



Measuring informality -Revision of the statistical framework of informality

Room document 17
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Need for a revision

- Have become evident at the different technical assistance and regional workshops
- Presented and discussed at the 12th meeting of the Expert group of Informal sector statistics ("Delhi Group"), October 2017
 - Need to align the statistical framework of informality to the latest statistical developments



Content

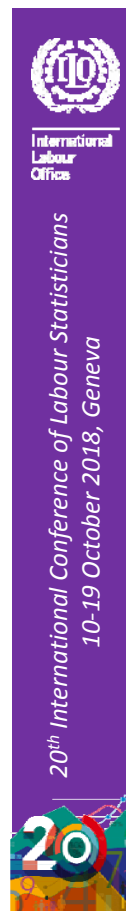
Statistical framework of informality

Country practices

The impact due to the 19th ICLS resolution I and the revision of ICSE-93

Options for a revised statistical framework of informality

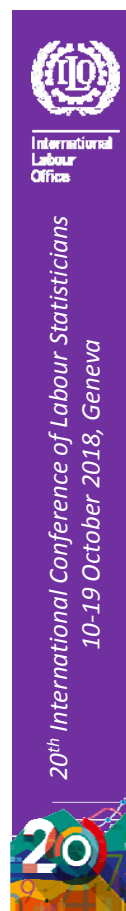
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Resolution concerning statistics of employment in the informal sector (15th ICLS, 1993)

- **Objective:** To improve labour market statistics and national accounts by creating a comprehensive system of statistics on employment in the informal sector
- **Concept:** “...consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes for the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale”

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Operational definition of the informal sector

Step one

- Household enterprises in the household sector (SNA)
 - Excludes:
 - Government units and non-profit organisations
 - Incorporated enterprises
 - Quasi-corporations
- Having some market production
 - Excludes:
 - Production exclusively for own final use

Household market enterprises

Step two: Informal household market enterprises

- Size of the unit below a specified threshold: or/and
- Not registered under specific forms of national legislation



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Operational definition cont.

- Employment in the informal sector = all persons employed with at least one job in an informal household market enterprise



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Concept of informal economy

- Introduced in the Resolution concerning decent work and the informal economy (90th ILC 2002)
- Essential concept in Recommendation No. 204 concerning the transition from the informal to the formal economy (104th ILC 2015)
- **Definition:** “all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements”

Formal arrangements include labour and social security laws as well as commercial law and fiscal obligations in the country and their effective implementation

Includes all relevant components of informality, covering both production relationships (economic units) and employment relationships (workers)



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Guidelines concerning a statistical definition of informal employment (17th ICLS, 2003)

- Complements the 15th ICLS resolution concerning statistics of employment in the informal sector
- Expands the scope of informality beyond the informal sector and thereby creating a coherent statistical framework
- **Concept:** Informal employment is defined as the total number of informal jobs
- Reference unit is jobs and the operational definition is based on the characteristics of the job
- An informal/formal job can be carried out in a:
 - Informal household market enterprise
 - Formal enterprise
 - Household enterprise producing exclusively for own final use



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Operational definition

- Is strongly linked to the definition of status in employment as defined in ICSE-93
- *Employers, Own-account workers with some market production, Members of producers cooperatives:* the job is informal if the enterprise is an informal household market enterprise

This creates a strong link between the definition of the informal sector and informal employment for these statuses in employment

- *Own-account workers producing exclusively for own final use:* Outside the informal sector but also outside the formal sector - the job is informal per definition

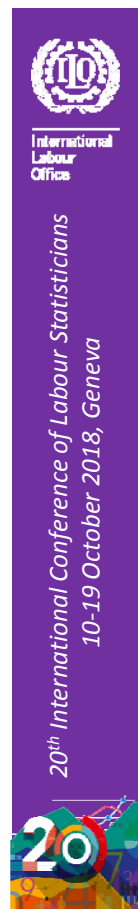
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Operational definition cont.

- The definition for *contributing family workers* and *employees* do not rely on the characteristics of the enterprise
- *Contributing family workers:* per definition having an informal job
- *Employees:* have an informal job if " their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.)"

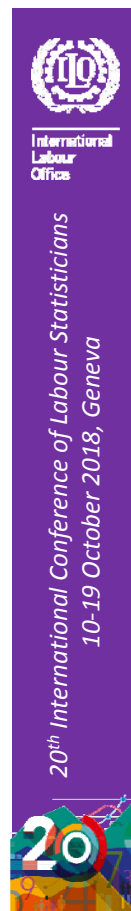
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Country practices

- Two sources for reviewing country practices
 - Assessment of the availability of criteria in microdata
 - Carried out in relation to the ILO production of harmonised global and regional estimates
 - Questionnaire to countries to collect information about their measurement of informal employment and employment in the informal sector

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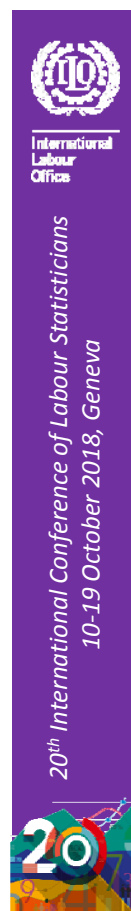


Microdata

- 112 countries for which harmonized estimates could be produced
 - Results have been published in *Women and men in the informal economy: A statistical picture* (ILO, 2018) as well as in ILOSTAT
- Based on different household surveys between 2003 and 2016
- Criteria for defining the informal sector:
 - All 112 countries included *institutional sector* (i.e. whether the work is carried out for the government, a public enterprise, a non-governmental organization, a private sector enterprise or a private household).
 - Nearly half included *registration*
 - One fourth included *having a complete set of account*
- Criteria for defining informal employment among employees:
 - 110 included *employers contribution to social insurance*
 - More than half included *entitlements to annual paid leave*
 - 40 per cent included *entitlement to paid sick leave*

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This reflects that some countries do collect relevant information though its primary objective is not to measure informality



Results from the questionnaire

Direct measurement of informal employment and/or employment in the informal sector in the last 10 years

Region	Have measured	Have not measured	Total
Africa	17	2	19
Americas	18	4	22
Arab States	5	1	6
Asia and the Pacific	10	6	16
Europe and Central Asia	17	27	44
Total	67	40	107
OECD	5	16	21

The direct measurement of informal employment is especially low among developed countries

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The scope of the measurement

- 13 countries did “only” measure employment in the informal sector and 4 countries did “only” measure informal employment among employees
- Almost one third excluded agriculture activities
- And almost three out of four countries excluded subsistence workers

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Criteria used for defining the informal sector

- Most countries used multiple criteria (2-6 criteria)
- 9 countries used a single criterion
- *Registration* is the most common criterion (51 countries out of 63), followed by *institutional sector* (42), *Size of the enterprise* (39), *complete set of accounts* (36), *incorporation* (32), *additional criteria* (11)
- 9 countries used *size of the economic unit* without also including *registration*

Seems to be a preference to use registration as a criterion and relatively unusual to use size as a stand alone criterion

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Criteria used for defining IE among employees

- Most countries combined three or four criteria
- 6 countries used one single criterion
- *Employer's contribution to social insurance* (46 countries out of 54)
- *Existence of a written contract* (40), *paid annual leave* (38), *paid sick leave* (35), *additional criteria* (15)
- Different approaches for how the same criteria can be combined
 - Creates different outcomes and levels
 - Further information regarding country practices needs to be collected and assessed

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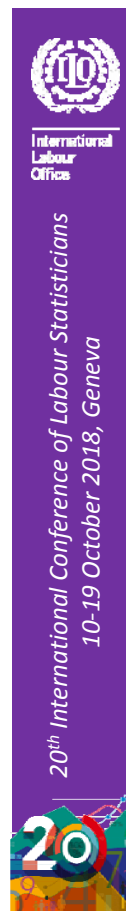
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Changes in the statistical labour standards

- Resolution I concerning statistics of work, employment and labour underutilization (19th ICLS in 2013)
 - Updates previous standards 13th ICLS resolution
 - Statistical definition of work
 - Identifies and defines five forms of work, paid as well as unpaid
- Proposed resolution concerning statistics on work relationship
 - Updates previous standards on the resolution concerning the International Classification of Status in Employment (ICSE-93) (15th ICLS, 1993)
 - Revised international Classification of Status in Employment (ICSE-18)
 - International Classification of Status at Work (ICSaW)

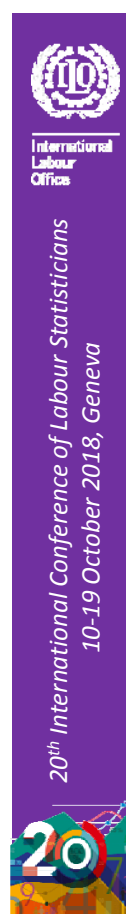
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Impact on the 15th ICLS resolution

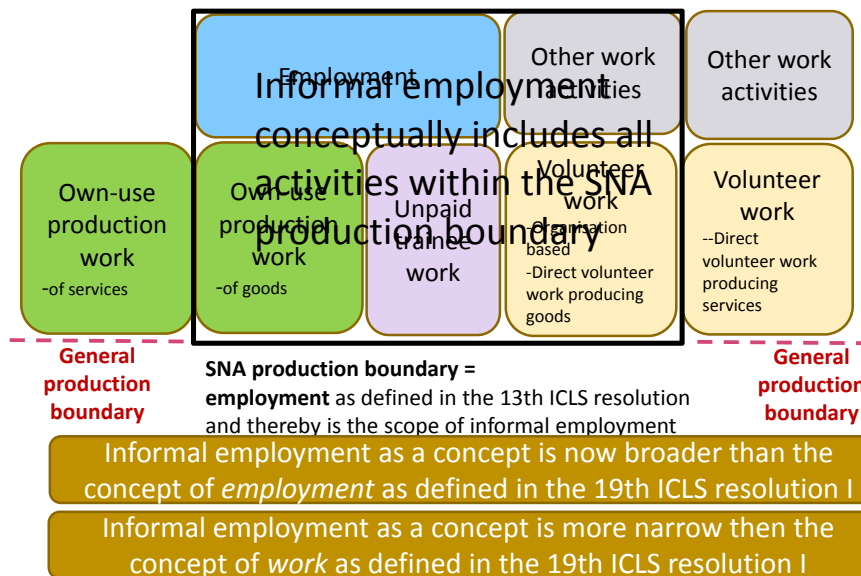
- 19th ICLS Resolution I has a limited impact on the concept of the informal sector
 - boundary of market production: currently set by some market production. However, both the 19th ICLS resolution I and SNA uses the boundary of mainly indented for sale and barter
- Has an impact on the concept of employment in the informal sector
 - All five forms of work can take place in an informal household market enterprise
- The revision of ICSE-93 has no conceptual impact on the definition of the informal sector

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Impact on the 17th ICLS guidelines

19th ICLS Resolution I changes the foundation of the 17th ICLS guidelines and the concept of informal employment



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Revision of ICSE-93 will also impact

- *Own-account workers* (called independent workers without employees), *employers*, *employees* and *contributing family workers* are still part of ICSE-18 and the current operationalization can be maintained.
- *Dependent contractors*: conceptually owner operators of a household market enterprise but dependent workers which challenges the dichotomy of using different criteria for independent workers and dependent workers
- *Members of producer's cooperatives*: have been removed, limited impact on the operational definition

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