprise, which they own.

**Cell 7:** Employees holding formal jobs in informal sector enterprises.

**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:** Own-account workers engaged in the production 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.

**ILO**

