

▶ 21st ICLS resolution:

- Informal employment and dependent contractors
- Informality in relation to volunteer work

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**Measuring volunteer work for policy
development**
Santiago, Chile, 14-16 October 2025

▶ 21st ICLS resolution concerning statistics on the informal economy

Adopted at the last ICLS and replaces:

- ▶ 15th ICLS resolution concerning statistics of employment in the informal sector.
- ▶ 17th ICLS guidelines concerning a statistical definition of informal employment.

A broad comprehensive statistical framework includes definitions of:

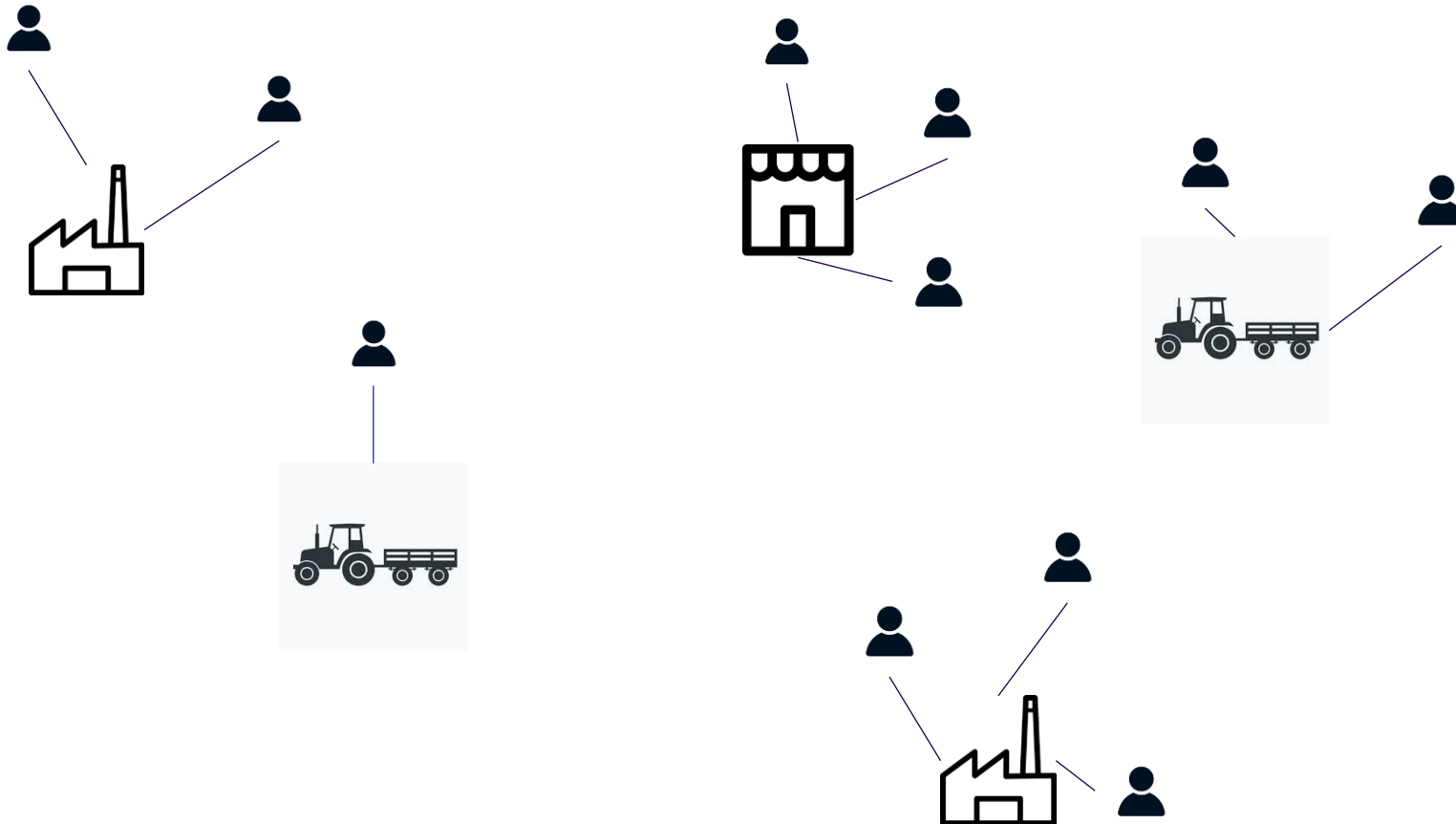
- ▶ **The informal economy** *“comprises all informal productive activities of persons or economic units, whether or not they are carried out for pay or profit.”*
- ▶ **Informal market economy** *(Informal employment and informal sector)*
- ▶ **Informal work** *(consists of productive activities performed by persons that are – in law or in practice – not covered by formal arrangements)*

Recognizing:

- ▶ All informal production by informal enterprises and households
- ▶ Informality in relation to employment, own-use production work, unpaid trainee work, volunteer work.



Combining two different perspectives (economic units and persons/jobs/work in to one single statistical standard



Economic units

Persons that carries out work for the economic units

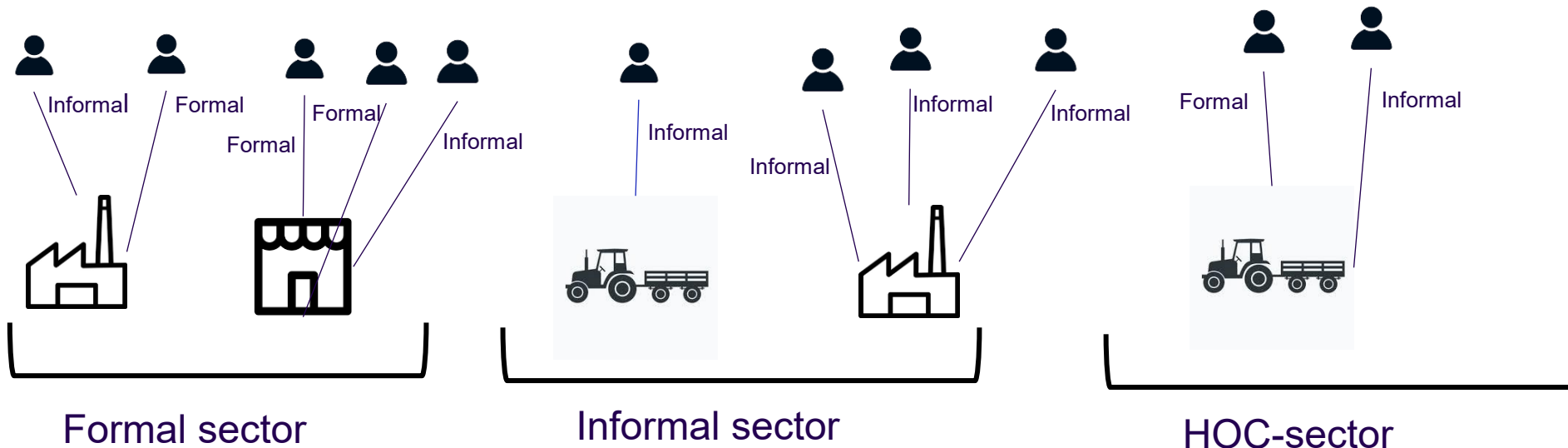
- ▶ Employment
- ▶ Volunteer work
- ▶ Own-use production work
- ▶ Unpaid trainee work

Combining two different perspectives (economic units and persons/jobs/work)

Categorizing all economic units (and persons working for those economic units) in one of three sectors.

Defines all jobs/work activities as either formal or informal

Core focus are on the informal sector and informal employment.



In addition:

Strengthened conceptual and operational definitions:

The definition of informal employment:

- ▶ Align to ICSE-18, includes integrating dependent contractors
- ▶ Allow for the possibility for contributing family workers to have formal jobs
- ▶ Strengthening the operational definition of informal employment:
 - Less flexibility around the operational criteria to use, in particular for informal jobs held by employees

The definition of the three sectors

- ▶ Explicit definitions of the three sectors.
 - Formal sector, informal sector and Household own-use production and community sector (HOC-sector).
- Reduced flexibility in the criteria to use
- Registration and not size of the economic unit

Indicator framework

- ▶ To better guide countries in the type of statistics to produce.
- ▶ Closely linked to policy

Improve data collection

- ▶ Improve tools for countries to use for measuring informal employment in the three sectors
 - Different projects have been carried out to create a more effective measurement

Definition of informal employment

► Definition of informal employment (§§ 56)

- *"Informal employment is defined as any activity of persons to produce goods or provide services for pay or profit that is -in law or in practice- not covered by formal arrangements such as commercial laws, procedures to report economic activities, income taxation, labour legislation and social security laws and regulations providing protection against economic and personal risks associated with carrying out the activities".*

Comprises activities carried out in relation to informal jobs held by:

- A. Independent workers*** *who operate and own or co-own an informal household unincorporated market enterprise;*
- B. Dependent contractors*** *who do not have a formal status in relation to the legal administrative framework or whose activities are not effectively covered by formal arrangements;*
- C. Employees***, *if their employment relationship is not, in practice, formally recognized by the employer in relation to the legal administrative framework of the country or not associated with effective access to formal arrangements; and*
- D. Contributing family workers*** *whose work relationships are not formally recognized in relation to the legal administrative framework of the country or not associated with effective access to formal arrangements.*

Informal jobs

Definition relies on the persons status in employment category (ICSE-18)



Employers, Independent workers without employees

Have an informal job if they:
“...operate and own or co-own an informal household unincorporated market enterprise...” i.e., they own and operate an informal enterprise.

Operational criteria:

Same criteria as for the sectors

- Registration, keeping account for tax purposes, institutional sector, incorporation, engaging a formal employee



Dependent contractors

A new category of status in employment

DC have an informal job if they “...do not have a formal status or whose activities are not effectively covered by formal arrangements.”

Operational criteria:

- Whether they have an registered enterprise or are registered for tax on profits and;
- Have access to formal arrangements such as social insurance



Employees

Have an informal job if the job is “...not in practice, formally recognized by the employer in relation to the legal administrative framework of the country or not associated with effective access to formal arrangements...”

Operational criteria:

- Whether the employer contributes to social insurance on the behalf of the employee.
- Access to paid annual leave and paid sick leave



Contributing family workers

Have informal jobs if the “...work relationships are not formally recognized in relation to the legal administrative framework of the country or not associated with effective access to formal arrangements”

Operational criteria:

In countries with no formal arrangements for CFW by default informal employment
In countries that have formal arrangements:

- Formal status of the family business; Job registered; Contributions to social insurance

Informal employment

Definition relies on the persons status in employment category (ICSE-18)



Employers, Independent workers without employees

Have an informal job if they:
“Own and operates an informal enterprise...” As they would lack an effective coverage of formal arrangements.

Operational criteria:

- Key criterion: Whether registered in a governmentally established system of registration.
- Keeping account for tax purposes, institutional sector, incorporation, engaging a formal employee

INDEPENDENT WORKERS

We are using the same operational criteria for defining informal/formal jobs as is used to define whether the enterprise is informal or formal.



Informal employment

Definition relies on the persons status in employment category (ICSE-18)

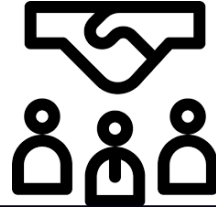


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Dependent contractors

A new category of status in employment

DC have an informal job if they “...do not have a formal status or whose activities are not effectively covered by formal arrangements.”

Operational criteria:

- Whether they have an informal or formal economic unit or are registered for tax on profits and;
- Have access to formal arrangements such as contributes to social insurance



Employees

Have an informal job if the job is “...not in practice, formally recognized by the employer in relation to the legal administrative framework of the country or not associated with effective access to formal arrangements...”

Operational criteria:

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DEPENDENT WORKERS

We need additional criteria to define informal and formal jobs.

The informal/formal status of the economic unit is not sufficient.

Status in employment informal- formal job, sector

Sector of the economic unit for which the work is carried out	Job by status in employment								
	Independent workers (Employers, own-account workers)			Dependent workers					
	Owner-operators of corporations	Independent workers in household (unincorporated) market enterprises		Dependent contractors*		Employees		Contributing family workers	
	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	(Formal)
Formal sector				1		2		3	
Informal sector		4		5		6		7	
HOC-sector						8			

Cells shaded in dark grey refer to jobs, which, by definition, do not exist in economic units located in the specific sector. Cells shaded light grey refers to formal jobs. Informal employment consists of informal jobs in cells 1-8

*The sector of dependent contractors does not reflect the sector of the economic unit on which they depend but the sector in which the dependent contractor is categorized.

Dependent contractors

► Integrating DC in the definition of informal employment

► Was one of the more challenging aspects

- As they share characteristics with both employees and self-employed.
- Not given on what basis to build a definition.

► In the end a unique definition that reflect their unique situation

- DC have an informal job if they “...do not have a formal status in relation to the legal administrative framework of the country...”; or
- “...if they do have a formal status but are not associated with any effective access to formal arrangements aimed at reducing the economic risk.”

Operational definition; Formal and informal jobs for DC

► Have a formal job if:

- A. operate a formal economic unit **or** are registered for tax; **and**
- B. Have an effective access to formal arrangements that reduce their economic risk such as “*health insurance, paid sick leave or paid parental leave and a job-related pension, or other types of formal arrangements intended to decrease the economic risk associated with the job.*”

- The resolution also clarifies that:

“In countries where the registration of the enterprise or registration for tax is not directly linked to such measures, contribution to a voluntary statutory social insurance should be used as an additional criterion ...”

► An informal job if this is not the case

- They do not have a formal status through registration; or
- they have a formal status but lack an effective coverage of social protection.

A. Formal status as a worker in employment for profit

- ▶ **DC have a formal status and is categorized in the formal sector if they:**
 - Own and operate a formal enterprise; or Registered in relation to tax on profits.
- ▶ **The registrations systems vary between countries.**
 - **Most countries; separate registers**
 - It is possible to register in relation to tax on profits without register an enterprise.
 - **Some countries; same register**
 - Being registered in relation to tax on profits automatically implies a registration in the business register.

Operationalization:

- **In countries with separate registers:**
 - Requires including both type of registrations.
 - Registration of an enterprise (e.g., the business register) **OR**
 - Registration in relation to tax on profits (Tax registration, tax number etc.)
 - **In countries with linked registers:**
 - Requires only including the business register.
- ▶ **Countries needs to assess their system before operationalizing.**



► B: Effective access to formal arrangements

► Some countries; directly linked to being registered.

- Having a registered enterprise or being registered for tax implies a coverage of formal arrangements such as social protection.

► Most countries: no such direct link

- Being registered do not give any access to formal arrangements that reduce the economic risk.
- In particular, for those registered for tax only (and that do not have a registered enterprise).



- ▶ In countries where owning and operating a formal enterprise or being registered for tax implies effective access to social protection
 - Being registered is a sufficient criterion for having a formal job.
 - And not being registered defines the job as informal.
- ▶ In countries where the registration of the enterprise or registration for tax is not directly linked to such measures:
 - Registration and contribution to separate social insurance should be used as an additional criterion.

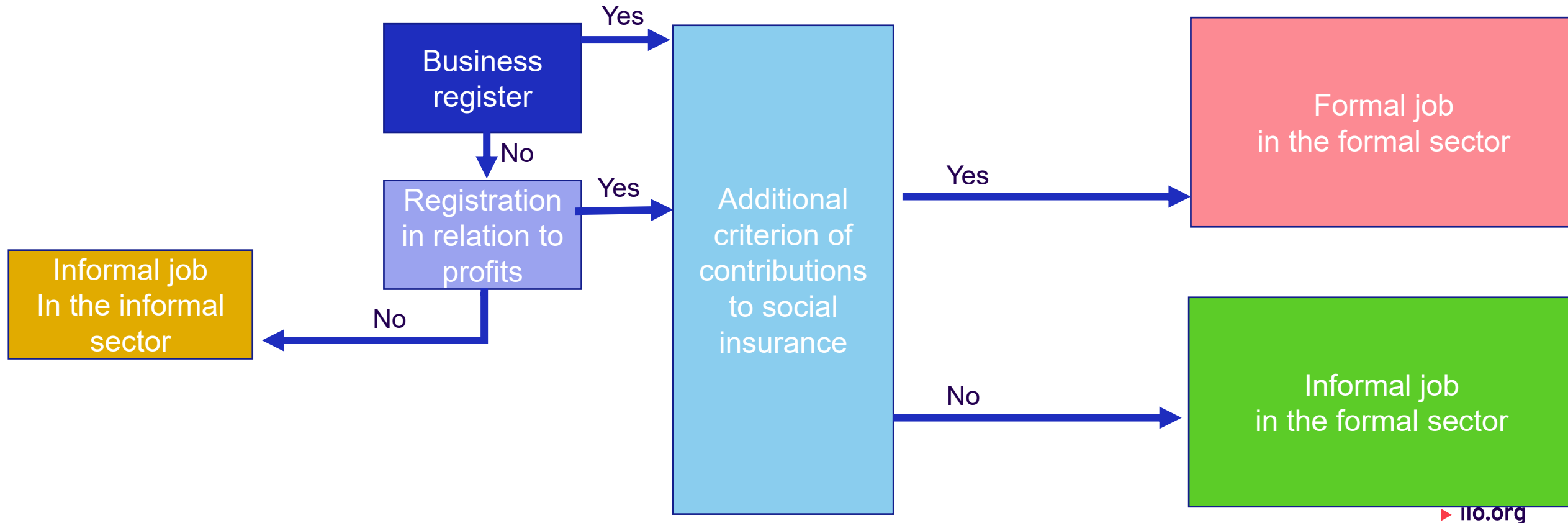
Countries need to assess their system before operationalizing



Countries will have to assess their system

Is the DC registered?

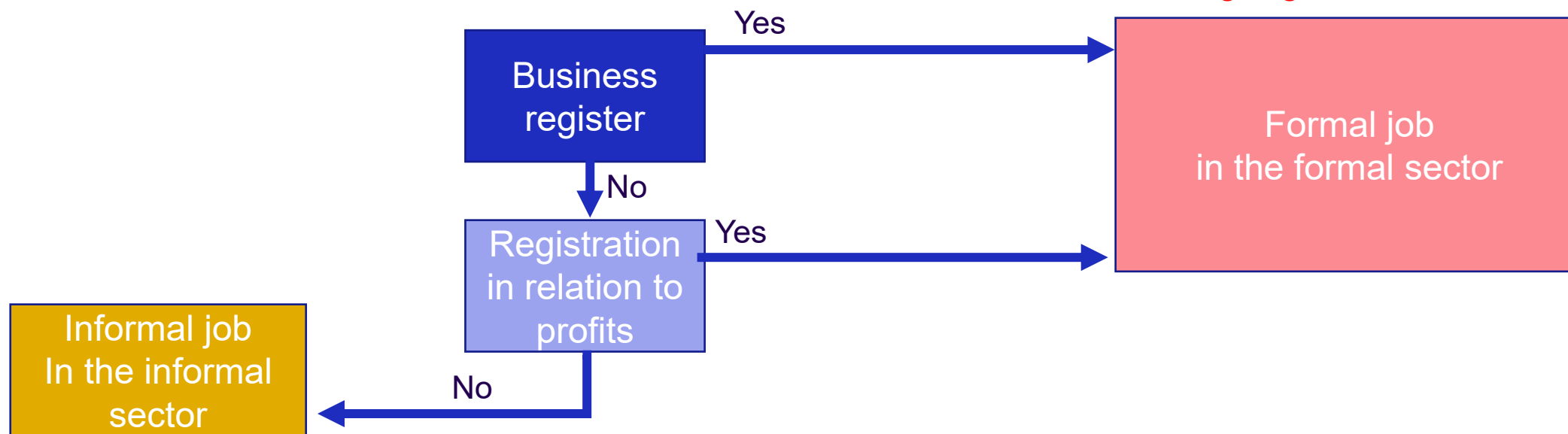
Does sufficient formal arrangements
come with being registered? **NO**



Countries will have to assess their system

Is the DC registered?

Does sufficient formal arrangements
come with being registered? **Yes**



Dependent contractors; questions.

A) Formal status as workers in employment for profit:

- Whether they have a formal enterprise;
 - Based on the questions determining the informal/formal sector
- If not; whether they are registered in relation to tax on profits (in countries where this is possible).

MJL_REGP

(Have/Has) (you/NAME) registered (your/his/her) activities in [The national tax registration for persons in employment for profit, declaring their tax on profits made]?

1. YES
2. NO
97. DON'T KNOW

Needs to be adapted to national context, and exemplify the question with one relevant example.

B) Additional criterion, for most countries, of own contribution to social insurance, to ensure a coverage of formal arrangements:

MIS_SOCPRO_DC

ASK IF (MJJ_EMP_REL=2) & (MJD_CONTROL = a-f)

A: In relation to these activities (do/does) (you/name) contribute to the [Pension Fund/Unemployment Insurance] on (your/his/her) behalf?

ASK IF (MJJ_CFW_CHK=1,2) & (MJD_CONTROL = a-f)

B: Are contributions paid to the [Pension Fund/Unemployment Insurance] for (you/NAME) for doing this work?

- 1 YES
- 2 NO

97 DON'T KNOW

- These questions need to be asked to all DC independent of whether they are identified among the self-employed or employees.
- Targeting these questions to DC identified among employees requires complex filters. But this is a technical challenge that can be dealt with in CAPI/CATI

► Informality/formality and dependent contractors

Based on findings so far, DC seem to have a relatively high degree of informality.

- DC coming from self-declared employees would have been informal employees.
- DC is a non-standard form of employment, and there might be a higher degree of general precariousness among this group.

Formalization of DC are slightly more complexed

- As formalizing informal DC might not be the only policy objective.
- Another relevant policy objective could be that some groups of DC (both formal and informal) should be legally recognised as formal employees.
- The ICSE category of DC and the integration in the 21st ICLS resolution can facilitate this discussion.

Informal Economy: Resource page
<https://ilostat.ilo.org/topics/informality/>



Thank you



<https://www.ilo.org/resource/resolution-concerning-statistics-informal-economy>