INTERNATIONAL LABOUR OFFICE

Department of Statistics

Working Group for the Revision of the standards for statistics on informality
Second meeting, Online, 6th-15th October 2020

Draft report of the meeting
### Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>19th ICLS resolution I</td>
<td>Resolution concerning statistics on work, employment and labour underutilization, adopted at the 19th ICLS</td>
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<td>20th ICLS resolution I</td>
<td>Resolution concerning statistics on work relationship, adopted at the 20th ICLS</td>
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<tr>
<td>ICLS</td>
<td>International Conference of Labour Statisticians</td>
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<td>ICSE-18</td>
<td>International Classification of Status in Employment, Revision 2018</td>
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<td>ILO</td>
<td>International Monetary Fund</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>INE</td>
<td>Instituto Nacional de Estadísticas – Chile</td>
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<td>INEG</td>
<td>Instituto Nacional de Estadística y Geografía -Mexico</td>
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<td>LFS</td>
<td>Labour Force Survey</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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7 Annex 1: List of participants in the meeting: ............................................................................................ 20
1. The second meeting of the Working Group for the revision of the standards for statistics on informality took place between the 6th October and the 15th October 2020. The meeting was conducted online with five sessions during a two-week period. Participants included users and producers of statistics from 33 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). Due to the online format, an extended number of members (more than 100 participants) could participate throughout the meeting.

2. This was the second 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. Based on the mandate given by the 20th ICLS, the objective is to prepare a draft resolution on the topic, for consideration at the 21st ICLS. The objectives of the second meeting were to have a first round of discussions regarding a possible outline and structure of a new set of standards, including discussions on the definitions of key concepts to be included. All background documents and presentations can be accessed at the E-forum for the revision of informality.1

1 Session 1 Tuesday, 6 October, 2020

1.1 Opening of the meeting

3. The Director of the ILO Department of Statistics, Mr. Rafael Diez de Medina, opened the second meeting of the working group for the revision of standards for statistics on informality. He welcomed the participants to the meeting, which, due to the Covid-19 pandemic, was to be conducted online. He highlighted the severe impact of Covid-19 on informal workers who are among the most vulnerable and exposed workers, a fact that again have been proven during this crisis and which underlines the importance of providing good quality data describing the situation of informal workers in order to improve their situation.

4. After giving a brief history of informal employment measurement by ILO in early 1970’s, he recalled the importance of measuring informality in the achievement of our overarching goals of decent work and sustainable development. He also informed the group that there was a demand for the statistical concepts of informality to be adapted to better inform policies contributing to the transition from the informal to the formal economy. He explained that this working group is mandated by the 20th ICLS concluded in October 2018 and welcomed the increased number of countries, international organizations and observers from intergovernmental and non-governmental organizations due to the online format of the meeting. He particularly welcomed the workers’ and employers’ representatives in the working group and encouraged the participants to actively take part in the discussions.

5. Rafael Diez de Medina stressed that improving the set of standards for measuring informality are of major interest for different data users and producers, and that there is a strong need for the provision of regular data on informality. Consequently, data users and producers will rely on the

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1 To gain access to e-forum please contact Michael Frosch by mail: frosch@ilo.org
working group to develop a framework, which closely reflects the wide range of data needs and policy objectives.

6. Finally, Rafael Diez de Medina introduced the technical and logistic team from ILO and the regional statisticians, and thanked them for organizing and preparing the meeting.

7. Following the opening remarks by Rafael Diez de Medina, Michael Frosch, Senior Statistician in the Department of Statistics, ILO, provided an overview of the second working group meeting, the timeline, the agenda as well as the progress made since the first meeting. While the first working group meeting was focused on identifying and agreeing on the problems and issues that need to be addressed in the revision, the second working group meeting would be more focused on the future framework. Substantial progress was made during the first meeting regarding a number of essential issues including the definition of the informal sector and informal employment. Based on this and further development work, a proposal for a conceptual framework that outlines a structure of the new standards has been drafted. The proposal constituted the key document to be discussed during the second working group meeting. In addition the office has also collected further information regarding country practices for combining the criteria to define informal jobs held by employees, provided a first draft on a possible indicator framework as well as further explored the issue of dependent contractors and informality.

8. The working group adopted the agenda as well as the report from the first working group meeting without comments.

1.2 Overview of Conceptual framework for statistics on informality

9. Michael Frosch gave an overview of the proposal for a conceptual framework for statistics on informality. This included the structure of the conceptual framework, its different statistical components, the introduction of an underlying concept of informal productive activities and the concept of informal market economy and the additional layer of an indicator framework to support the conceptual framework.

10. The concept of informal productive activities understood in terms of productive activities that are not covered by formal arrangements, would be an underlying concept that provides clarity on the foundation for the different statistical concepts relating to informality. Informal productive activities can be viewed as a smaller “unit” than jobs, work activities or economic units / workers, which creates the possibility to not only recognize informal productive activities carried out by informal economic units and in relation to informal jobs but also the existence of informal productive activities within formal jobs and formal economic units.

11. Informal productive activities will be a broad concept potentially including all production within the general SNA boundary as defined by 2008 SNA as well as all productive activities defined as work in the 19th ICLS resolution concerning statistics on work, employment and labour underutilization (19th ICLS resolution I). In order to create a more focused framework the concept of informal market economy could be introduced which would include the statistical concepts of informal sector, informal employment and informal productive activities in relation to the formal sector and formal jobs.

12. The framework and its different statistical components will enable the measurement of the informal market economy and informal productive activities from different perspectives and with different objectives. This includes the measurement of the informal sector for example as input to the SNA and the measurement of informal employment to describe the structure of the employment in the informal market economy, the characteristics of its workers and their jobs.
The broad framework would also make it possible to carry out different sectorial analysis i.e. informal/formal work within a specific domain that includes different forms of work, e.g. informal/formal work in agriculture or care work, if relevant and needed.

13. The conceptual framework will be complemented with an indicator framework. This “second dimension” aims at providing data on the structure of informality within a country, contextualize the levels or degrees of informality and allow the identification of workers highly represented or exposed to informality.

14. The working group widely agreed with the proposal to introduce the underlying concept of informal productive activities and the concept of the informal market economy. This was viewed as an important improvement of the current standards and a promising approach to integrate the broad concept of work as defined in the 19th ICLS resolution I, in a framework of informality. During the discussions, it was clarified that the new concept of informal productive activities would potentially include all forms of work and therefore all productive activities within the SNA general production boundary. It was further stressed that the concept should be viewed as a conceptual recognition that informality also exists outside employment and not an aggregated indicator to be derived by countries.

15. Some members expressed the need to clarify the link between undeclared economy and informal productive activities in particular due to the existence of informal productive activities among formal jobs and in the formal sector. It was also pointed out that some adjustments are needed to better explain that informal productive activities among formal jobs and formal economic units are complementary concepts and not part of the core concepts of informal employment and informal sector. Some participants also raised concerns of how to measure informal productive activities within formal jobs, while others pointed out that some countries have experience in measuring this, for example through labour force surveys.

16. The issue of digital platforms workers and the need to ensure that the framework is adapted to “new forms of work” was highlighted by some members of the working group. It was recognized that this issue, that is highly linked to the integration of dependent contractors in the framework, is important in order to create a framework that can continue to be relevant in the future and that can be applied for emerging forms of work.

2 Session 2 – Wednesday, 7 October, 2020

2.1 Definition of the informal sector and formal sector

17. Michal Frosch presented the proposal for the definition of informal sector, formal sector and own-use production sector. The proposal is to introduce the two underlying dimensions of the intention for the production and the formal status of the economic unit. The two dimensions or aspects can be used as a bases for the conceptual and operational definitions of the three different sectors. In addition, the different operational criterion for defining the informal/formal sector and the definitions of each criteria were presented. Compared to the current definition of the informal sector (as defined in the 15th ICLS resolution concerning statistics of employment in the informal sector) there were some proposed changes. This includes:

- A change of the threshold of market production to mainly instead of some as part of defining the informal sector. This aligns the threshold to the threshold used in the 19th ICLS resolution I as well as by the SNA for defining market production.
• That agriculture activities should be included in the informal sector.

• The introduction of a new criterion of not employing one or more persons to work as an employee with a formal job(s) as part of defining the informal sector. Economic units that hire an employee with a formal job would by default be defined as formal economic units in the formal sector. The criterion removes the category of formal employees in the informal sector.

• That keeping a complete set of accounts should be strengthened to keeping a complete set of accounts for tax purposes. This would more clearly link the criterion to compliance with regulations and thereby create a stronger link to informality.

• That registration should imply a registration in a register used for granting access to benefits and that carries obligations. Countries would still need to operationalize the criterion however, a guiding principle could be that the registration should be attached to granting benefits such as VAT deductions, obtaining a legal identity for enterprises, and to impose obligations such as paying business tax and keeping accounts.

• To retain the current practice of allowing for multiple household market enterprises within a household but to restrict the number of household market enterprises to one per person.

18. The introduction of the two underlying dimensions as well as the definitions of respectively the informal sector and formal sector were in general supported by the working group. During the discussions it was underlined that the changes of the threshold of market production as well as the introduction of the new criterion that economic units with formal employees are excluded from the informal sector and categorized in the formal sector implies a reduction of the size of the informal sector. However, as put forward by participants, this reduction would contribute to create a more homogenous informal sector. The working group also strongly supported the inclusion of agriculture activities within the informal sector as well as aligning the threshold of market production to mainly intended for the market, thus reinforcing the conclusion from the first working group meeting. Some participants requested further guidance on how to operationally establish the intended destination of the production with particular focus on the threshold on mainly intended for the market versus mainly intended for own-final use. It was agreed that this should be further explored based on countries experiences from implementing the 19th ICLS resolution I as well as on the methodological work carried out within ILO.

19. The definitions of the different operational criteria used for defining the informal and formal sector were in general supported by the working group. It was pointed out that the different operational criteria and the link to the two underlying dimensions could be made more explicit and that the terminology used as well as the boundaries should be harmonized with the SNA where possible, while taking into account the differences in objectives.

20. The introduction of the criterion not employing an employee with a formal job was widely supported by the working group. Participants recognized that while this implies some assumptions (e.g. that having a formal employee implies that the enterprise is registered etc.) these assumptions are reasonable and that the criterion does have strong practical advantages. There might be some more work needed to establish whether the criterion is relevant when targeting independent workers in the informal sector (for example in relation to a mixed survey) and in that case, how it should be implemented. However, it was agreed that this change will simplify the categorization
of the sector for employees as well as removing the conceptually and analytically challenging category of formal employees in the informal sector.

21. Some participants expressed the need for further clarifications of some specific aspects of the different operational criteria. This included a clarification on the meaning of ‘government owned or controlled economic units’ as being excluded from the informal sector and categorized in the formal sector. In particular, it needs to be ensured that this does not include situations where the government for example may control the operation of a business by controlling access to a market, without controlling or operating the enterprises as such.

22. The criterion of registration was also highlighted as one of the criterion that needs further clarification. The working group supported the proposal to stress that the registration needs to be linked to accessing benefits and carry obligations. However, concerns were raised that in some countries, there might be a registration that in theory grants access to benefits and carries obligations but where this is not the de-facto situation. In such a situation, it was perceived problematic to categorize enterprises that are registered as being in the formal sector when the enterprise de-facto is not covered by formal arrangements or does not comply with regulations. In general, the working group recognized that there is an imbalance between the criteria used for defining the sectors and the criteria used to define informal jobs held by employees where the latter more clearly reflects the de-facto situation. The strengthening of the criterion of keeping a complete set of accounts for tax purposes could be viewed as a way to try to reduce this gap to some extent. However, as pointed out by some participants, there is a need to further clarify the criterion of registration and provide more guidance on what type of registration that are relevant and under what conditions a given registration should not be used as a criterion. Such further guidance should be based on country practices as well as the specific difficulties some countries are facing with this particular criterion.

23. The working group expressed mixed views on whether or not to allow for one person to have multiple informal household market enterprise. It was stressed by participants that this issue, as far as possible, should be consistent with existing standards including the SNA and the 20th ICLS resolution concerning statistics on work relationship (20th ICLS resolution I) while at the same time try to find a practical solution. It was concluded that this issue needs to be revisited.

2.2 Informal economy and the update of the statistical manuals (2008 SNA and BPM6).

24. Thomas Alexander, International Monetary Fund (IMF), presented the process for updating the System of National Accounts and the Balance of Payments and International Investment Position Manual. Previous updates have generally been done independently with reconciliation to other frameworks (such as ICLS standards) at the end of the processes. The aim this time is to be more co-ordinated between different agencies thus ensuring a more coherent process with more harmonized results. Various priority issues have been identified and the informal economy is one of them. Given the need for a coherent macroeconomic statistics framework for the informal economy, a task team—comprising national accounts, balance of payments, and labour statisticians—has been established to review the issues relating to the statistical standards on informality. The task team will prepare guidance notes for a coherent set of statistical standards that will conceptually and operationally define the different concepts necessary for measurement of work and economic activity, including cross-border transactions, in the informal economy. The task team, that is co-chaired by the IMF and Uganda, will carry out the work until 2023. The task team will collaborate closely with other groups such as the ILO working group throughout its
work. After that a series of consultations will take place and the outcome will be presented and adopted at the UNSC in 2025.

25. The working group recognized the value of a close collaboration and that there are major macro issues such as cross border flows, which also need to be considered, and that goes beyond the work conducted within the ILO working group. The need for coherence and harmonization was stressed but it was also underlined by participants that the different frameworks have different purposes and objectives and should therefore be viewed as complementary.

2.3 Own-use production sector

26. Michael Frosch introduced the definition of the own-use production sector with particular focus on whether direct volunteer work and volunteer work in relation to non-formal volunteer organizations should be categorized within the own-use production sector or placed in a different sector (i.e. the informal sector or a fourth sector).

27. The working group supported the proposed definition of the own-use production sector. There were mixed views regarding the categorization of direct volunteer work and volunteer work carried out for non-formal organizations. While there was agreement that this type of production should not be included in the informal sector as the primary purpose with the informal sector is to generate income and employment, there were mixed views regarding whether this type of work should be included in the own-use production sector or in a fourth sector. Some argued that it would create more clarity to categorize it in a fourth sector while others argued that the issue is not large enough to justify the creation of a fourth sector. It was concluded that further reflection is needed. In addition, it was proposed to include the term household within the concept of own-use production sector and that it could be useful to further assess the SNA treatment of volunteer work as described in the Satellite Account on Non-profit and Related Institutions and Volunteer Work (https://unstats.un.org). Some questions were raised about the treatment of domestic workers and whether they can be part of informal sector or formal sector. It was clarified that independent workers working as domestic workers would be part of the informal or formal sector while domestic employees would have informal or formal jobs in the own-use production sector. This categorization of domestic workers will follow the current treatment of domestic workers as defined in the 17th ICLS guidelines concerning a statistical definition of informal employment.

3 Session 3 – Friday, 9 October, 2020

3.1 Informal employment

28. Michael Frosch presented the proposed definitions of informal employment and informal jobs. It was stressed that the definitions need to be linked to the concept of informal productive activities and aligned to employment as defined by the 19th ICLS resolution I, as well as ICSE-18 as defined by the 20th ICLS resolution I. For independent workers, the classification of the job as formal/informal would be derived from the formal/informal status of the economic unit while for dependent workers; the formal/informal status of the economic unit is a necessary but not a sufficient consideration. In addition, for dependent workers, the relationship between the worker and the economic unit for which the work is carried out also needs to be taken into consideration. The suggestion to build the operational definitions of informality around the dichotomy of independent/dependent workers implies that the current approach used in the 17th ICLS guidelines concerning a statistical definition of informal employment as such is maintained, but adapted to ICSE-18.
29. In practice this will entail that for:

- Independent workers, the classification of the job as informal / formal derives from the formal / informal status of the economic unit.
- Employees it reflects whether their employment relationship is in practice, formally recognized by the employer and associated with effective access to formal arrangements.
- Contributing family workers would be considered having informal jobs by default.
- Dependent contractors was further discussed in session 4.

30. The presentation also included a clarification around the concept of informal productive activities carried out in the context of formal jobs. It was stressed that this concept should be viewed as a complementary concept to informal employment capturing whether there is a sub-set of activities carried out in relation to a formal job that is outside the scope of formal arrangements.

31. In addition, the presentation addressed the existence of multiple jobs in relation to informal jobs. While the definition for multiple jobs in the 20th ICLS resolution I, can be applied for formal jobs, and for dependent workers with informal jobs, this is more problematic for independent workers with informal jobs, in particular if the number of household market enterprises a person can own is restricted to one by definition. A possible solution would be to make an amendment to the definition in the 20th ICLS resolution and thereby allow for the existences of multiple informal jobs for independent workers.

32. The working group widely supported the proposed definition of informal employment as well as the proposal to construct the definition of informal jobs around the dichotomy of independent/dependent workers as defined by ICSE-18. A number of adjustments were proposed that could contribute to clarify the definition further.

33. Regarding the definition of informal jobs among independent workers, the criterion of registration was highlighted as a criterion that demands further guidance on how it should be operationalized by countries; in particular in countries where being registered does not imply any de-facto obligations or benefits.

34. Some working group members observed that the definition of informal jobs held by employees was conditioned on recognition of the employment relationship by the employer. The absence of a reference in the definition to the legal administrative framework of a country was queried and it was thought that adding this dimension would further clarify the concept.

35. There were mixed views in the working group regarding continuing the practice to define jobs held by contributing family workers as informal by default. While some members argued that contributing family workers would be highly vulnerable workers without any coverage by formal arrangements within their countries, others highlighted that some limited formal arrangements might exists such as registration, contribution to social insurances and that in these cases it would be important to allow for a separation between informal and formal jobs for contributing family workers. It was concluded that further reflection around this issue is needed and that there may be an argument to open up the possibility to allow for the existence of formal jobs among contributing family workers in some circumstances.
36. The recognition of the existence of informal productive activities within formal jobs was in general supported by the working group. It was acknowledged that this complementary concept would be of high importance in some countries where the share of informal jobs might be relative low but where informal productive activities within formal jobs are significant. At the same time members of the working group anticipated operational challenges related to the proposals for the identification of informal activities undertaken within formal jobs and queried whether a new question series would be required. During the discussions it was further clarified that the intention is not to integrate this concept in the core LFS to be continuously measured instead, as part of future work, a possibility could be to develop a module for intermittent attachment to an LFS in countries where this is significant. Other estimation approaches may also be considered in future work. At the current time, the conceptual acknowledgment of informal activities within formal jobs was considered an important first step. It was also further clarified that this complementary concept is not intended to change the definition of jobs, i.e. informal productive activities carried out within a formal job would still be categorized as activities (formal and informal) carried out within the same single job. The proposal will be adjusted to better reflect these points. In addition, it was also stressed by some members that the recognition of partly informal productive activities will create a larger overlap between informality and undeclared work. While this was welcomed, it might call for some further conceptual clarifications of the two different concepts regarding how they relate, overlap and differ.

37. Members expressed mixed positions on the proposal to submit an amendment to the 20th ICLS resolution I to permit multiple jobs for independent workers who operate an informal economic unit and the alternative to instead allow one person to own multiple informal household market enterprises was again proposed. This approach would still ensure the existence of multiple jobs while being aligned to the definition in the 20th ICLS Resolution I. The implications of this approach for national accounting principles would need to be assessed. The proposal to amend 20th ICLS Resolution I to permit multiple jobs for independent workers who operate an informal economic unit will remain open as discussions progress.

38. A number of members proposed the development of a matrix to visualize the relationship between informal jobs / formal jobs, the three sectors and ICSE-18. This was felt as a way to clarify the proposal. It was concluded that such a matrix will be developed.

39. Some concern were raised that the dichotomy formal/informal can group workers of very diverse characteristics (e.g. very highly paid and very low paid could both be informal). On this point the supplementary indicators are critical to provide more granular statistics which will support the understanding and context of the dichotomy of informal/formal.

40. In addition, it was also observed that the link between the statistical definition of informality and the Decent work agenda was missing in the discussion paper and revisions to the text to address this gap were proposed. It was acknowledge that this link is essential and should be explicitly mentioned in the conceptual framework - the text will be revised accordingly.

3.2 Operational definition of informal/formal jobs held by employees

41. Michael Frosch introduced the topic by explaining that the current definition of informal jobs held by employees has a relatively high degree of flexibility, which is a challenge when countries need to operationalize the definition as well as for accessing harmonized data. Based on country practices it is clear however, that countries have a clear preference for the criteria of employer’s
contribution to social insurance, access to paid annual leave, access to paid sick leave and the
existence of a written contract. While the first three criteria have strong conceptual basis, the
existence of a written contract is more problematic. An absence of a written contract would in
many countries indicate an informal job, but might not be sufficient to define the job as formal
(e.g. due to lack of enforcement in the country). Proposals for definitions of the three main criteria
employer’s contribution to social insurance, access to paid annual leave and access to paid sick
leave were presented.

42. Finally, the presentation included a discussion on how to combine the main criteria. The same set
of criteria can be combined in three different ways (strong approach; all criteria have to apply for
the job to be defined formal, weak approach; only one of the criteria has to apply in order for the
job to be formal, moderate approach; different combinations where one or more criteria are
prioritized). As part of the preparation of the 2nd WG meeting, ILO conducted a survey of country
practices in applying the criteria. The results from the survey indicates that countries are divided
and that no clear preference exists. Most countries are using the strong approach, closely followed
in frequency by the moderate approach and a significant number of countries are also using the
weak approach.

43. Taking this situation into account the proposal to the working group was to either, if feasible,
agree on one approach, or if there is a need for flexibility, agree on prioritizing employer’s
contribution to social insurance which may be supported by access to paid annual leave and access
to paid sick leave. If relevant and depending on country context, the operational definition could
be further supported by existence of a written contract or other relevant criteria.

44. The members of the working group expressed mixed views on the preferred approach. In general
it was perceived difficult for the working group to agree on one specific approach without include
any flexibility for countries to adjust the criteria to the country specific context. Some participants
proposed to continue to have nationally specific definitions but to complement them with one
single approach used for international comparison. Other participants underlined that this solution
would still create challenges for deriving an “international definition” if a different set of criteria
are included by countries and that the use of one “international definition” and multiple national
definitions would be highly problematic if these do not converge and thus differing estimates were
generated.

45. Some participants argued that using the existence of a written contract could be an effective
criterion to use while others pointed out the limitations with this criterion. For instance, there can
be cases where a country imposes no obligation to have a written contract, or there are some
countries where employers use the written contract to limit their obligations. There were also
proposals to consider additional criteria such as the existence of a pay slip and having access to
paid maternity/paternity leave to support the derivation. Participants also highlighted the need for
a clarification of the criterion of social insurance as it could cover health insurance, pension
contributions, unemployment insurance, and other benefits. It will be important to provide further
guidance on when a particular social scheme is suited to be used as an operationalization.

46. In the end there were strong support in the working group to use what can be described as a soft/
moderate approach that clearly prioritize employer’s contribution to social insurance supported by
access to paid annual leave and access to paid sick leave as main criteria as this seems to be the
common ground across countries. Additional criteria could be used as supplement, depending on
national context and need. This was viewed as a proposal that will increase harmonization
compared to the current situation, while ensuring that there is a degree of flexibility that allows countries to make national adaptations when necessary.

4 Session 4 – Tuesday, 13 October, 2020

4.1 Dependent contractors and informal jobs

47. The session began with David Niculcar and Veronica Huaracan Riveros, Instituto Nacional de Estadísticas (INE), Chile, presenting the INE experience of implementing ICSE-18, including the identification of the new category dependent contractors, into the country’s 2020 continuous LFS. Among self-employed the aspects of economic dependency and operational dependency were used to identify dependent contractors. Based on an analysis conducted by INE ownership of the premises, installation, land and machinery have the highest correlation to economic dependency while decision making over place to work, route or price of the products have the highest correlation to organizational dependency. Data from the 2nd quarter 2020 shows that 29% of all self-employed would be defined as dependent contractors corresponding to 4.8% of the total employment. In this group men are over-represented (70%), and 25% are in the age group 45-54. Based on the criterion ‘registration of the economic unit’, 51% of the dependent contractors among the self-employed would be defined formal and the remaining 49% informal.

48. Among workers that only provide their labour as input the criteria of: i) register receipts for fees (i.e. have a commercial agreement and not an agreement of employment), ii) not receiving a wage or salary, iii) no contribution to social insurance by the perceived employer were used to identify dependent contractors. Based on these criteria 6% where defined as dependent contractors. Men are also over-represented in this group (54%) and 37% are in the age group 25-34. The presentation concluded by noting that the analysis indicates that dependent contractors account for 9.3% - 10.7% of the total employed in Chile. Based on the experiences so far two main challenges were highlighted. Additional questions are required which increases the response burden and secondly that the introduction of the category dependent contractors mark a shift in the traditional duality between “dependent” and “independent” workers, thus complicating the field, not at least in relation to defining informality.

49. The second presentation was conducted by Rodrigo Negrete, Instituto Nacional de Estadística y Geografía, Mexico, and included the INEGI’s experience of piloting the recommendations of the 20th ICLS resolution I. INEGI have developed a two-step approach to identify dependent contractors among self-employed. The first step identifies dependent relationships and the second step assesses economic and operational control. Dependent contractors among those that only provide their labour as input were identified by the absence of contributions to social insurance by the perceived employer and the non-receipt of a payment different from a fixed (conventional) salary. The pilot survey found that dependent contractors account for 11% of the total employed in Mexico. Dependent contractors providing labour to others accounted for 77% of all dependent contractors.

50. The second part of the presentation turned to the issue of informality in relation to dependent contractors. Two alternative designations were presented, termed the “orthodox approach” and the “alternative approach”. The orthodox approach is the definition based on the 17th ICLS guidelines concerning a statistical definition of informal employment and identifies informal jobs held by dependent contractors based on their similarity either with self-employed (owning an unincorporated enterprise) or with employees (providing labor to others) thus applying the formal/informal criteria depending to either status in employment previous to the 20th ICLS.
alternative approach required both the contribution the registration of economic unit as well as contribution to social insurance of the worker, no matter if the dependent contractor is akin to an employee or to a self-employed. From there results three possible groups (i.e. informal on both criteria, ii. informal economic unit where the respondent contributes to the social security system, iii. formal economic unit where the respondent do not contribute to the social security system). A comparison between the orthodox and the alternative approach demonstrated that the alternative approach to be the more expansive in its designation of informality. By using the orthodox approach, 87% of dependent contractors were located in informality, while using the alternative approach the share increased to 98%.

51. The presentation concluded by highlighting the need to develop specific criteria for informal/formal jobs held by dependent contractors that reflects the unique characteristics of their jobs.

52. Michael Frosch conducted the third and last presentation in the session. The presentation gave a brief overview over different approaches that has been tested to identify dependent contractors and included a discussion of some of the main challenges with relating dependent contractors to informality. The definition of informal jobs held by dependent contractors and the operational criteria to use are not entirely given as dependent contractors are on the boundary between independent workers and employees. The criteria used for defining informal/formal jobs among employees are by definition not relevant because these criteria creates a boundary between employees and dependent contractors and can therefore not be used to separate between informal and formal dependent contractors. The criteria used for independent workers could be of relevance, however, at the same time there is a subgroup of dependent contractors that only provide their labour as input and where the notion of “owning an enterprise” would be challenging. In addition, the relationship between the dependent contractor and the economic unit on which they depend needs to be taken into account.

53. The categorization of the economic unit in one of the three sectors also poses a challenge for dependent contractors. For independent workers, this is a categorization of the economic unit that they own and operate, while for employees it is a categorization of the economic unit on which they depend. However, in the case of dependent contractors, it is not entirely clear which economic unit should be categorized; the economic unit they “own” or the economic unit on which they depend. A proposal was put forward to categorize the sector on the basis of the economic unit owned and operated by the dependent contractors for those that have invested in financial and material assets and the economic unit on which they depend for those dependent contractors that only provide their labour as input. A definition of informal/formal job could then be further built on this. Finally, some selected findings were presented from the joint ILO–World Bank–Data2X pilot study on informality in Sri Lanka. These findings highlighted the high degree of informality among dependent contractors as well as the importance to identify dependent contractors among self-declared self-employed as well as self-declared employees.

54. The working group expressed concerns regarding the general measurement of dependent contractors and acknowledged the challenge to integrate the category in the framework of informality. Some members argued that a first necessary step is to clarify the definition and measurement of dependent contractors before discussing how to relate dependent contractors to informality. Other members stressed that there is not sufficient time to wait for a consensus around how to measure dependent contractors as the revision of the statistical standards is taking place now and that there is a clear expectation that dependent contractors is addressed in the new framework. It was also acknowledged that more experience has been gained and progress have
been made since the 20th ICLS and that it should be possible to further build on this. A number of members highlighted the need to share experiences between countries.

55. While some members anticipated problems of implementing ICSE-18, resulting from the introduction of a lengthy question series others highlighted the importance of moving away from a subjective categorization of ICSE (which has been the common practice up to now) to a more objective derivation of the status in employment and that such a move will require an increased response burden. The key issue in this regard will be to find the right balance between an effective measurement and response burden.

56. Concerns were also raised regarding the proposal of categorizing the sector differently depending on the sub-group of dependent contractors and to some extent base the definition of informal/formal jobs on this distinction. It could be a risk that such an approach would be overly reliant on subjective criteria, which could lead to misclassifications. An important aspect to ensure that this would not be the case would be to further assess the potential overlap between the standard “self-declared” status and classificatory items for the two sub-groups of dependent contractors. This was identified as an important analysis that could be an area of further work.

57. While there were support to define dependent contractors in the informal sector as by default, having an informal job a number of participants stressed the importance of enabling a categorization of informal/formal jobs for dependent contractors categorized in the formal sector, independent on the sub-category of dependent contractors. Some examples were given on dependent contractors that only provide their labour as input, but that are registered, have written contracts, declare tax etc. It was argued that in situations like these it should be possible to define these dependent contractors as having formal jobs.

58. The conclusion from the discussion was that the issue of dependent contractors and how it should relate to informality, needs further development. This particular issue is likely to be one of the main topics to further work on until the next working group meeting.

4.2 The concept of informal work

59. Michael Frosch presented the proposal to introduce the broad concept of informal work, which potentially includes all activities defined as work in the 19th ICLS resolution I. The concept of informal work would be an overarching concept not intended to be measured in its totality but should rather be viewed as an important alignment to the changes introduced by the 19th ICLS resolution I and that contributes to the creation of a multi-purpose framework. It was underlined that the core concept in the framework would still be informal employment. The introduction of informal work would however, enable that this core concept could be complemented by essential categories of informal work outside the informal market economy for example unpaid trainees and subsistence foodstuff producers. In addition it would enable the possibility to distinguish between informal/formal work within a certain domain that cut across multiple forms of work e.g. within care work and within agriculture if there is such a need. It would also be important in itself to statistically recognize that informal productive activities exist outside informal employment.

60. The working group expressed their strong support for introducing the overarching concept of informal work. Participants recognized the necessity of including forms of work other than employment into the framework as it creates incentives for policy development and brings the framework of informality in line with the 19th ICLS resolution I. Some participants also underlined the importance of the concept of informal work and its relationship with gender
issues/dimension, as women tend to perform a relatively large part of forms of work other than employment for example in relation to own-use provision of services. While further work is needed to develop the definition it was recognized that some limited formal arrangements might exist in some countries around forms of work other than employment or around certain types of activities within a given form of work. It was also pointed out that even though there might currently be little interest in formalizing forms of work other than employment this could evolve in the future and from that perspective, it would be important to recognize the dimension of informality and formality for forms of work other than employment in the new framework.

61. The introduction of the essential categories subsistence foodstuff producers and unpaid trainees was also strongly supported by the working group. Some members underlined that it should be made explicit that the essential categories of unpaid trainees and subsistence foodstuff producers should be measured in countries were these categories are significant in order to complement the concept of informal employment.

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5.1 The SNA need of data on the informal sector

62. Herman Smith, United Nations Statistics Division, presented the SNA framework and the need for data regarding the informal sector as input to national accounts compilation. Labour is the primary input to production alongside capital, but, unlike capital, is recognized only indirectly in the SNA through compensation of employees and mixed income. Data on informal sector labour inputs to the SNA should as a minimum, cover the labour domains of jobs, people, volume (hours), and payments as well as demographic breakdowns by gender, age and educational attainment for activities within the SNA production boundary. The presentation also highlighted the need for a comprehensive measurement of production activities that are informal, which would include overlapping production concepts such as informal activities, underground or non-observed activities and illegal activities. In addition there is a need for data on informal cross-border transactions and illegal cross-border financial flows. It was underlined that the various concepts on informal production activities do not have clear boundaries and are often used interchangeably. This underlines the importance for a clear delineation of the concept, informal economy, to ensure a harmonized use of the term between the different statistical frameworks.

63. During the discussion members of the working group agreed that there is a need to avoid a situation where the term informal economy is interpreted inconsistently. However, it was stressed by the participants that while informality covers multiple types of situations it should not be used as a synonym for illegal production or undeclared or non-observed production even if it may include some of these elements. As was established with the OECD handbook on Measuring the Non-Observed Economy, illegal production, undeclared production or non-observed production needs to be viewed as having different objectives that require different statistical methodology as well as different policy approaches. It was also recognised that there has been good progress with ensuring a clear linkage between the standards on labour statistics and the SNA and that the “new” standards on labour statistics have a high degree of consistency with the SNA. These developments should be integrated in the new framework on the informal economy as far as possible while taking into account the difference in the spheres of interest and objectives. (E.g., cross-border transactions would be of SNA interest but not for labour purposes).
Some participants also stressed that there have been some good experiences in measurement of the informal sector on a satellite accounting type approach in some countries and that this could be a basis for measurement guidance which is recognized as needed. The conclusion from the discussion is that a close collaboration between all stakeholder will be a key aspect that should continue to ensure that the terminology is harmonized as far as possible.

5.2 Contextualizing informal employment and an indicator framework

Florence Bonnet, Labour Market Specialist, INWORK, ILO presented a first draft on a proposal to introduce an indicator framework to complement the conceptual framework. The indicator framework would include a set of indicators/variables that are linked to the diagnostic tool developed by ILO to assist countries in assessing and diagnosing factors, characteristics, causes and circumstances of informality in the national context. The objective would be to introduce as set of indicators that:

- Provide data on the structure of informality within a country
- Allows the identification of workers highly represented or exposed to informality and the assessment of working conditions among workers in informal employment/
- Contextualize the level or degree of protection against risks associated with carrying out the productive activities.
- Differentiates between workers carrying out informal/formal employment reflecting that informality/formality is a continuum and that workers in informal and formal employment can can have varying degrees of formality but also varying degrees of vulnerabilities not captured by the dichotomy.

The presentation included a number of examples of possible indicators that were organized in two different blocks. The first block included indicators capturing the size, structure, nature of informality as well as working conditions of workers in informal employment, while the second block included additional dimensions that further contextualizes informality to enhance the link between indicators and policymaking. Suggested additional dimensions (and associated indicators) included notably the analysis of regulation scope and enforcement as possible sources of informality; the assessment whether formalization necessarily means access to protection and from what levels of protection may informal workers benefit; a mapping of informal workers and economic units depending on their readiness to formalize now or in the longer run building on and complementing the measure of degrees of formality/ informality and levels of vulnerabilities.

The presentation also distinguished between main indicators i.e. essential indicators typically already collected that could be included in the resolution, and additional indicators i.e. supplementary indicators that could be included in a supporting indicator framework. The presentation also identified gaps where there will be a need to develop relevant indicators.

The working group strongly supported the introduction of an indicator framework and the proposal as presented was viewed as a very promising starting point. In particular, the contextualization of informality and the link between the indicator framework and policymaking were highlighted as major advantages. Some members expressed concerns of an increased respondent burden and underlined the importance of constructing the indicators on data typically already collected as far as possible, and to recognize that different statistical sources might be needed to provide some of the indicators. A number of more detailed proposals were put forward.
such as that the frameworks should include breakdowns on migrant status, that the gender dimension should be ensured and that not only the main job but also second jobs should be covered. It was concluded that the indicator framework needs to be further developed and that a feasible way forward would be to establish a sub-group within the working group that will continue the work until the 3rd WG meeting.

6 Closing and next steps

68. Regarding the next steps in the revision of the standards for statistics on informality, the following issues will be prioritized:

- The ILO will update the conceptual framework, based on the inputs and conclusions reached at the 2nd working group meeting.
- The ILO will develop a first draft resolution that includes the agreed elements to be presented at the 3rd working group.
- Regarding the definition of the informal- formal- and own use production sector:
  - There is a need to provide further guidance on the operationalization of the threshold of mainly producing for the market. This should build on countries experiences of implementing the 19th ICLS resolution I as well as the methodological work carried out by ILO.
  - Further explore whether it is more efficient to allow for one person to own and operate multiple informal household market enterprises or restrict it to one.
  - Ensure consistency regarding terminology as far as possible with the SNA as well as clarifying the links and boundaries between the two frameworks.
  - Provide further clarity around the criterion registration in particular for countries where registration does not de-facto imply any access to benefits or carry any obligations.
  - Further reflect on how to categorize direct volunteer work and volunteer work carried out for non-profit organizations.
- Regarding the definition of informal employment:
  - Conduct further work on the definition of informal/formal jobs for dependent contractors and the categorization of the sector with the aim to present a revised proposal at the 3rd working group.
  - Provide further guidance on the operational criteria (such as registration, employer’s contribution to social insurance) based on input from countries.
- Regarding informal work and forms of work other than employment:
  - Expand on the definition of informal work and further investigate on the feasibility to provide more details in relation to defining informal productive activities among forms of work other than employment.
Based on country experiences and methodological work conducted by ILO provide further guidance on the operationalization of the essential category subsistence foodstuff producers.

- Regarding the indicator framework:
  - Identify indicators that should be considered core indicators and therefore included in the new resolution.
  - Conduct further work to identify relevant indicators to fill out the identified gaps.
  - Further explore work that has been carried out among the members of the working group and that could be relevant to integrate in the indicator framework.
  - Review the proposal taking into account the comments made at the 2nd working group meeting with the objective to present a revised proposal at the 3rd working group meeting.

69. In order to advance the work it was proposed by the ILO to establish different sub-groups within the working group to further develop some of the key issues. These sub-groups would consist of a more limited number of participants that have a specific interest in the given issue. The groups would meet online, once or more if needed and the outcome of the work within the different groups would then be presented and discussed at the next working group meeting. The different sub-groups could be organized around the issues of:

- The boundary of market production and the operational definition of subsistence food stuff producers.
- The issue of multiple household market enterprises and multiple job holdings.
- Dependent contractors and the categorization of the sector and the definition of informal/formal employment.
- Further explore and develop the indicator framework.

70. The working group supported the conclusions and the way forward. Some participants expressed their interest in participating in the sub-groups. The issue of interpretation and translation of the meeting and the documents to all official languages was also raised. ILO explained that while this would be an advantage, due to limited resources and time, this might be challenging. However, the point is noted. In general, members congratulated the work done and looked forward to continue to support the working group.

71. Michael Frosch closed the meeting and thanked participants for their active and constructive participation. The next working group meeting is expected to take place in October 2021.
Annex 1: List of participants

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