DRAFT

Resolution concerning Statistics on the Informal Economy

For discussion at the third meeting of the Working Group.
Introduction

The following paper can be viewed as a first draft of the resolution concerning statistics on informal economy. It is based on the discussion paper Conceptual Framework for Statistics on the Informal Economy (presented and discussed at the third working group meeting) and can be viewed as a compilation of the main “statements” marked with cursive text in the discussion paper. The intention is to provide an overview of the structure, key elements, concepts and definitions to be included in the future resolution as input for the discussions at the third working group meeting. There are still important parts yet to be developed, including a pre-amble explaining the objectives, scope and links to other standards, Data sources and guidelines for data collection on statistics on informal economy and the Main indicators to be recommended for countries to produce.
1 Reference concepts

1. Statistics on informality are concerned with the informal nature of (a) the productive activities of economic units, and (b) the productive activities of persons; where

   (a) the concept of “productive activities of economic units” is aligned with the definition in the System of National Accounts (SNA) and includes processes or activities carried out under the control and responsibility of an economic unit and that use inputs of labour, capital, goods and services to produce outputs of goods or services;

   (b) the concept of “economic unit” is aligned with that defined in the System of National Accounts and distinguishes between:

      (i) market units (i.e. corporations, quasi-corporations and household market enterprises);

      (ii) non-market units (i.e. government and non-profit institutions serving households); and

      (iii) households that produce goods or services for own final use (i.e. households).

   (c) the concept of “productive activities of persons” is aligned with the definition of “work” to the current international standards concerning statistics of work, employment and labour underutilization. It includes activities within the SNA production boundary as well as activities outside the SNA production boundary but inside the SNA general production boundary.

   (d) Work can be further distinguished into five distinct forms:

      (i) own-use production work

      (ii) employment work

      (iii) unpaid trainee work

      (iv) volunteer work

      (v) other work activities

2. The units that are relevant for the production of statistics on informality are persons, jobs or work activities and economic units.

3. All productive activities defined as work can be linked to a specific “job” or “work activity” and all jobs and work activities can be categorized in a status in employment and status at work as defined in the most recent standards concerning statistics of work, employment or work relationships.

4. Since persons frequently perform work for more than one economic unit, and the informal nature of the productive activities may differ for each unit, statistics on informality refer primarily to productive activities carried out by or for particular economic units.
The scope of statistics on informality

Informal productive activities

5. For statistical purposes the concept of informal productive activities is defined as all productive activities carried out by persons and economic units that are – in law or in practice – not covered by formal arrangements.

6. They include productive activities within the SNA general production boundary that are not covered by regulations and laws such as:

   (a) regulations that stipulate the responsibilities and obligations of the economic units and the workers;

   (b) commercial laws that regulate the productive activities carried out by economic units and their engagement in commercial contracts, safeguard of their intellectual and physical property etc.;

   (c) procedures to report economic activities such as fiscal obligations in order, for example, to pay taxes or to cover employees by social security;

   (d) coverage by labour laws and regulations such as annual paid leave, paid sick leave, minimum wage, hours of work and social security;

   (e) procedures that regulate access to the institutional infrastructure such as banks, markets or governmental support mechanisms.

The informal economy

7. The informal economy constitutes all informal productive activities of persons and economic units, whether or not they are carried out for pay or profit.

8. “Informal productive activities of persons” include informal tasks and duties carried out by persons in:

   (a) Informal employment, as defined in para 38-67

   (b) Formal employment that include partly informal activities, tasks and duties, as defined in para 68-71

   (c) Unpaid trainee work, volunteer work, own-use production work, other work activities that include informal activities, tasks and duties, as defined in para 72-81

9. “Informal productive activities of economic units” includes informal economic activities carried out by:

   (a) Economic units in the informal sector, as defined in para 24-28

   (b) Economic units in the formal sector carrying out partly informal production, as defined in para 19-21

   (c) Households producing for own final use and Non-formal non-profit organizations as defined in para 33.
The informal economy encompasses all informal productive activities. This enables comprehensive measurement of the informal economy as input to the SNA, satellite accounts, and of informal productive activities undertaken through forms of work other than employment and of domains that cut across multiple forms of work, such as agriculture, and the care economy.

**The informal market economy**

11. For statistical purposes, the concept of the informal market economy is defined as all productive activities of workers and economic units carried out for pay or profit that are – in law or in practice – not covered by formal arrangements.

12. Employed persons in the informal market economy include:

   (a) Persons in informal employment, as defined in para 38-67

   (b) Persons in formal employment carrying out partly informal activities, tasks and duties as defined in para 68-71

13. Economic units in the informal market economy include:

    (a) Economic units in the informal sector, as defined in para 24-28

    (b) Economic units in the formal sector carrying out partly informal production, as defined in para 19-21

    (c) Households that in their capacity of employers engage one or more employees, as defined in para 36

The narrower concept of the informal market economy includes the core concepts of informal employment and informal sector essential for designing and evaluating inclusive economic and social policies that aim to improve working conditions, achieve gender equality, reduce poverty, promote decent work and support formalization of the informal market economy.
Box 1. The scope of statistics on informality

<table>
<thead>
<tr>
<th>Informal productive activities</th>
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</thead>
<tbody>
<tr>
<td>Production</td>
<td>For pay or profit</td>
<td>Not for pay or profit</td>
</tr>
<tr>
<td>Workers</td>
<td>Liable to become formal or already formal</td>
<td>Partial regulated or not at all but liable to be regulated</td>
</tr>
</tbody>
</table>

**Informal work**

- **Informal Employment**
  - Formal employment with partly informal activity
  - Either main or secondary formal jobs with partly informal activity
  - Either main or secondary informal jobs

  * Own use,
  * Unpaid trainee,
  * Volunteer work carrying out informal productive activities

  **[Essential categories]**

<table>
<thead>
<tr>
<th>Carry out the work for Economic units in:</th>
<th>Formal sector</th>
<th>Household with paid domestic workers</th>
<th>Informal sector</th>
<th>Household with paid domestic workers</th>
<th>Informal sector</th>
<th>Formal sector</th>
<th>Households, Non-formal NPI</th>
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<tbody>
<tr>
<td>Informal market economy</td>
<td>Employed persons in the informal market economy</td>
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<tr>
<td>Informal economy</td>
<td>Workers in the Informal Economy</td>
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**Economic units**

- Liable to become formal or already formal
- Partial regulated or not at all but liable to be regulated

<table>
<thead>
<tr>
<th>Informal production</th>
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<tbody>
<tr>
<td>Formal sector with partly informal production for pay or profit</td>
<td>Informal sector</td>
<td>Household own-use Community sector</td>
</tr>
<tr>
<td>Informal employment</td>
<td>Informal employment</td>
<td>Informal employment</td>
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<tr>
<td>Informal unpaid trainee work</td>
<td>Informal unpaid trainee work</td>
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<tr>
<td>Informal volunteer work</td>
<td>Informal volunteer work</td>
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<tr>
<th>Relation to 2008 SNA</th>
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<tr>
<td>SNA production boundary</td>
<td>Goods</td>
<td>Services</td>
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<td>SNA general production boundary</td>
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<th>Informal market economy</th>
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<tr>
<td>Economic units in the informal market economy</td>
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<tbody>
<tr>
<td>Economic units in the informal economy</td>
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</table>
Informal sector, Formal sector, Household own-use and Community sector

14. Two aspects of an economic unit need to be established to identify the informal sector, formal sector and household own-use and community sector:

(a) the intended destination of the production; and
(b) the formal status of the economic unit.

15. The intended destination reflects whether the production is mainly intended for the market with the purpose of generating a profit.

16. Types of production that are not intended for the market with the purpose of generating a profit include:

(a) production that is mainly for own final use, and
(b) production mainly intended for the market but with a non-profit purpose, and
(c) non-market production that is mainly for final use by other households.

17. The formal status of the economic unit reflects whether the unit is formally recognized by government authorities as a distinct producer of goods or services and thus covered by formal arrangements.

18. Depending on the formal status of the economic unit and the intended destination of the production, economic units can be mutually exclusively allocated to one of the following sectors:

(a) The formal sector, comprising economic units that are formally recognized as distinct producers of goods and services for the consumption of others, irrespective of the intended destination of the production.

(b) The informal sector, comprising economic units whose production mainly intended for the market with the purpose of generating a profit, but that are not formally recognized as producers of goods and services distinct from the own use production of the owner operators’ household (i.e. household market enterprises).

(c) Household own-use and community sector, comprising economic units that are not formally recognized as producers of goods and services for the consumption of others, whose production is either mainly for the household’s own final use, or the use of others without the purpose of generating an income or profit for the producing household(s) or non-formal organization (i.e. households and non-formal non-profit organizations).

Operational definitions of the three sectors

Formal sector

19. The formal sector comprises all economic units that are formally recognized as producers of goods and services and are thus covered by formal arrangements. These formal economic units are characterized by:

(a) having a formal status as distinct producers of goods or services by:

(i) being owned and/or controlled by the government; or
(ii) being recognized as separate legal entities from their owners; or

(iii) keeping a complete set of accounts for tax purposes; or

(iv) being registered in a nationally established system of registration; or

(v) producing for the market and employing one or more persons to work as an employee with a formal job(s).

(b) the intended destination of the production being:

(vi) mainly for the market with the purpose of generating an income or profit, for a non-profit purpose, or non-market production for use of others.

20. For operationalization of criteria (a) i-v the following requirements should be taken into account;

(i) Owned and/or controlled by the government. Economic units that are owned and controlled by the general government include units that are part of central, state or local governments, as well as economic units owned and operated by the state with the purpose of producing goods and services for the population, such as state health care, defence, public order and safety, or the production of market goods and services (public corporations). This excludes situations where the general government might control access to the market or similar but does not own and control the economic units carrying out the production.

(ii). Recognized as separate legal entities from their owners. Economic units that are incorporated (such as a limited liability corporation or limited partnership), and therefore recognized as legal entities separate from their owner, are formally recognized producers of goods and services. The incorporated status of the economic unit implies a separation of assets and income between the owner and the enterprise and a limited legal liability for the owner in relation to, for example, any debts or other obligations held by the enterprise.

(iii). Keeping a complete set of accounts for tax purposes. Enterprises that keep a complete set of accounts (incl. balance sheets, assets, liabilities, flows of income and capital between the enterprise and the owner) for the purpose of aligning to tax regulations or other relevant regulations are defined as formally recognized enterprises and thus included in the formal sector.

(iv). Registered in a governmentally established system of registration used for granting access to benefits and that carries obligations. Registration implies formal recognition of the economic unit as a market producing entity distinct from the own use production of the owner operators’ household, irrespective of whether this separation is a de facto legal separation or financial separation. Depending on national circumstances, the registration may refer to a register or registers in the given country used for granting access to benefits such as tax deductions, obtaining a legal identity for enterprises, or for carrying obligations such as paying business tax and keeping accounts. In case countries have special regulations and registers targeting a specific type of production such as agriculture activities registration may also refer to these specialized national register(s). However registers used for purposes other than production or operation of a business, such as those related to land tenure, are not assumed to imply the existence of a formal enterprise.

(v). Employ one or more persons to work as an employee with a formal job(s): Enterprises that employ one or more persons under conditions that meet the requirements of a formal job held by an employee, as defined in para 58-63, are considered to be formally recognized enterprises and thus form part of the formal sector. Enterprises that employ one or more persons to work under conditions that meet the requirements of an informal job may be
defined as formal enterprises or informal household market enterprises, depending on other characteristics.

21. Formal economic units can carry out any type of economic activity. The economic activities linked to a formal economic unit would typically be formal productive activities but could also include informal productive activities if part of the economic activity is not covered by formal arrangements. This could include undeclared activities and formal economic units engaging informal employees.

Workers in the formal sector

22. Persons employed in the formal sector include independent workers who own and operate a formal enterprise, dependent contractors who own and operate a formal enterprise or are registered for tax, employees and contributing family workers with informal or formal jobs carrying out work for a formal economic unit.

23. Persons carrying out work in the formal sector include employed persons in the formal sector, unpaid trainees and volunteers carrying out work for a formal economic unit.

Informal sector

24. For statistical purposes, the informal sector is defined as comprising all informal household market enterprises. Informal household market enterprises are producers of goods and services mainly intended for the market that are not formally recognized by government authorities as distinct market producers and thus not covered by formal arrangements. They are characterized by:

(a) not having a formal status as a market producer by:
   i. not being owned and/or controlled by the government; and
   ii. not being recognized as separate legal entities from their owners; and
   iii. not keeping a complete set of accounts for tax purposes; and
   iv. not being registered in a nationally established system of registration used for granting access to benefits and that carries obligations; and
   v. not employing one or more persons to work as an employee with a formal job

(b) the intended destination of the production being:
   vi. mainly for the market with the purpose of generating an income or profit for the owner(s) of the enterprise

25. For operationalization of criteria (a) i-v the requirements as stated in paragraph 20 should be taken into account.

26. Informal household market enterprises in the informal sector are characterized by the production being mainly intended for the market with the purpose of generating an income or profit for the owner(s) of the enterprise. This ensures that the main purpose of an informal household market enterprise is to generate income and employment for the persons concerned. Economic units with production mainly intended for own final use, or whose market production is not intended to be
a source of income or profit (non-profit production), are therefore excluded from the informal sector.

27. Informal household market enterprises can engage in any kind of productive activity, agriculture as well as non-agriculture, in so far as they are mainly intended for the market. All productive activities of informal household market enterprises are, by definition, informal productive activities.

28. Informal household market enterprises and thus the informal sector can be viewed as a sub-sector of the household sector as defined by the SNA. Informal household market enterprises share characteristics with households as defined by the SNA and there is no clear separation in practice between the economy and liability of the informal household market enterprise and the owners.

Multiple informal household market enterprises

29. A single household can include multiple informal household market enterprises and may also engage in different types of production in parallel, including production for own final use as well as production in relation to one or more informal household market enterprises.

30. Informal household market enterprises can be owned and operated by one person only or in partnership with members of the same household or other households. Different unrelated market activities carried out by different household members are defined as separate informal household market enterprises. Different unrelated market activities that involve different kinds of productive activities, as defined by ISIC, and with different skill requirements and occupations, as defined by ISCO, carried out by the same person can, if feasible and relevant, be defined as separate informal household market enterprises.

Workers in the informal sector

31. Persons employed in the informal sector include independent workers who own and operate an informal household market enterprise, dependent contractors who own and operate an informal household market enterprise and are not registered for tax, employees and contributing family workers who are employed in informal household market enterprises.

32. Persons carrying out work in the informal sector include employed persons in the informal sector, unpaid trainees and volunteers carrying out work for an informal household market enterprise.

Household own-use and community sector

33. The household own-use and community sector comprises all households and non-formal non-profit organizations producing goods or services that are mainly for own final use or for the use of others without the purpose of generating an income or profit. These units are characterized by:

(a) not being formally recognized as distinct producers of goods or; and

(b) the production that takes place being mainly intended for:

- own final use; or

- the use of others without the purpose of generating an income or profit.

Workers in the household own-use and community sector

34. Persons employed in the household own-use and community sector include employees with informal or formal jobs engaged by the household to produce goods or provide services to be
consumed by the household and employees with informal jobs engaged by non-formal non-profit organizations.

35. Persons carrying out work in the household own-use and community sector include:
   (a) persons employed in the household own-use and community sector, including domestic workers;
   (b) household members carrying out own-use production of goods and services; and
   (c) volunteers carrying out direct volunteer work or organization-based volunteer work for a non-profit organization that is not formally recognized.

Subsectors of the household own-use and community production sector

36. The household own-use and community sector may, if feasible and relevant in the national context and depending on statistical objectives, be further categorized into the following pairs of dichotomous subcategories:
   (a) Household own-use and community sector within the SNA production boundary versus Household own-use and community sector outside the SNA production boundary (but within the SNA general production boundary).
      i. This dichotomy enables comprehensive measurement of all informal productive activities within the SNA production boundary.
      ii. The goods and services to include in the two different categories should follow the latest recommendations defining the SNA production boundary.
   (b) Households producing for own-final use versus Non-profit organizations not formally recognized by the legal administrative framework of the country.
      i. This dichotomy is relevant in relation to statistics on volunteer work.
      ii. The identification of the two categories requires additional information on the degree of organisation of the non-profit production carried out for the use of other households.
   (c) Households with employees versus Households producing for own final use without employees.
      i. This dichotomy enables the identification of households as employers engaging, for example, domestic workers.
      ii. It requires information to establish whether households engage employees to produce goods or services to be consumed by the household.

Informal work

37. Informal work consists of productive activities performed by persons that are – in law or in practice - not covered by formal arrangements. It comprises:
   (a) productive activities carried out by persons in employment that are in law and in practice not covered by formal arrangements such as regulations and laws that stipulate the
responsibilities, obligations and protection of the economic units and the workers, commercial laws, procedures to report economic activities, labour laws and social security laws providing protection against economic and personal risks associated with carrying out the activities: and

(b) productive activities carried out in relation to:

   i. own-use production work,
   ii. volunteer work,
   iii. unpaid trainee work, and
   iv. other work activities

as defined by the latest standards on work (hereafter referred to as unpaid work) and where the unpaid work is not covered by formal arrangements such as regulations and provisions that promote or facilitate the work and protect and regulate the actions and functions of the worker.

Informal employment

38. Statistics on informal employment aim at establishing:

   (a) whether the productive activities defined as employment are in law and in practice covered by formal arrangements and the formal status of the economic unit for which this work is carried out; and

   (b) the level of access to institutional settings and the degree of exposure to economic risks in case of interruption or termination of work due to for example dismissal, sickness, leave, retirement, injury and personal risks associated with the activities carried out by the employed worker such as health and safety at work.

39. Informal employment is defined as any activity of persons to produce goods or provide services for pay or profit that is not effectively covered by formal arrangements. Informal employment comprises activities carried out in relation to informal jobs held by:

   (a) Independent workers who operate and own or co-own an informal household market enterprise;

   (b) Dependent contractors who operate and own or co-own an informal household market enterprise or whose activities are not registered for tax and statutory social insurance;

   (c) Employees, if their employment relationship is not in practice formally recognized by the employer in relation to the legal administrative framework of the country and associated with effective access to formal arrangements;

   (d) Contributing family workers who are not formally recognized in relation to the legal administrative framework of the country and associated with effective access to formal arrangements.

40. All tasks and duties carried out in relation to an informal job are considered to be informal productive activities by nature.

41. Informal productive activities may also be carried out in relation to formal jobs, if a sub-set of the tasks and duties carried out are not covered or insufficiently covered by formal arrangements.
42. Persons may have one or several formal and/or informal jobs during a given reference period. Dependent workers have an informal or formal job for each economic unit on which the worker is dependent. Independent workers have an informal or formal job for each informal or formal economic unit they operate and own or co-own.

43. Employed persons with an informal main job, constitute all employed persons with an informal main job where the main job is the job with the longest hours usually worked.

44. Employed persons with an informal secondary job, constitute all employed persons with an informal second job or additional jobs.

45. The status in employment categories are defined according to the latest version of the International Classification of Status in Employment according to type of authority (currently ICSE-18)

Box 2 Informal/formal jobs by status in employment and sector.

<table>
<thead>
<tr>
<th>Sector of the economic unit for which the work is carried out</th>
<th>Independent workers (Employers, own-account workers)</th>
<th>Dependent workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner-operators of corporations</td>
<td>Independent workers in household market enterprises</td>
<td>Dependent contractors</td>
</tr>
<tr>
<td>Formal sector</td>
<td></td>
<td></td>
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<tr>
<td>Formal</td>
<td>Informal</td>
<td>Formal</td>
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<tr>
<td>Informal sector</td>
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<td>4</td>
<td>5</td>
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<tr>
<td>HOC-sector</td>
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<tr>
<td>Note: Cells shaded in dark grey refer to jobs, which, by definition, do not exist in economic units located in the specific sector. Cells shaded light grey refers to formal jobs. Informal employment consists of informal jobs in cells 1-8</td>
<td></td>
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</tr>
<tr>
<td>*The existence of formal jobs among contributing family workers carrying out work for an economic unit in the formal sector depends on the country context see para 64-67.</td>
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</tr>
</tbody>
</table>

Operational definitions of informal and formal jobs

Independent workers
Informal jobs held by independent workers

46. Independent workers with informal jobs are “Independent workers in household market enterprises” who operate and own or co-own an informal household market enterprise.
Formal jobs held by independent workers

47. Independent workers in employment with formal jobs are workers in employment who operate and own or co-own a formal economic unit. They include:

(a) “Owner-operators of corporations”; and

(b) “Independent workers in household market enterprises” who operate and own or co-own a formal economic unit.

Dependent contractors

Informal jobs held by dependent contractors

Note: The exact definition still awaits the outcome of the discussion as outlined in the discussion paper Dependent contractors and informality. The following definition is for convenient reasons based on alternative 2 as described in the paper.

48. Dependent contractors are considered to have informal jobs if they:

(a) operate and own or co-own an informal household market enterprise; and

(b) are not registered for tax; or

(c) are registered for tax but are not registered for or do not contribute to statutory social insurance.

49. For operationalization of criteria (b)-(c) the following requirements should be taken into account:

(a) Registered for tax. Registration implies that the dependent contractor is, on own account or through the economic unit on which the worker is dependent, registered for tax in relation to the profits made from the activities carried out in relation to the job. Depending on national circumstances, this may refer to a register that implies registration of the worker and the activities carried out by the worker and that obliges the worker to declare the income, expenses and tax related to carrying out the activities as well as any additional obligatory contributions depending on national regulations and laws.

(b) Registered for job-related statutory social insurance. Registration implies that the dependent contractor is, on own account or through the economic unit on which the worker is dependent, registered in a job-related statutory social insurance scheme for which contributions are made. The type of statutory social insurance relevant for operationalizing the criterion will differ depending on the national context but would include mandatory or voluntary statutory social insurances such as a pension fund, if this implies a formal status of either the economic unit owned and operated by the dependent contractor or the formal status of the worker in relation to the specific job held by the dependent contractor. It therefore excludes non-contributory social protection schemes, such as tax financed universal social protection, as well as voluntary contributions to non-statutory social insurances, such as commercial insurances provided by private enterprises, if this does not imply a formal status of the economic unit and/or the worker.
Formal jobs held by dependent contractors

Note: The exact definition still awaits the outcome of the discussion as outlined in the discussion paper Dependent contractors and informality. The following definition is for convenient reasons based on alternative 2 as described in the paper.

50. Dependent contractors are considered to have formal jobs if they:

(a) operate and own or co-own a formal enterprise; or

(b) are registered for tax and are registered for and contributes to statutory social insurance.

51. The registration for tax and the contribution to statutory social insurance can either be done directly by the worker or through the economic unit on which they are dependent. The latter includes situations where the unit on which they depend enables or facilitates the registration and contribution to tax and statutory social insurance.

Informal jobs held by employees

52. Employees are considered to have informal jobs if their employment relationship is not in practice formally recognized by the employer in relation to the legal administrative framework of the country and not associated with effective access to formal arrangements such as labour legislation, social protection, income taxation or entitlement to employment benefits. They include:

(a) Permanent employees,

(b) Fixed-term employees,

(c) Short-term and casual employees, and

(d) Paid apprentices, trainees and interns

who do not have access to effective formal arrangements such as statutory social insurance, access to paid annual leave and paid sick leave.

53. A defining characteristic of informal jobs held by employees is the absence of the employer’s contribution to statutory social insurance. Employer’s contribution to statutory social insurance refers to whether the employer contributes fully or partly to a job-dependent statutory social insurance scheme on behalf of the employee. It therefore excludes universal non-contributory social protection schemes as well as voluntary contributions made by the employer if this does not imply a formal status of the economic unit and the worker.

(a) When operationalizing this criterion countries should take the national context and social security laws into account as well as the recommendations provided in para 56. The operationalization should be based on one or more specific statutory social insurance schemes.

(b) Typically, employer’s contribution to a pension fund on the behalf of the employee would be relevant for operational identification. Other types of insurance such as occupational injury insurance, health insurance or unemployment insurance could also be of relevance depending on the country context.

54. Additional characteristics that may be relevant for the statistical identification of informal jobs held by employees are a lack of access to paid annual leave or a lack of access to paid sick leave.
(a) Access to paid annual leave is the employee’s entitlement and ability to take paid time off granted by the employer or to be compensated for unused annual leave. The number of days granted by the employer may vary between countries but also within the same country (e.g. between different industries and occupations) depending on national labour laws and regulations. It is not sufficient to have a legal right to paid annual leave if the worker does not have access to it in practice.

(b) Access to paid sick leave is the employee’s entitlement and ability to take paid sick from employment due to personal sickness or injury. The number of days for which the worker can receive payment during sickness or injury may vary between countries but also within the same country (e.g., between different industries and occupations) depending on national labour laws and regulations. It is not sufficient to have a legal right to paid sick leave if the worker does not have access to it in practice.

55. Depending on national circumstances additional characteristics such as the non-existence of a written contract, no deduction of income tax made by the employer or no access to severance pay might be relevant to support the definition of informal jobs held by employees.

56. The criteria used for defining informal jobs held by employees need to be further operationalized in accordance with national circumstances. The following requirements of a given criterion used should be taken into account:

(a) Job specific: The criteria used have to be dependent on holding a particular job and not universal.

(b) Obligation for the employer: The employer needs to be obliged by labour laws and/or regulations to fulfil the specific criterion and/or fulfilling the criterion needs to imply that both the economic unit and the job held by the employee can be considered formal.

(c) Capture the situation in practice: The operationalization of a given criterion needs to reflect that the employer in practice fulfils a given obligation.

57. Employees holding an informal job can carry out any type of activity, in any place of work for any type of economic unit (formal, informal or a household producing for own-final use).

Formal jobs held by employees

58. Employees are considered to have formal jobs if their employment relationship is, in practice, formally recognized by the employer in relation to the legal administrative framework of the country and associated with effective access to formal arrangements such as labour legislation, social protection, income taxation or entitlement to employment benefits.

59. Employer’s contributions to a statutory social insurance as defined para 56 on the behalf of the employee, define the job held by the employee formal.

60. Additional characteristics that may be relevant for the statistical identification of formal jobs held by employees are access to paid annual leave and access to paid sick leave.

61. Depending on national circumstances, additional characteristics such as deduction of income tax made by the employer on the behalf of the employee or eligibility for severance pay might be relevant to support the definition of formal jobs held by employees.

62. An employee holding a formal job by definition carries out work for a formal economic unit, unless the employer is a household in the household own-use and community sector.
Like all other categories of workers in employment countries should ensure that formal jobs and informal jobs held by employees are mutually exclusive categories. The same set of criteria should therefore be applied to define jobs as respectively formal and informal. Irrespective of any national adaptation of the operational definition, it is recommended to include employer’s contribution to statutory social insurance, access to paid annual leave and paid sick leave as part of the identification of informal and formal jobs held by employees.

**Informal and formal jobs held by contributing family workers**

64. Contributing family workers are considered to have informal jobs if their job is not in practice formally recognized in relation to the legal administrative framework. This includes contributing family workers who:

   (a) carry out work for an informal household market enterprise, or
   
   (b) whose job is not registered for job-related statutory social insurance, or for whom contributions are not made to job-related statutory social insurance.

65. Contributing family workers can be considered to have formal jobs if:

   (a) the economic unit for which the work is formal: and
   
   (b) the job is registered for job-related statutory social insurance, and
   
   (c) contributions are made to a job-related statutory social insurance

66. Registration and contribution to a job-related statutory social insurance scheme, in relation to a specific job in which a worker is employed as a contributing family worker, implies that the worker is employed formally in that job. The type of statutory social insurance relevant for operationalizing the criterion depends on the national context but would include mandatory or voluntary statutory social insurances such as a pension fund, if this implies a formal status of the economic unit for which the work is carried out and a formal status of the worker.

67. In countries where such schemes do not exist, or are not available for contributing family workers, such workers can be considered to have informal jobs by default.

**Persons in formal employment carrying out partly informal activities**

68. Depending on national context and need, countries can identify the number of persons with formal jobs carrying out partly informal productive activities and hours spent on or earnings received from informal activities in relation to formal jobs.

69. This would complement data on persons in informal employment and provide input to the SNA for a more comprehensive measurement of informal productive activities in the informal market economy.

70. Persons in formal employment carrying out partly informal activities include persons with a formal job where parts of the tasks and duties carried out in relation to the job are not covered by formal arrangements, for example when income and hours worked are not declared.

71. The distinction between informal and formal productivities in relation to a formal job can be based on working hours or earnings, thus allowing the distinction to be made between working hours spent or earnings received on informal and formal activities among persons with formal jobs.
Informal productive activities and unpaid work

72. Work carried out by persons without the intention to generate income or profit (unpaid work), is considered informal work if the activities are not effectively covered by formal arrangements. This comprises informal productive activities in relation to own-use production work, volunteer work, unpaid trainee work, other work activities where the unpaid work is not covered by formal arrangements such as regulations and provisions that promote or facilitate the work and protect and regulate the actions and functions of the worker.

73. Measuring the informal or formal nature of work other than employment supports the recognition and valuation of all forms of work, essential for achieving development goals such as gender equality, social protection and reducing poverty.

Informal and formal own-use production work

74. Informal own-use production work comprises activities carried out in relation to own-use production work that are not effectively covered by formal arrangements. It includes productive activities carried out in relation to a work activity defined according to the latest version of the International Classification of Status at Work as:

(a) Workers in own-use provision of services, including:

- Employers in own-use provision of services,
- Independent workers in own-use provision of services without employees,
- Family helpers in own-use provision of services; and

(b) Workers in own-use production of goods, including:

- Employers in own-use production of goods,
- Independent workers in own-use production of goods without employees, and
- Family helpers in own-use production of goods;

who are not effectively covered by formal arrangements that aim to promote or facilitate the work and protect and regulate the actions and functions of the worker.

75. Depending on national contexts, own-use production work can be considered formal if the activities carried out are covered by formal arrangements in relation to the legal administrative framework of the country such as registration of the activities, access to insurances against work related injuries or accidents, access to social insurances such as a pension fund, cash transfers to support the work or other measures aiming to protect the worker and regulate and facilitate the activities carried out.

Informal and formal volunteer work

Informal volunteer work comprises activities carried out in relation to volunteer work that are not effectively covered by formal arrangements. It includes productive activities carried out in relation to a work activity defined according to the latest version of the International Classification of Status at Work as:

(a) Direct volunteering; or
(b) Organization-based volunteers and:

(i) the volunteer carries out work for or through a non-profit organization that is not considered a formal economic unit: or

(ii) carries out work for or through a non-profit organization that is considered a formal economic unit when the volunteer is not covered by formal arrangements that aim to protect the worker and regulate and facilitate the activities carried out.

A person carrying out informal volunteer work can carry out work for a household or non-formal non-profit organization in the household own-use and community sector, an informal household market enterprise or a formal economic unit.

76. Volunteer work can be considered formal if:

(a) the work activity is defined as organization-based volunteer work: and

(b) the work is carried out in a formal economic unit: and

(c) the volunteer and the activities carried out are covered by formal arrangements in relation to the legal administrative framework of the country such as registration of the activities, access to insurances against work related injuries or accidents, access to health insurance or other measures aiming to protect the worker and facilitate and regulate the work.

Informal and formal unpaid trainee work

77. Informal unpaid trainee work comprises activities carried out in relation to unpaid trainee work as defined by the latest standards of work and employment that are not effectively covered by formal arrangements aiming to protect the worker and facilitate and regulate the work carried out by worker.

78. Unpaid trainee work can be performed by a person working for a household, an informal household market enterprise or a formal economic unit.

79. Unpaid trainee work carried out for an informal household market enterprise is by default considered to be informal unpaid trainee work.

80. Unpaid trainee work carried out for a formal economic unit can, depending on the national context, be considered formal if the worker and the activities carried out are covered by formal arrangements in relation to the legal administrative framework of the country such as registration of the activities, formal recognition of the experience and skills acquired, access to social insurance, insurances against work related injuries or accidents or other measures aiming to protect the worker and facilitate and regulate the work.

Other work activities

81. Other work activities such as compulsory work performed without pay can, depending on national context, be considered formal work if it is recognized by and conducted under the control of the national authorities and general government. If not recognized by the legal administrative framework of the country then the activities can be considered informal.
Essential categories

82. According to the national context, countries should produce statistics on essential categories of informal work other than employment, where those activities are prevalent. The identification of essential categories of informal productive activities should highlight important groups of persons engaged in informal non-market production that might be exposed to a high degree of economic risk without coverage by formal arrangements to facilitate the work, protect the person and regulate the productive activities carried out by the person.

83. Essential categories of informal work other than employment include subsistence foodstuff producers and workers carrying out informal unpaid trainee work.

84. The identification of informal subsistence foodstuff producers in countries where this is significant is an important complement to the identification of informal employment and contributes to creating a more comprehensive statistical picture of the structure of informality within the country. The separate identification of subsistence workers and a distinction between those who might be covered by arrangements aiming to support and facilitate the work or to extend social protection would allow an assessment of the outreach of such schemes.

85. The identification of informal unpaid trainee work as an essential category of informal productive activities enables countries to provide information on the prevalence of informal and formal paid and unpaid trainee work, thus facilitating a better understanding of school to work transition and the formal and informal nature of trainees within the country.

86. Additional categories or domains of informal work can be identified depending on the national need and context for specific analytical or policy interest. These could include categories or domains for which there is a demand for analysis from a gender perspective, such as informal and formal care work across different forms of work or domains of particular focus such as informal and formal work in relation to agricultural production. Different analytical domains of the informal economy can be extended to other priority areas, industries or vulnerable groups.