



Department of Statistics

Working Group for the Revision of the standards for statistics on informality

First meeting, Geneva, 7<sup>th</sup> – 9<sup>th</sup> October 2019

## **Report of the meeting**

## Abbreviations and Acronyms

15 <sup>th</sup> ICLS resolution	Resolution concerning statistics of employment in the informal sector, adopted at the 15 <sup>th</sup> ICLS
17 <sup>th</sup> ICLS guidelines	Guidelines concerning a statistical definition of informal employment, adopted at the 17 <sup>th</sup> ICLS
19 <sup>th</sup> ICLS resolution I	Resolution concerning statistics on work, employment and labour underutilization, adopted at the 19 <sup>th</sup> ICLS
20 <sup>th</sup> ICLS resolution I	Resolution concerning statistics on work relationship, adopted at the 20 <sup>th</sup> ICLS
ICLS	International Conference of Labour Statisticians
ICSE-18	International Classification of Status in Employment, Revision 2018
ILO	International Labour Organization
LFS	Labour Force Survey
SIALC	El Sistema de Información y Análisis Laboral de América Latina y el Caribe
SNA 2008	System of National Accounts 2008
WIEGO	Women in Informal Employment Globalizing and Organizing

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1. The first meeting of the Working Group for the revision of the standards for statistics on informality took place in Geneva from the 7th October to 9th October 2019. Participants in the meeting included users and producers of statistics from 23 countries, representatives from workers' and employers' organizations, observers from intergovernmental and non-governmental organizations and International Labour Organization (ILO) representatives (a full list of participants is provided in the Annex).
2. This was the first meeting of the working group whose function is to advise and assist ILO on the technical work to revise the existing standards concerning statistics on informality i.e. the Resolution concerning statistics of employment in the informal sector adopted at the 15th International Conference of Labour Statisticians (ICLS) and the Guidelines concerning a statistical definition of informal employment, adopted at the 17th ICLS. The objective is to prepare a draft resolution on the topic, for consideration at the 21<sup>st</sup> ICLS. The revision of the current standards was mandated by the 20<sup>th</sup> ICLS. The objectives of the first meeting were to have a first round of discussions regarding the issues that need to be addressed in the current standards as well as the scope and structure of the new standards on informality. All background documents and presentations can be accessed at the E-forum for the revision of informality<sup>1</sup>.

## 1 Opening of the meeting

3. The Director of the ILO Department of Statistics, Mr. Rafael Diez de Medina, opened the meeting welcoming the participants and recalling the importance of measuring informality in the achievement of our overarching goals of decent work and sustainable development. He provided a brief review of the ILO's work in fostering the transition from the informal to the formal economy, and especially in measuring informality. He highlighted the dramatic progress done in this regard since the 1970s. He also underlined that the creation of this working group was based on the strong mandate received by the 20<sup>th</sup> ICLS. All five regions and at least 23 countries were represented in the first meeting of the working group, as well as key international organizations and representatives of workers' organizations. It was expected that representatives of employers' organizations would be able to join in the future.
4. Following the opening remarks by Rafael Diez de Medina, Michael Frosch provided a brief presentation regarding the objectives of the working group, the timeline and the Agenda. It was explained that the ILO had received a strong mandate by the 20<sup>th</sup> ICLS to initialize a revision. The objective of this revision is to create an improved set of standards that is based on the current definitions and country practices, aligned to the most recent statistical labour standards and that contributes to an increased global coverage and harmonization.
5. The working group has been established to support ILO in this work by providing their expert advice and technical input and to ensure that the new proposal will reflect best practices. The working group is expected to meet yearly until 2022. However, it was stressed that the participants in the working group are expected to contribute to the development of key topics between meetings. This work will partly take place via the established e-forum. A series of regional meetings will then take place in 2022 in order to receive input on the developed proposal from the different regions. Subsequently, a tripartite meeting of experts will be held and then the proposal will be put forward to the 21<sup>st</sup> ICLS in 2023 for discussion, amendment and adoption.

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<sup>1</sup> For gaining access to e-forum please contact Michael Frosch by mail: [frosch@ilo.org](mailto:frosch@ilo.org)

## 2 Overview of relevant standards for statistics on informality and country-level data coverage

### 2.1 Relevant standards for statistics on informality

6. Michael Frosch gave an overview of the current standards and the operational definitions of informal sector, employment in the informal sector as defined in the *Resolution concerning statistics of employment in the informal sector* (15<sup>th</sup> ICLS resolution) and informal employment as defined in the *Guidelines concerning a statistical definition of informal employment* (17<sup>th</sup> ICLS guidelines). This was followed by an overview of the impact on these concepts due to the adoption of the 19<sup>th</sup> ICLS resolution concerning statistics on work, employment and labour underutilization (19<sup>th</sup> ICLS resolution I) and the adoption of the 20<sup>th</sup> ICLS resolution concerning statistics on work relationship (20<sup>th</sup> ICLS resolution I). The presentation also highlighted the key aspects to be addressed in the revision including:
  - a. The flexibility in the operational definition of the informal sector due to the option of using size or registration as main criterion
  - b. The threshold of market production used as part of the definition of informal sector, which is currently set to *some* market production. This threshold is not aligned to the threshold used in the 19<sup>th</sup> ICLS resolution I and the System of National Account (SNA 2008) that both uses the threshold of production mainly intended for the market.
  - c. The flexibility in the operational definition of informal jobs held by employees due to the number of different criteria mentioned in the operational definition
  - d. The need to align the concept of informal employment to the forms of work framework as defined in the 19<sup>th</sup> ICLS resolution I. The conceptual boundary of informal employment is:
    - i. Too broad in the sense that it includes all productive activities within the SNA production boundary. According to the 19<sup>th</sup> ICLS resolution I, these activities are associated with different forms of work and not only employment. They nonetheless fall short of the full range of productive activities corresponding to the SNA general production boundary.
    - ii. Too narrow in the sense that the concept of informal employment does not include productive activities outside the SNA production boundary but inside the general production boundary. However, according to the 19<sup>th</sup> ICLS resolution I, these activities are recognised as work.
  - e. The need to integrate ICSE-18 in the operational definition of informal employment, in particular, the integration of the new category of dependent contractors.

### 2.2 Country-level data coverage on informal employment

7. Yves Perardel presented an overview of the availability of country data regarding informal employment. He explained that the department of statistics has two different sources for collecting these estimates, namely the annual questionnaire sent out to all ILO member states, and

anonymized data sets maintained in the ILO microdata set repository that are processed by the department.

8. Only a few countries use the ILO annual questionnaire to report estimates on informal employment. 24 countries have reported at least once in the past four years and only four countries have reported the estimates yearly. However, the processing of anonymized micro data has greatly improved the data availability. Based on the microdata processing it has been possible to generate at least one data point for the last five years for 64 countries. This corresponds closely to the number of countries that stated that they had measured informal employment/informal sector within the last ten years (67 countries) in the ILO query sent out to countries as part of the preparations for the 20th ICLS.
9. Based on the micro data processing Latin America and the Caribbean is the region with the best coverage of measuring informal employment. More than 50 percent of the countries in the region have a data point within the last 5 years. In Africa data are available for more than 1/3 of the countries. In Asia and Pacific 14 out of 48 countries have data available for producing an estimate on informal employment and in Europe, data is available for only 11 (eastern European) countries out of the 44 European countries. In the Arab States region, data are available for only two countries out of the 12 countries in the region.
10. The global data gap is likely to have different causes depending on the region and country. The data gap in low-income countries is probably due to a general lack of frequent surveys, which not only influences the measurement of informality but impacts on all labour statistics. For high-income countries, the data gap could rather be a consequence from a widespread notion that informality has little relevance and value as a concept in these countries. In addition, there might also be a general disparity between what is produced at national level and the data ILO have access to. A number of participants made the point that informal employment and the informal sector exists in all countries but perhaps there is not a strong policy demand in developed countries due to a perception that informality is small or non-existent. The inclusion of SDG indicator 8.3.1 might help to raise the profile and expand measurement and reporting in the future.
11. During the discussion, a number of countries mentioned that they did have data on informal employment and informal sector but for different reasons did not report this to ILO in the annual questionnaire. Some members of the working group were not aware that the questionnaire was sent out or who, in the NSO, it was sent to. This called for the Department of statistics to try to better target the recipients of the questionnaire.
12. It was acknowledged by the working group that the data gap is problematic not least for producing regional and global estimates and that it would be important to develop a set of new standards that supports data production on informality and that contributes to an increased data coverage.

### 3 The statistical definition of the informal sector

#### 3.1 The boundary of the statistical unit

13. Michael Frosch introduced the topic by explaining about the current boundary of the statistical unit used for measuring the informal sector. The issue is in its essence a question of how many household market enterprises a household can have or a household member or group of household

members carrying out the same activities can have. This influences the productive activities that should be linked to a particular production unit as well as on the number of jobs an independent worker can have in an informal context. The issue is thus not only conceptual but also has practical implications. According to the 20<sup>th</sup> ICLS resolution I, a job is a set of tasks and duties performed or meant to be performed by one person for a single economic unit. To allow a household member to own and operate only a single informal household market enterprise would thus imply that all informal productive market activities a person carries out would be defined as one single job (under the assumption that the person do not have an additional job as a dependent worker). In other words a person carrying out two unrelated activities, that is taking place in different industries and occupational categories, would be considered as one single job, if these activities are carried out for profit in a household market enterprise owned-and operated by the person.

14. The working group expressed a strong preference for allowing for multiple independent informal job-holdings when multiple distinct activities are carried out by one single person. This strongly aligns with a person's self-perception of the activities they engage in and is therefore a natural approach in data collection. It was also deemed challenging, from a practical point of view, to aim for actively define separate activities as one single job if the perception of the person is that the activities are two separate jobs.
15. Even though there was clear support to allow for multiple informal job holdings for independent workers there was no clear majority on whether it should be possible for one single person to own and operate multiple informal household market enterprises. Some expressed the view that such a separation could be considered valuable for National Accounts purposes. However, others stated that it would be very difficult in many cases to separately identify the costs and it would be burdensome to actively try to establish the boundaries between different household market enterprises owned and operated by one single person. The main objective from an SNA perspective would be to ensure that all informal market activities are properly measured. It was agreed that it would be essential to get a clearer view from SNA experts on this particular issue, in order to get a better understanding of the need from the perspective of SNA. It was also mentioned that a discussion with SNA experts would be timely taking into account that a revision of the SNA framework has been initialized.
16. It was agreed that this issue needs further conceptual work and that there will be a need to develop operational guidance on how to separate jobs and/or production units if we do propose such a separation (e.g. using ISIC, ISCO, share of working time etc.).

### 3.1.1 The boundary of market production

17. Michael Frosch explained that the current threshold used for defining market production as part of the definition of the informal sector is not aligned to the definition of market production as defined in the 19<sup>th</sup> ICLS resolution I and the SNA 2008. While the 15<sup>th</sup> ICLS resolution defines market production as *some* production intended for the market the 19<sup>th</sup> ICLS resolution I and the SNA 2008 defines market production as production *mainly* intended for the market. An alignment of the boundary to *mainly* intended for the market would reduce the scope of the informal sector and workers in the informal sector and increase the scope of households producing for own final use. An impact assessment, based on data from four countries, was presented. The assessment showed that the impact in most countries would be minor while in others more significant. For example in Mongolia the number of workers potentially in the informal/formal sector would be reduced by 0.2 percentage point as a share of working age population, while the reduction in Rwanda would be around 6 percentage points.

18. A changed threshold would exclude own-use production work as defined according to the 19<sup>th</sup> ICLS resolution I from the formal and informal sector. This would have the practical advantage that no further criteria would be needed for production units with some market production but that are producing mainly for own-final use. With a changed threshold, these units would by definition be defined as households producing for own final use.
19. There was a widespread agreement within the working group that in the interest of consistency with the 19<sup>th</sup> ICLS standards it is preferable to define market units as those economic units whose production is intended *mainly* for the market. Some working group members underlined that it will be essential to ensure that the change of threshold does not make own-use production activities invisible. To explicitly define a “third sector” of units producing mainly for own final use could ensure that work within these units could be measured and reported on. Such an own-use production sector would be an important complement to the informal/formal sector. This is akin to the concept of households production unit established under the 17<sup>th</sup> ICLS guidelines on statistics on informal employment, which was defined using the existing market production boundaries. The household sector (as defined in SNA) cut across the formal sector, informal sector and household production units as referenced in the 17<sup>th</sup> ICLS guidelines.
20. A related issue that was raised during the discussion was that currently some countries exclude agriculture from the scope of statistics on informality as production in agriculture may differ substantially from other sectors, notably on the dimension of intended destination of production. A change of the threshold would still allow small-scale market-oriented agricultural units whose production is mainly intended for the market to be included within the informal sector. Some participants argued that a clearer framework recognising the boundary between market oriented and own use activities may help to promote coverage of agriculture in statistics of informality. It was also noted that there might be a need to further explore how such a change would relate to other concepts such as the non-observed economy.

## 3.2 Operational criteria for defining the informal sector

### 3.2.1 The Country practices for operationalizing the definition of the informal sector and the three criteria: registration, size and bookkeeping

21. Michael Frosch presented an overview of country practices for operationalizing the definition of the informal sector. The overview was based on the ILO query sent out to countries as part of the preparation to the 20<sup>th</sup> ICLS. ILO received answers from 107 countries of which 63 countries replied that they had measured employment in the informal sector within the last ten years.
22. Based on the query it can be concluded that most countries are using a residual approach to measurement typically combining 2-5 criteria. Registration is the most frequently used criterion and only nine countries use size as a criterion without also using registration. The current operational definition allows countries to choose to either use size as a criterion or registration, or to combine the two. Based on an analysis carried out on micro data from six countries there seems to be a general tendency that the share of registered enterprises increases with size. However, small enterprises are still registered and large enterprises might be unregistered and the choice of criterion will likely impact the result. Given these considerations, it might be advisable to strengthen the operational definition by giving priority to registration. Such a shift would also more clearly link the operational definition of the informal sector to the concept of informal economy.
23. The presentation also highlighted that it could be useful to provide further guidance on the characteristics a registration should have to qualify as a criterion e.g. that the registration should



be a precondition to access benefits such as VAT deduction, obtaining a legal identity and carry obligations such as pay income tax or keep accounts.

24. The criterion of having a complete set of accounts was also addressed in the presentation. The criterion excludes quasi-corporations from the informal sector. Quasi-corporations are according to the SNA unincorporated enterprises that function as if they were incorporated enterprises. They are characterised by that there is a complete set of accounts which allows a clear separation between the economy of the quasi-corporation and its owner(s). Due to these similarities with corporations they are defined by the SNA as part of the corporation sector. However, the exclusion of quasi-corporations is less straightforward from the point of view of informality. The underlying reason for excluding quasi-corporations from the informal sector could however, be clarified by linking the criterion more clearly to countries legal administrative framework, for example by clarifying that a complete set of accounts should be kept for tax purposes or to align with the legal-administrative rules in the country. Such a change would conceptually clarify the criterion and provide more guidance on how the criterion should be operationalized.
25. Different members of the working group explained which criteria are used in their respective countries. While a variety of practices are in use, there was a clear preference expressed for registration which should be accompanied by some benefits or obligations. However, several members also expressed that there is a need to provide further guidance on the type of registration that should be used. The idea that being registered should carry benefits and obligations was viewed as a good starting point but further work on this is needed. Several participants acknowledged that size as a criterion was less useful, and that different thresholds would yield different outcomes.
26. Different working group members also stated that capturing the maintenance of a complete set of accounts is complicated through a Labour Force Survey (LFS), particularly for proxy respondents or dependent workers. Adapting the criterion of maintaining a complete set of accounts to maintaining a complete set of accounts for tax purposes could perhaps clarify the criterion and simplify the operationalization and measurement of it. It was also stressed that the difficulties to capture the information, particularly for proxy respondents or dependent workers, is a general issue concerning all main criteria and not only the criterion of a complete set of accounts. Countries therefore need to use an alternative approach as well to deal with this issue (e.g. imputation approach, secondary criteria).
27. Some participants argued that it might be possible to use additional criteria to have a graded approach (i.e. degrees of informality). Another possibility was to consider the issue of the relationship between the employed person and the enterprise as a means of identifying employment in the informal sector.
28. It was also stressed that there is a need to recall the uses of the information such as the provision of information for policy development and evaluation, including providing information for the National Accounts.

### 3.2.2 Country example, challenges and solutions

29. Michael Sijje Ogen from the Uganda Bureau of Statistics presented the approach used for measuring informal employment and the informal sector in the Uganda LFS. The overall share in informal employment is 92.3 when excluding agriculture activities and 95.6 percent when agriculture is included. The criteria of employer's contribution to social insurance, access to paid

annual leave and access to paid sick leave are used for defining informal jobs held by employees. Business registration, registration for income tax and registration for VAT payments are used for identifying informal household market enterprises. The presentation also highlighted a number of challenges in the measurement of informal employment in Uganda. There are many different forms of national and regional registration in the country, which increases the difficulties to operationalize the criterion of registration. In addition, there is a tendency that respondents misinterpret the question relating to registration. Employees holding two jobs is another challenge since informality is only measured in relation to the main job and there is no coverage of informal secondary jobs. It is also hard to capture informal agriculture activities, forestry and fishing due to legal reasons. Moreover, it is difficult to classify multiple informal activities that take place in the same household or are carried out by the same person. Some conceptual issues were also raised such as the difference in threshold for market production in the 15<sup>th</sup> ICLS resolution and the 19<sup>th</sup> ICLS resolution I as well as the treatment of partial involvement in market production.

30. The presentation was well received by the working group and it was noted that the challenges raised in the presentation correspond to some of the key issues that will be addressed in the revision of the current standards.

### 3.3 Additional issues regarding the definition of the informal sector

31. Michael Frosch presented a number of additional issues related to the definition of the informal sector that needs to be addressed in the revision. This included the existence of formal employees in the informal sector, the exclusion of agriculture activities and the need for an additional approach for defining the informal sector in case of insufficient information.

#### 3.3.1 Formal employees in the informal sector

32. The current framework allows for the existence of formal employees in informal household market enterprises. Globally 1.4 percent of all employees have a formal main job in the informal sector. This particular group is conceptually and analytically difficult to interpret and it is likely that a large part of this category is a consequence of insufficient information regarding the main criteria for defining the sector among employees and/or problems in the operationalization of the concepts. A solution to this issue would be to define the enterprise (with production mainly intended for the market) as formal if the employee has a formal job, but at the same time allow informal employees to have a job in informal/formal enterprises based on the criteria for the informal sector.
33. There was a strong majority in the working group that favoured simplifying the definition so that the presence of any formal employees would indicate the production unit was formal. By default, this would imply that all employees in informal units are in informal employment.

#### 3.3.2 Informal sector/Informal employment and agriculture

The 15<sup>th</sup> ICLS resolution includes the option to exclude agriculture activities from the measurement of the informal sector. This option is not due to conceptual reasons but due to practical reasons. At the same time, the inclusion of agriculture is important for a comprehensive measurement of the informal sector and informal employment and workers in agriculture are seen to be more exposed to informality than other industries. The impact of excluding agriculture activities is expected to be reduced when countries align to the 19<sup>th</sup> ICLS resolution I but it may still be significant in some countries. Around one third of the countries that have measured informal sector and/or informal employment within the last ten years stated in the ILO query that they excluded agriculture activities. Thus, a majority of countries do include agriculture activities, which shows that it is feasible for most countries to include agriculture activities in the measurement of informal sector and informal employment. The exclusion of agriculture activities

by some countries might call for a further development of tools adapted to the context of agriculture that could contribute to reducing the burden of including agriculture activities in the measurement.

34. There was strong agreement within the working group on the need to include agriculture activities in the measurement of the informal sector and informal employment due to the prevalence of informality in that sector in many parts of the world. There is also a strong desire among policy makers to formalize work in agriculture. Some members expressed the need to consider alternative criteria to use for the agriculture sector. Criteria currently used may not be suitable (e.g. because of exemptions in national legislation for the agriculture sector). In addition, it was noted that measurement can be difficult which calls for a further development of tools which should be based on the experience of countries that include the agricultural sector in their measurement. It was also mentioned during the discussion that given the current high profile of indicators excluding the agriculture sector, it would be useful to specify the production of indicators both including and excluding agriculture in the future.
35. The working group concluded that further work is required to consider possible criteria, which are common across countries, and that can be adapted to reflect national legislative requirements in the sector as well as reflecting current country practices. It was pointed out that there will be a need to involve countries that have a large share of workers in agriculture in these discussions.

### 3.3.3 The need for an alternative approach for defining the informal sector and the harmonized approach used for defining the informal sector by ILO and SIALC

36. Michael Frosch presented an analysis of the share of cases with insufficient information in the main criteria used for defining the informal sector. The analysis based on six countries showed that the share of respondents with insufficient information varies significantly between countries and that the problem primarily concerns employees and contributing family workers. The treatment of these cases will impact the size of the informal sector and the number of employed persons in the informal sector. It would therefore be useful to provide further guidance on how countries should treat this group.
37. The presentation was followed up with presentations from Yves Perardel, ILO and David Niculcar, National Statistics Institute of Chile on the harmonised approaches developed by respectively ILO and El Sistema de Información y Análisis Laboral de América Latina y el Caribe (SIALC), for defining the informal sector. The two approaches are similar in the main criteria used for defining the informal sector i.e. market production, institutional sector, registration and book keeping. The two approaches also use similar alternative approaches for defining those cases that have insufficient information in the main criteria. Status in employment, social security contribution by the employer, place of work and size are used in both methods to create a proxy estimate in case the respondent has not been able to provide the information of the main criteria.
38. The working group expressed support for the derivation approach presented by the ILO which is similar in many ways to the SIALC approach. Some concerns were expressed about using size as a criterion even when used as part of deriving a proxy estimate. It was also argued that care should be taken to specify a specific approach. Instead the focus should be on the most efficient approach available. This could for example include the possibility to use a probabilistic imputation approach (rather than deterministic as it is currently). Such an approach would lower the risk of large scale imputation to one status (formal or informal) only, which can arise in the deterministic approach. Further review and exploration of such operational methods would be useful.

## 4 The statistical definition of informal employment

39. The second day was devoted to the statistical definition of informal employment. This included topics such as ICSE-18 and informality, the integration of dependent contractors and the operational criteria for defining informal jobs held by employees and contributing family workers.

### 4.1 ICSE-18 and informal employment

40. Michael Frosch described the impact on the definition of informal employment due to the adoption of the 20<sup>th</sup> ICLS resolution I and the introduction of ICSE-18. There are no conceptual changes in ICSE-18 that calls for a change of the current approach to define informal jobs for independent workers based on whether they operate an informal household market enterprise. Moreover, ICSE-18 does not affect the definitions of informal jobs held by employees or by contributing family workers.
41. A key issue, however, will be how to integrate dependent contractors in the framework of informality. This new category is placed “in-between” *independent workers in household market enterprises* and *employees*. It is thus not clear whether the same criteria used for defining informal/formal jobs held by independent workers should be used or if the relationship to the economic unit on which the dependent contractors is dependent needs to be taken into account. The presentation also underlined the need to further explore the boundary between informal employees and dependent contractors, a boundary that is not clearly dealt with in the 20<sup>th</sup> ICLS resolution I.
42. During the discussion several working group members spoke of the difficulties with distinguishing dependent contractors from other workers. There is believed to be an observable distinction to other workers in terms of autonomy and in particular vulnerability, however, there is still uncertainty regarding the measurement. Some members expressed that they have used the criterion of ability to set prices to identify them but more work is required to identify appropriate criteria to identify the group. Regarding dependent contractors and informality, mixed opinions were expressed. Some argued that due to a higher degree of vulnerability among dependent contractors it could be feasible to identify all of them as informal, while others argued that it is possible to distinguish within the group between those with some protections or registration and those without, which would be missed if all were automatically defined as informal.
43. One option that was raised in the discussion was to consider dependent contractors informal unless they meet certain formality criteria such as payment of social contributions, registration, payment of income taxes etc. However, even in that case the payment or registration would typically, but not always, be a requirement of the worker, thus different from employees.
44. Another possibility raised was the use of the link to the pension system or compliance with other laws as these criteria could reflect the degree of vulnerability of the worker.
45. It was concluded that this topic needs further investigation, also with reference to national legislation to identify additional criteria and test them. Testing is already taking place on the identification of dependent contractors but the identification of informality/formality among this group is an additional step that the members of the working group should contribute to by conducting further analysis on already conducted tests or by identifying opportunities for testing (e.g. how the criterion of registration can work for dependent contractors).
46. Rodrigo Negrete Prieto of the Instituto Nacional de Estadística y Geografía in Mexico presented the approach taken by his institution to identify dependent contractors. The approach consists of several questions aimed at identifying dependent relationships and then, in a next step, establishing

whether the dependent relationship includes different elements of control. Rodrigo Negrete Prieto also highlighted the challenge to integrate dependent contractors in the framework of informality since they share characteristics with some independent workers as well as with employees. This raised the question of whether both perspectives should be reflected in order to be considered as formal e.g. paying taxes and being covered by a public pension fund or if a third type of condition should be used (i.e. having a commercial contract.). The question was also raised whether an additional dimension beyond informality, such as vulnerability, should be introduced. This could contribute to a contextualization of the dichotomy of informal/formal and create a separation between vulnerability and informality.

47. Some members in the working group were of the opinion that while the detailed approach illustrated in the presentation was clearly interesting, it carries a high burden. However, it was also recognised that the complexity of the concept of dependent contractors inevitably creates a burden. Due to this, more work is needed to try to identify a short version from the full set of questions. Regarding the proposal of introducing the concept of vulnerability as an overarching concept, the workers' representative underlined that different people have different interests or perspectives in relation to informality. For example workers may be primarily interested in their vulnerability, governments may be primarily interested in the legal perspective and the tax base, employers in fair competition. We need to avoid a bias to one side or the other while still developing a single framework which can be used in different settings, which admittedly is challenging.

#### 4.2 The need for contextualisation

48. Florence Bonnet of ILO presented the diagnostic tool which consists of a set of indicators used as part of a national diagnostic of informality. The indicator framework is based on three target areas and indicators:
  - i. Identifying categories of workers that are most exposed to the risk of informality: Includes indicators such as share of informal employment in total employment for different groups according to demographic and other personal characteristics: sex, age, level of education and employment related features: employment status, sectors, occupations, size of enterprise
  - ii. Identifying categories of workers that are most represented, i.e. that make up the largest proportions among those in informal employment: Includes indicators such as distribution of informal employment by sex, status in employment, sector, education, etc.
  - iii. Working conditions in the informal economy: Includes indicators such as working time: usual and actual hours of work, type of employment agreement (incl. existence of written contract, type and duration of contract), forms of remuneration, and type of workplace.
49. The set of indicators allows countries to assess the structure of informality and to identify groups particularly exposed to informality. This is an important first step for identifying the policy priorities for formalization as well as for designing efficient policies and evaluate the impact of them. The diagnostic tool is an example where the measurement of informality and the production of indicators can be directly linked to policy measures. The presentation also included a global overview of the structure of informal employment in the different regions and countries.
50. During the discussions, the working group acknowledged that the type of indicators and analysis highlighted in the ILO diagnostic analyses are very valuable and that data on informality is

relevant in countries at all levels of development. The need for indicators is however, different depending on the country. Some members stressed the importance of being able to provide detailed disaggregation to highlight groups of interest for policy makers, as headline indicators can be difficult to interpret since they cover heterogeneous groups. E.g., different occupations will require different policy interventions (waste pickers v street vendors etc.). However, other members, representing countries with a high share of informality also stressed the importance of high-level aggregates to highlight the overall scale of informality and generate user interest. An indicator framework needs to ensure that both aspects are met.

51. The discussion was followed up by a presentation carried out by Francoise Carre and Joann Vanek representing the NGO Women in Informal Employment Globalizing and Organizing (WIEGO) who shared information from the user perspective. The presentation highlighted the need for countries to provide data on informality at an aggregated level as well as a disaggregated level in order to reflect the segmentation of the informal economy. A key variable in this aspect is place of work, which allows the identification of important groups and categories (e.g. home-based workers, domestic workers, etc.) and data on income and earnings. WIEGO also faces the issue of small sample size for reliable data at city level and ISCO at 4-digit level, needed to identify key groups such as domestic workers. The presentation also underlined that statistics on non-standard employment are inadequate for capturing informal employment. Current statistics do not cover all types of non-standard employment and hence miss out on informal employment. Implementation of the new ICSE-18 will be an important step to improve this situation and will also allow for the integration of dependent contractors in the framework of informality.
52. The problems of providing LFS based data on a detailed level (such as cities or sub-country regions), was acknowledge by several members in the working group. This is however, a general problem with the LFS and not restricted to informality. Some participants also made the point that some countries are moving away from describing informality as a duality and aim at describing different levels or degrees of informalization/formalization. This was recognised as an important next step of statistics on informality. Nonetheless, other participants pointed out that aggregated estimates are very useful for users and will continue to be relevant.

## **5 Operational criteria for defining informal jobs among employees and contributing family workers**

### **5.1 Country practices for operationalizing the definition of informal employment among employees**

53. Michael Frosch presented an overview of country practices for operationalizing the definition of informal jobs held by employees. The overview was based on the ILO query sent out to countries as part of the preparation to the 20th ICLS, an assessment of the microdata used to produce the harmonized series of informal employment and an assessment of LFS questionnaires as part of the revision of ICSE-93. Based on these three different sources it can be concluded that countries are using multiple criteria for defining informal jobs held by employees. Employers' contributions to social insurance is the most frequently used criterion typically combined with access to paid sick leave, access to paid annual leave and an existence of a written contract. All these criteria, with the exception of a written contract, fulfil the requirements of being job specific, the obligation of



employers to make social contributions according to national labour laws/regulations and capturing the de-facto protection of workers and not only the de-jure situation. An absence of a written contract would in many countries indicate an informal job, but might not be sufficient to define the job as de-facto formal (e.g. due to lack of enforcement). That countries seem to use similar criteria for defining informal jobs held by employees could be a starting point for strengthening the current operational definition. The presentation highlighted that the current guidelines do not provide any recommendation for how these criteria should be combined. ILO has identified three different general approaches for how the criteria can be combined i.e. the strict, weak and moderate formality measurement approach. Countries would typically yield a different outcome depending on the approach used and in some countries, the difference would be significant.

54. The presentation also addressed the operational definition of informal jobs held by contributing family workers. According to the current definition contributing family workers have an informal job by definition, which rests upon the assumption that their work agreements seldom have a formal character and are typically not covered by labour legislation, social security regulations, etc. At the same time there might be situations in which they have access to some social protection as a result from their employment and their activities might be registered in some form
55. The working group acknowledged the importance of the three different criteria, namely employer's contribution to social insurance, access to paid annual leave and access to paid sick leave. It was also pointed out that these three criteria have been recognised as crosscutting variables in the 20<sup>th</sup> ICLS resolution I. There were mixed views in the working group regarding which approach to use for combining the criteria. Some preference was expressed for a moderate approach (using payment of social contributions a primary criterion and others if that one does not exist) but this may not be appropriate for all groups of employees as it will depend to a great extent on national legislation and context. For this reason some expressed a preference for either a strict or weak approach to improve comparability. In addition, some members were of the view that we should attempt to define the criteria even further (e.g. type of social contributions, length of paid leave allowed etc.), while others stressed the importance of being pragmatic and continue to have some degree of flexibility due to the large differences between countries in social insurance regulations and labour laws.
56. The operational definition of informal jobs held by contributing family workers was only briefly discussed and some working group members expressed the support for keeping the current practice of defining jobs held by contributing family workers informal by nature. The criteria used for defining informal jobs held by employees would not be relevant and it was perceived difficult to provide examples of alternative criteria that could be of relevance.
57. The conclusion from the discussion was that there is a need to conduct further mapping of country practices, but a consensus on the key criteria to use does appear to exist as a starting point for the work. Work should commence to further develop the different main criteria, including how to combine these criteria. Once these are developed, the appropriate level of flexibility could be considered.
- 58.

## 5.2 Country example from Vietnam

59. Ngo Thi Ngoc Dung and Thi Thanh Hoa from the General Statistics Office of Vietnam presented the approach used for defining informal employment in Vietnam. Vietnam has a quarterly survey

with monthly data collection. During 2019, the statistical office conducted work on the operational definition of the informal sector and expects to apply the improved definition in relevant surveys to start to measure the production in the informal sector. Private enterprises with market production that are not registered in the national business registration are defined as informal household market enterprises. Employers' contributions to social insurance is used as a criterion for identifying informal/formal jobs held by employees. Based on the findings in the LFS the informal employment rate has been declining from 59 percent of all employed in 2014 to 56 percent in 2018.

60. The presentation was well received by the working group, questions were raised regarding the sample size. It was also noted that the informal employment rate is 20 percentage point higher in Indonesia which is surprising taking into account the similarities between the countries. The representatives from Indonesia and Vietnam concluded that it would be useful to further assess these differences and try to identify the causes.

## 6 Structure and scope of the new framework

61. The third day was devoted to discussing the structure and scope of the new framework. This included discussions regarding: (1) the possibility to include a single conceptual starting point to which the different statistical concepts of informality can be linked, (2) to explicitly define three types of production units and based on that identify three different sectors, (3) how the concept of informality should be related to the different forms of work defined by the 19<sup>th</sup> ICLS resolution I and (4) the possibility to better contextualise the dichotomy of informality and formality.

### 6.1 A single conceptual starting point

62. Michael Frosch gave an overview of the possibility to introduce a single conceptual starting point which could contribute to clarify what is meant by “informal” from a statistical point of view as well as providing clarity to the different statistical concepts and their operationalization. The concept of informal economy could be used as a starting point. Informal economy is already recognised as a concept in the policy context of informality and embodies the sum of the different statistical components. Informal economy refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements<sup>2</sup>. Being covered by formal arrangements carries a degree of protection as well as obligations while not being covered by formal arrangements -in law or practice- implies an increased personal risk associated with the productive activities carried out. From a statistical point of view the informal economy would constitute the productive activities, work relationships and market production units that are not formally recognized and thus not covered or insufficiently covered by formal arrangements. Informal market production units would constitute the informal sector while informal work relationships defined as employment would be associated with informal jobs.
63. If forms of work other than employment are to be included in the new framework then there would be a need to complement the statistical concepts with the concept of informal work.
64. The presentation also included the possibility to create a conceptual distinction between informal productive activities and informal jobs. This would open up the possibility to acknowledge the

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<sup>2</sup> Para 2 (a), [Recommendation No. 204 concerning the Transition from the Informal to the Formal Economy](#), ILO 2015



existence of informal productive activities in formal jobs, a possibility that is not recognised in the job-based definition in the 17<sup>th</sup> ICLS guidelines.

65. The working group widely agreed with the proposal to use the term “informal economy” as unifying concept, but several members stressed the importance of ensuring that the new framework would be coherent with existing frameworks, in particular national accounts, but also with the non-observed economy, and called for greater collaboration with the agencies responsible for these frameworks.
66. Members expressed different views regarding the proposal to expand the scope of the framework to all forms of work. While some considered it essential, others were concerned that this could limit the relevance of the statistics to highlight problems in the labour market and inform policies to promote formalization. Those supporting the proposal noted the vulnerable situation of particular groups of workers, such as subsistence producers, as well as the possible relevance to identify for example, informal volunteers, informal unpaid apprentices, etc. They also underlined that there is a difference between a conceptual scope of the framework and the priorities for measurement. The conceptual framework could be broad while the priority for measurement could be focused on particular high priority groups.
67. ILO reminded participants about the need for coherence with existing standards, which covered all productive activities, and called on members to be ambitious and innovative, and to identify possible solutions that would shed light on different groups of workers and inform policy. ILO also recognized the importance of gaining a better understanding of how the different forms of work relate to informality, which could contribute to inform the discussions in the working group.

## 6.2 The three different sectors

68. Following the discussion, Michael Frosch presented the possibility to explicitly define three mutually exclusive types of production units within the household sector as defined by the SNA 2008 i.e. formal household market enterprises, informal household market enterprises, and households producing for own-final use. Thus, three different sectors can be explicitly defined:
  - i. Formal sector
    - Corporations
    - Quasi corporations
    - Government and non-profit organisations
    - Formal household market enterprises
  - ii. Informal sector
    - Informal household market enterprises
  - iii. Own-use production sector
    - Households producing for own-final use
69. The distinction between the three sectors would have conceptual as well as analytical value. It would enable the measurement of a given sector, e.g. type and value of production, the frequency of the different forms of work within a given sector, as well as the provision of data on the distribution of a given form of work by the three sectors e.g. informal/formal employment by the three sectors.
70. The presentation also included an overview of the different forms of work that can take place in the different sectors highlighting that employment is no longer the only form of work in the informal/formal sector. All forms of work, with the exception of own-use production work, can

take place in the three above-named sectors. Given the proposed new threshold of production which is mainly intended for the market, own-use production work could only take place in the own-use production sector.

71. The proposal to identify three types of production units (sectors) in which the different forms of work can be located raised some confusion within the working group. Some working group members requested ILO to further illustrate the different forms of work that could be informal within each given type of production unit. This included for example, unpaid trainee work. It was also not clear where establishments offering services but not for profit (i.e. non-profit organizations not legally recognized) would be classified. Some members questioned the relevance of including own-use provision of services within the scope of the proposed “own-use production sector”. Others nevertheless, recalled that the exclusion of these productive activities from the SNA was a measurement issue, and that ongoing discussions were recognizing the relevance of including this form of work. Overall, there was support for continuing to explore this possibility.

### **6.3 Informality and the forms of work framework**

72. Michael Frosch presented an overview of different possibilities for how a future framework can be related to the different forms of work as defined by the 19<sup>th</sup> ICLS resolution I. The broad concept of work poses a dilemma. Either we take an encompassing approach that includes all productive activities defined as work in the dichotomy of informal/formal or we include a limited set of activities. The broad approach would create a comprehensive conceptual framework but include activities that have little relevance from the perspective of informality. The restricted approach would however, exclude the possibility to apply the concept of informality for some productive activities that might be of policy relevance e.g. care work or domestic work. This dilemma could be resolved by either taking the broadest possible scope conceptually, but with a more focused scope of what countries should regularly measure or taking a very restricted approach (e.g. only include employment) but allowing for additional groups to be added depending on the need and context of the country. Both approaches would be flexible and could yield a similar outcome but would be very different in structure. The presentation also highlighted the need to get a better understanding of the policy need in relation to the different forms of unpaid work as well as how formal arrangements should be understood in the context of unpaid forms of work.
73. The alternative proposals for a comprehensive or restricted framework prompted a lively discussion. Those leaning towards a restricted framework covering only employment noted the importance of having a simplified approach and a set of indicators that could be easily measured, communicated, and used by policymakers. Those favouring a comprehensive approach noted the critical importance of evaluating the relevance of the informality framework for different groups of workers, which were most excluded and vulnerable, before making a final decision. Some viewed the restricted approach as part of a common broader strategy that would place emphasis on employment, but also cover other relevant groups as deemed important for policy. There was an agreement within the working group that regardless of the approach, there will be a need to go beyond employment and also recognise that categories such as unpaid trainees and subsistence workers should be measured as a complement to informal employment. In addition it was also recognised that there is a need to further explore how informality relates to the different forms of unpaid work.

## 6.4 A two dimensional approach to measuring and analysing informal employment

74. Michael Frosch described the possibility to include a two dimensional approach in the new standards. This could be based on a separation between the dimensions of whether the work relationship is, in law or practice, formally recognised or not and the degree of protection against economic and personal risks associated with the work activities carried out by the worker. The two dimensions would reflect that a job can be more or less formal and that the degree of protection that follows from having a formal job differs by category of workers and country. It would also acknowledge that informal employees might have some degree of protection. The two dimensions capture the essential of informality and formalization and they reflect the policy view that formalization is only relevant if it implies an increased degree of protection. The first dimension could be captured by the dichotomy of informal/formal jobs while the second dimension could be captured by a set of supporting variables such as access to different types of social insurance, employment benefits, access to capital, and access to market and training. Based on the two dimensions it would be possible to better contextualize the dichotomy of informal/formal and to provide statistics that different policy needs
75. Working group members welcomed the scheme developed by ILO to convey the dimensions relevant to informality and their policy relevance. Some noted that the scheme should convey the notion that protection exists in a continuum and that there is a need to reflect the degree of inclusion/exclusion as another important dimension of informality. This would allow users to highlight that some workers may have some limited degree of protection, but are still vulnerable and excluded from the full set of protection, for example, independent workers providing their own social protection.

## 7 Closing and next steps

76. Regarding the next steps in the revision of the standards for statistics on informality, the following issues will be prioritized:
- The ILO will develop an outline for a conceptual framework that will be discussed at the next working group meeting. Based on the discussion during the 1<sup>st</sup> working group meeting the outline will include: proposals regarding
    - A single statistical starting point based on the concept of informal economy
    - Definitions on informal productive activities and informal jobs
    - The identification of three types of sectors
    - A two dimensional approach to measuring/analysing informal employment
  - Working group members will contribute to identify relevant types of protection that can be used to reflect the second dimension as well as input on how the second dimension can be made relevant for independent workers
  - Regarding the definition of the informal sector:

- There is a need to further explore the boundary of informal household market enterprises. It will be essential to link this to the SNA and the revision of the SNA. Experts on the SNA should therefore be involved. There is also a need to start developing operational guidance on how to differentiate between informal independent jobs held by one person.
  - Develop further recommendations on the characteristics a registration should have in order to qualify as a criterion for measuring formal/informal sector enterprises
  - Further work on how to operationalize the definition of the informal sector in agriculture including an assessment of whether additional criteria are needed.
  - Regarding the definition of informal jobs:
    - Provide a more detailed analysis on the issue of dependent contractors and informality. This needs to be driven by countries that have data/experience of measuring DC or are willing to conduct testing and analysis.
    - ILO will conduct a second round query with the objective to collect and analyse how countries combine the criteria for defining informal jobs held by employees.
  - Regarding informality and unpaid forms of work:
    - Provide further work on the additional categories to be included to complement informal employment. This includes subsistence workers and unpaid trainees.
    - Provide further insights of how the unpaid forms of work relates to informality and formal arrangements (this might include an involvement of experts on volunteer work, care work, unpaid trainee work etc.) and a better understanding of policy needs.
77. Several volunteers offered to contribute further to research, for example in relation to dependent contractors and informality and the ILO will follow up on this.
78. Mr Diez de Medina closed the meeting and thanked participants for their active and constructive participation. The next meeting is expected to take place in October 2020.

## 8 Annex 1: List of participants in the meeting:

### Representing Governments

Mr. Cimar Pereira, Brazilian Institute of Geography and Statistics, Brazil

Mr. David Niculcar, National Statistics Institute of Chile, Chile

Mr. Juan Pablo Schaeffer, Permanent Mission of Chile to the United Nations Office and other international organizations in Geneva

Ms. Yuhui Jia, National Bureau of Statistics of China, China

Mr. Ricardo Valencia, Departamento Administrativo Nacional de Estadísticas - DANE, Colombia

Ms. Maria Isabel Garcia, Instituto Nacional de Estadística y Censos de Ecuador (INEC), Ecuador

Mr. Salil Kumar Mukhopadhyay, National Statistical Office (NSO), Ministry of Statistics and Programme Implementation, Government of India, India

Ms. Shrutimala Rajbongshi, Ministry of Labour and Employment, India

Dr. Nashrul Wajdi, BPS-STATISTICS INDONESIA, Indonesia

Dr. Francesca Della Ratta-Rinaldi, Istituto Nazionale di Statistics (Istat), Italy

Ms. Lara Badre, Central Administration of Statistics, Lebanon

Mr. Rodrigo Negrete Prieto, Instituto Nacional de Estadística y Geografía, Mexico

Ms. Gantuya Enkhtaivan, National Statistical Office, Mongolia

Ms. Ivana Tanjevic, Statistical Office of Montenegro - MONSTAT, Montenegro

Ms. Lola Talabi-Oni, National Bureau of Statistics, Nigeria

Mr. Yousuf Al Riyami, National Center for Statistics and Information, Oman

Ms. Suha Alawna, Palestinian Central Bureau of Statistics, Palestine

Ms. Judith Samaniego, National Institute Statistical, Peru

Mr. Juan Carlos Pomareda, Permanent Mission of Peru to the international organizations in Geneva

Ms. Sotera De Guzman, Philippine Statistics Authority, Philippines

Ms. Hanna Strzelecka, Statistics Poland, Poland

Ms. Malerato Mosiane, Statistics South Africa, South Africa

Mr. Manju Perera, Department of Census and Statistics, Sri Lanka

Mr. Yamen Helel, Institut National de la Statistique, Tunisia

Mr. Michael Sijje Ogen, Uganda Bureau of Statistics, Uganda

Ms. Dung Ngo Thi Ngoc, General Statistics Office of Vietnam, Viet Nam

Ms. Thi Thanh Hoa Tang, General Statistics Office, Viet Nam

### **Representing the Employers**

### **Representing the Workers**

Mr. Grant Belchamber, Australian Council of Trade Unions (ACTU)

Mr. Sylvain Schetagne, Fédération des médecins résidents du Québec (FMRQ)

### **Observers**

Ms. Eleanor Carey, Data2X/ UN Foundation, DATA 2X

Mr. Franz Eiffe, European Foundation for the Improvement of Living and Working Conditions, EUROFOUND

Mr. Riccardo Gatto, EUROSTAT, EUROSTAT

Mr. Thomas Alexander, International Monetary Fund, IMF

Dr. Francoise Carre, Women in Informal Employment: Globalizing and Organizing (WIEGO), WIEGO

Dr. Joann Vanek, Women in Informal Employment: Globalizing and Organizing (WIEGO), WIEGO

Dr. Amparo Palacios-Lopez, the World Bank, WORLD BANK

### **ILO**

Mr. Rafael Diez de Medina, Department of Statistics

Ms. Elisa Benes, Department of Statistics

Ms. Monica Castillo, Department of Statistics

Mr. Antonio Discenza, Department of Statistics

Ms. Stephanie Flores, Department of Statistics

Mr. Michael Frosch, Department of Statistics

Mr. Vladimir Ganta, Department of Statistics

Mr. Yves Perardel, Department of Statistics

Mr. Ritash Sarna, Department of Statistics

Ms. Caroline Schimanski, Department of Statistics

Mr. Manpreet Singh, Department of Statistics

Ms. Mabelin Villarreal Fuentes, Department of Statistic

Mr. Peter Buwembo, Decent Work Team for South Asia - India

Ms. Marcela Cabezas, Decent Work Team for the South Cone - Chile,

Mr. Yacouba Diallo, Decent Work Team for West Africa - Senegal

Mr. Tite Habiyakare, Regional Office for Asia and the Pacific - Thailand

Mr. Jean-Marie Hakizimana, Regional Office for Africa – Ivory Coast

Mr. Nader Keyrouz, Regional Office for the Arab States - Lebanon

Mr. Samuel Asfaha, Bureau of Employers' Activities

Ms Florence Bonnet, Inclusive Labour Markets, Labour Relations and Working Conditions Branch