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Conceptual Framework for Statistics on the Informal Economy

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## 1. Abbreviations and acronyms

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<tr>
<td>FS</td>
<td>Formal sector</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>Household</td>
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<td>HOC</td>
<td>Household own-use and community (sector)</td>
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<td>ICLS</td>
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<td>ILO</td>
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<td>IS</td>
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<td>NPI</td>
<td>Non-profit institutions</td>
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<td>NPISH</td>
<td>Non-profit institutions serving households</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>SDGs</td>
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<td>SNA</td>
<td>System of National Accounts (European Communities et al. 2008)</td>
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<td>TSE</td>
<td>Third or Social economy (institutions)</td>
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<td>UNSD</td>
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<td>VAT</td>
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<td>19th ICLS resolution</td>
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2. Introduction

1. This paper presents a description of the conceptual framework for statistics on the informal economy, proposed as a draft resolution replacing the International Conference of Labour Statisticians (ICLS) resolution concerning statistics of employment in the informal sector (15th ICLS resolution) and the ICLS Guidelines concerning a statistical definition of informal employment (ILO 2003), adopted at the 17th ICLS. It sets out the boundaries and structure of the new framework, the underlying and overarching concepts, the various statistical components and the relationship between them.

2. Background on the development of the standards and the draft resolution are provided in the report, “Statistics on the Informal Economy” (ILO 2023a), to be discussed at the 21st ICLS. The present paper provides a more comprehensive description of the framework and its various components by combining and extending the information provided in the report and the draft resolution. It also expands on and addresses some of the discussions within the ILO Working Group that developed the draft resolution concerning statistics on the informal economy between 2019 and 2022 and the input received from the Tripartite Meeting of Experts in Labour Statistics on the Revision of the Standards for Statistics on Informality, held in Geneva in February 2023.

3. The paper includes several passages in italics, which are taken from the draft resolution contained in Appendix to this report (ILO 2023a).

4. The paper is divided into seven parts. Chapter 3 describes the strong policy need for data on the different components of the informal economy to support effective and evidence-based policies addressing the different aspects and consequences of the informal economy.

5. Chapter 4 gives an overview of the structure of the conceptual framework and its statistical components. It also introduces the relevant reference concepts and the underlying concept of informal productive activities.

6. Chapter 5 defines the overarching concepts of the informal economy and the informal market economy and explains how they relate to concepts such as the non-observed economy, underground production, illegal production and illicit activities.

7. Chapter 6 sets out the proposed conceptual and operational definitions of the informal sector, the formal sector and the household own-use and community (HOC) sector. It also explains the link between these three sectors and the concept of work, as well as their relationship to the institutional sectors as defined in the System of National Accounts (SNA).

8. Chapter 7 describes the broad umbrella concept of informal work, encompassing all informal productive activities carried out by persons engaged in employment own-use production work, volunteer work, unpaid trainee work and other work activities.

9. Chapter 8 focuses on informal employment and the operational definition of the concept “informal jobs”, which is derived from the various categories of the International Classification of Status in Employment 2018 (ICSE-18). It includes a discussion of the operational definitions of informal jobs for independent and dependent workers.

10. Chapter 9 discusses the question of how forms of work other than employment relate to the conceptual framework. It proposes a broad approach which acknowledges the existence of both formal and informal productive activities within own-use production work, volunteer work, unpaid trainee work and other work activities while focusing on essential categories of persons engaged in
informal productive activities, such as subsistence workers and unpaid trainees, as a complement to the statistical components of the informal market economy.

11. Chapter 10 outlines the indicator framework, which provides information on the structure and composition of informality within a country and decent work deficits among informal workers and further contextualizes the dichotomy between informal and formal and the situation of informal formal workers.
3. The uses of statistics on the informal economy

12. Statistics on the components of the informal economy are used for a variety of purposes in both economic and social analysis.

13. In countries with a high share of informality, statistics on informal employment and on employment in the informal sector are fundamental to an understanding of the structure of the labour market and of the economic and personal risks to which workers are exposed. For this reason, employment and labour underutilization must be supplemented by the dimension an indication of whether employment is informal or formal in order to give a more complete picture of the characteristics of the jobs and to more accurately describe the situation of women and men on the labour market.

14. Statistics on the size and composition of the informal sector and on production (including labour inputs and outputs are necessary to create more exhaustive estimates for the purposes of national accounts such as estimation of value added, the construction of input-output tables, estimates on the contribution of informal sector activities to gross domestic product (GDP), and the productivity of the informal sector. Quantification of the informal sector and data on its characteristics are also needed to design, implement, monitor and analyse macroeconomic policies and assess their impact.

15. Informal employment and employment in the informal sector are key dimensions in the design and evaluation of government policies and programmes aimed at promoting employment and formalizing informal jobs. This includes a focus on small and micro-enterprises in the informal sector as a potential source of employment creation.

16. Providing information on informal employment and the informal sector is also essential to the design and evaluation of economic and social policies, the improvement of working conditions and poverty reduction. As recognized in the Resolution concerning decent work and the informal economy, workers in the informal economy are characterized by a high degree of vulnerability and poverty (ILO 2002, para. 1) and decent work deficits are most pronounced in the informal economy (ILO 2015, preamble). Information on the informal sector and informal employment enables governments to create policies that address these deficits and to evaluate the economic and social impact of macroeconomic changes such as economic cycles and long-term changes in the level and composition of employment.

17. Informal employment and employment in the informal sector are also particularly important to policy-oriented monitoring of gender issues. One of the important conclusions of the ILO publication, Women and Men in the Informal Economy: A Statistical Picture is that women are more often found in the most vulnerable forms of informal employment, for instance as domestic workers, home-based workers or contributing family workers (ILO 2018a, pp. 20–21). Informal employment is thus an important factor in understanding and addressing the unequal role of women in employment. It is also linked to policies that focus on the situation of young or older persons, both of which categories are overrepresented in informal employment (ILO 2018a, pp. 20–21).
Following the inclusion of an indicator on informal employment in the ILO Framework for Measuring Decent Work in 2008, the importance of measuring informality was further highlighted in 2015 through the inclusion of informal employment in the 2030 Agenda for Sustainable Development (Indicator 8.3.1 of the Sustainable Development Goals (SDGs)). This inclusion is proof of the continuing relevance of the concept and of the need for countries to regularly measure, monitor and address informal employment as part of the efforts to achieve Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all).
4. Underlying concepts

4.1. Reference concepts

19. *Statistics on informality are concerned with the informal nature of (a) the productive activities of economic units and (b) the productive activities of persons* (Para 7).

20. The general objective of establishing the informal nature of the productive activities of economic units and persons, calls for the use of different reference units to capture the aspect of informality. These reference units – i.e. economic units, persons, jobs and work activities – reflect the fact that informality can be viewed and measured from the perspectives of both economic units and persons to support economic statistics and labour statistics.

4.1.1. Economic units

21. Informal productive activities of economic units recognize the use of economic units as reference unit for the measurement. This would for example be relevant in relation to measure the informal production taking place in the informal sector or in the household own-use and community (HOC) sector. In order to ensure consistency with economic and other labour statistics, the definition of “productive activities” is aligned with that contained in the SNA (para. 5.5) and includes processes and activities which are carried out under the control and responsibility of an economic unit, and which use inputs of labour, capital goods and services to produce outputs of goods or services.

22. The concept of economic units is used not only as a possible reference unit for measurement, but also as a reference concept for, among other things, defining the concept of a job. Its definition is aligned with that contained in the SNA and distinguishes between:

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

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

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

4.1.2. Persons/jobs/work activities

23. The concept of productive activities carried out by persons recognizes informality in the context of activities defined as work and is therefore aligned with the definition of work contained in the ICLS resolution concerning statistics of work, employment and labour underutilization (19th ICLS resolution I) and includes both activities that lie within the SNA production boundary and activities that lie outside that boundary but within the SNA general production boundary. The term “work” can be further subdivided into five distinct forms:

   i. own-use production work

   ii. employment work
24. All productive activities defined as work can be linked to a specific job or work activity. The concept of a job or work activity is aligned with the definition contained in the Resolution concerning statistics on work relationships (20th ICLS resolution): “a set of tasks and duties performed, or meant to be performed, by one person for a single economic unit” (para. 8). The term “job” is used in the context of employment while the term “work activity” refers to forms of work other than employment.

25. The categories of status in employment and status at work are aligned with the definitions contained in the ICSE-18, the International Classification of Status at Work (ICSaW-18) provided in the 20th ICLS resolution concerning statistics on work relationships (ILO, 2018b).

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

4.2. Informal productive activities

27. For statistical purposes, the concept of “informal productive activities” is defined as all productive activities carried out by persons or economic units that are – in law or in practice – not covered by formal arrangements (Para 10).

28. The concept of “informal productive activities” is an underlying theoretical concept which calls for measurement of its various statistical components. It recognizes that informal productive activities, i.e. those not covered by formal arrangements, are carried out by both economic units and persons. When carried out by persons, they are to be considered informal work where the concept of work is aligned with 19th ICLS resolution I. When carried out by economic units, they are aligned with the definition of “productive activities” contained in the SNA (para. 5.5). Thus, informal production carried out by economic units includes informal work carried out by persons for the economic unit, as well as other activities, processes and inputs to production not covered by formal arrangements.

29. The underlying concept of informal productive activities builds on the 15th ICLS resolution concerning statistics of employment in the informal sector and on the 17th ICLS Guidelines concerning a statistical definition of informal employment which recognize that informality comprises both informal enterprises and workers in informal employment. This recognition is also acknowledged in the non-statistical concept of the informal economy as defined in the Recommendation 204 concerning the Transition from the Informal to the Formal Economy, which includes all economic activities carried out by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. (ILO 2015, para. 2 (a)). The unifying factor for these different but closely related concepts is the underlying concept of informal
productive activities carried out by economic units and workers, understood in terms of productive activities not covered in practice by formal arrangements.

30. The concept of informal productive activities is not intended to be measured in its totality. It is a broad concept that includes all productive activities carried out by persons (i.e. work), as well as all production taking place in all forms of economic units (including inputs of labour, capital, goods and services to produce outputs) where the activities are not defined as formal. It should be viewed as an encompassing conceptual foundation from which the various statistical components are derived, and thus as an indication of the statistical components of informal productive activities which should be statistically quantified and described. Some of these components should be measured regularly owing to their high policy interest; others might be measured with less frequency; and still others may be relevant only for special purposes and should therefore be measured as needed.

31. Productive activities performed by persons (i.e. work or, in SNA terms, “labour inputs”) can be viewed as a smaller underlying conceptual unit than jobs, work activities or economic units. This is an important underlying concept, but not necessarily a statistical or analytical unit as such. However, the term “productive activities” creates flexibility and the potential to recognize informal activities carried out by persons and economic units. It encompasses both informal productive activities carried out by workers in employment, regardless of whether they hold informal or formal jobs, and those carried out by persons in the context of forms of work other than employment. It also includes production carried out by informal economic units, households and non-formal non-profit organizations and the use of informal labour input in the context of formal production by formal economic units. Thus, the concept of informal productive activities creates a link between the concept of informality and the concepts of production, jobs, work activities, workers and economic units.

32. The inclusion of productive activities that are not intended for pay or profit does not, of itself, represent a change compared to the current standards and the definition of “informal employment” contained in the ICLS Guidelines concerning a statistical definition of informal employment, which includes all productive activities within the SNA production boundary (ILO 2003). Thus, the concept of informal employment as defined in these guidelines includes not only work for pay and profit, but also, at least conceptually, own-use production of goods, organization-based volunteer work, unpaid trainee work and direct volunteer work producing goods. These activities would continue to be included in the concept of informal productive activities. The main difference is that the definition of “informal productive activities” is expanded to include activities that lie outside the SNA production boundary but within the general production boundary, aligning it with the broad concept of work defined in 19th ICLS resolution I.

33. The definition of “informal productive activities” goes beyond the concepts of informal sector and informal employment and therefore expands the current scope of informality as defined in the 15th ICLS resolution concerning statistics of employment in the informal sector and in the 17th ICLS Guidelines concerning a statistical definition of informal employment. Since the concept “informal production carried out by workers” includes all activities defined as work that are not covered by formal arrangements, it also includes productive activities defined as forms of work other than employment (i.e. own-use production work, volunteer work, unpaid trainee work and other work
activities), thus recognizing the changes introduced by the adoption of 19th ICLS resolution I. In addition, the concept of informal productive activities includes not only activities that take place within informal jobs or work activities (which, by definition are informal activities), but also informal productive activities by persons in relation to formal jobs or work activities where some of the activities carried out by the worker can be considered formal and others informal.

34. From the perspective of production carried out by economic units, the concept of informal productive activities expands the boundary of informality and goes beyond the informal sector since it also includes the production of goods and services by households. It also recognizes the use of informal work as an input to both formal production carried out by formal economic units and informal production carried out by informal economic units or households.

4.2.1. Formal arrangements

35. The distinction between informal and formal productive activities in the above definition relies on the concept of formal arrangements. Formal arrangements are the key element in the definition, and can be understood in terms of procedures established to regulate the actions and functions of economic units and workers and protect their legal rights. Coverage under formal arrangements means that productive activities are recognized in practice by a country’s legal and administrative framework and therefore are associated with a degree of protection and obligation. Not being covered implies increased economic and personal risk on the part of the worker and the economic unit.

36. The concept includes productive activities within the SNA general production boundary that are – in law or in practice – not covered by formal arrangements as established by regulations and laws, such as:

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

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

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

(d) labour laws and regulations such as those relating to freedom of association, rights to collective bargaining, paid annual leave, paid sick leave, the minimum wage, hours of work and social security coverage; and

(e) procedures that regulate access to the institutional infrastructure such as banks, markets or governmental support mechanisms (Para 11).

37. Commercial laws, labour laws, and social protection and other protective measures that regulate the actions and functions of economic units and workers are all put in place with the aim of protecting and regulating the activities taking place within the economic unit and reducing the economic and personal risks carried by the worker. The formal recognition of an economic unit as a producer of goods or services and of the workers carrying out the productive activities is a
condition for being covered by these arrangements and regulations not only in law but also in practice. Commercial laws protect the producing economic unit by regulating the functions, rights, and actions of enterprises as well as the commercial transactions between them, protecting their intellectual property, enforcing and regulating contractual agreements and ensuring fair competition. Procedures to report economic activities, such as fiscal obligations, requiring the owner of an enterprise to keep and report accounts, pay taxes and ensure that employees are covered by social security. Labour laws regulate working time and the minimum wage; promote the health, safety and welfare of workers; and reduce the personal risk of becoming sick or injured due to the work, thus reducing the personal risk associated with the work.

38. The various forms of social protection and access to employment benefits, including paid annual leave and paid sick leave, reduce the economic risk to which the worker is exposed in the event of loss of work-related income owing to external factors such as illness, injury, unemployment and old age. In many cases, formal recognition of an enterprise is also a condition for market access in both the public and, more generally, the formal sector, as well as for access to bank financing and loans and for the opportunity to increase workers’ skills through formal training institutions. Economic units and worker who carry out productive activities that are not formally recognized may have little or no access to these institutional benefits and must therefore rely on self-support and other alternative arrangements.

39. Regulatory frameworks are put in place by governments to regulate and facilitate the actions and functions of economic units and workers. They cover production intended primarily for pay or profit but can also include production carried out for a different purpose. For example, regulatory frameworks for non-profit or charitable organizations might be developed in order to ensure the sustainability of volunteer organizations by ensuring that the State can support and facilitate their activities and basic protections for volunteer workers and unpaid trainees might exist to ensure the right to a healthy and safe work environment.

40. Coverage by formal arrangements in law and in practice does not merely imply having legal coverage by the formal arrangements but means that the arrangements should be effectively accessed in practice by the worker and the economic unit by fulfilling procedures that entail duties and obligations for all parties involved (Para 12).

41. The definition of “informal productive activities” highlights the fact that lack of coverage under formal arrangements can result from the lack of either legal coverage or due to a lack of an effective access to formal arrangements. Lack of legal coverage includes situations where a specific type of activity is unregulated or where workers or economic units with certain specific characteristics are exempt from legal coverage under a formal arrangement. A lack of coverage under formal arrangements, in practice – for example, owing to a failure to enforce labour standards – can be understood as a lack of an effective recognition of and access to those arrangements and compliance with any relevant obligations. If “coverage under formal arrangements” simply means coverage under the law without ensuring effective access, then the workers or economic unit carrying out the productive activities faces a similar exposure to economic and personal risks as if they were not covered by these arrangements under the law. This is particularly true in the absence of enforcement within a given country. Thus, the informal status of productive activities and of the
persons or economic units carrying them out can result from two slightly different situations: either a lack of legal coverage under formal arrangements, or a lack of coverage in practice despite legal coverage where the formal arrangements cannot be accessed. However, whether the informality stems from one situation or the other has no impact on the statistical definition or on the informal status of the productive activities.
5. The informal economy

42. The “informal economy” comprises all informal productive activities of persons or economic units, whether or not they are carried out for pay or profit (Para 13).

43. The concept of the informal economy has not previously been defined for statistical purposes. It is, however, defined for policy purposes in the International Labour Conference (ILC) resolution concerning decent work and the informal economy (ILO 2002) and in the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204). The resolution and the Recommendation define the informal economy as “all economic activities carried out by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements”. The concept of the informal economy as defined in Recommendation No. 204 can be viewed from three perspectives: the workers who carry out informal activities; the enterprises that carry out informal production; and total informal production, including transactions.

44. The introduction of the broad concept of work and the more restricted definition of “employment” in 19th ICLS resolution I does, to some extent, challenge the concept of the informal economy as defined in Recommendation No. 204 owing to its inclusion of all activities within the SNA general production boundary. The intention behind the concept of the informal economy in the Recommendation is to capture informal employment, economic units in the informal sector and total production of the informal sector, including transactions. With the narrower definition of employment, the identification of different forms of work, and the inclusion within the concept of work of activities that lie outside the SNA production boundary but within the SNA general production boundary, a concept of the informal economy restricted to employment would become a too narrow concept (because it would not include informal activities that lie outside employment but are still part of the economy of a country and the concept of work). Instead, the concept of informal economy needs to be expanded to include all informal productive activities within the SNA general production boundary and by that aligned to the boundaries set by the concept of work as defined in the 19th ICLS resolution I. This approach creates a broad umbrella concept that encompasses all informal productive activities, regardless of whether they are intended for own use or the use of others, or whether they are carried out for pay or profit. Like informal productive activities, this broad boundary of the informal economy creates a statistical concept that might not in itself be meaningful to measure. Instead, it serves as an umbrella concept that includes all of the relevant statistical components at the most aggregated level, while the concept of informal productive activities links these components. This enables a compilation of statistics that extends beyond the core concepts of the informal sector and informal employment which would, for example, be needed in order to provide input for the compilation of statistics on all informal productive activities within the SNA production boundary with a view to comprehensive measurement of the economy. It also facilitates the identification of essential groups of workers outside employment but within the informal economy as a complement to the core concepts of informality; the analysis of certain issues and groups, such as gender; and the examination of sectors that cut across multiple forms of work, such as agriculture and the care economy.
5.1. Treatment of illegal and illicit activities

45. *Illegal and illicit activities where the goods and services are forbidden by law are excluded from the informal economy and from other statistical concepts defined in these standards. Activities where the goods and services produced are usually legal but become illegal when carried out by unauthorized producers are to be included together with other informal productive activities in the informal economy* (Para 14).

46. Based on the definition of "informal productive activities", most illegal productive activities would be part of the informal economy. From a policy perspective, however, addressing informal activities versus illegal activities calls for different policy measures and objectives. While policies designed to address illegal activities typically focus on reduction or elimination, policies addressing informal productive activities are designed to promote formalization and support informal workers and economic units. Excluding the production of goods or services whose sale or distribution is prohibited by law – such as human trafficking or trafficking in illegal drugs – from the informal economy and its various components, including informal employment and the informal sector, while allowing the inclusion of production that is usually legal but becomes illegal when carried out by unauthorized producers – such as operating a restaurant without a permit or selling counterfeit goods – would serve these diverging policy needs.

47. This treatment of illegal and illicit production is in line with Recommendation No. 204, which clarifies in its definition of the term that the informal economy “does not cover illicit activities, in particular the provision of services or the production, sale, possession or use of goods forbidden by law, including the illicit production and trafficking in firearms, trafficking in persons, and money laundering, as defined in the relevant international treaties” (ILO 2015, para. 2(b)).

48. From the point of view of the SNA, this implies that type (a) illegal production (“the production of goods or services whose sale, distribution or possession is forbidden by law”) is excluded from the framework of the informal economy while type (b) illegal production (“production activities that are usually legal but become illegal when carried out by unauthorized producers”) are included (SNA, para. 6.43).

49. The exclusion of type (a) illegal production does not imply that this type of production should not be estimated by countries. Engagement in these types of activities is included in the concept of work and the production forms part of a country's gross domestic product (GDP). It is therefore important to estimate type (a) illegal production in what can be termed the “illegal economy” as a complement to the informal economy. In practice, the estimation of this production would typically require a different statistical conceptual framework and methodology and the use of different data sources. Thus, the exclusion of the type a) illegal activities and the inclusion of type b) illegal activities, responds to both policy and statistical needs by recognizing that the illegal economy and the informal economy are different concepts to be measured using different methods for different purposes. These two concepts can be viewed as different components of a country's total economy, which meet different needs and user demands. They overlap to some extent but have different objectives and conceptual bases.
5.2. **The informal market economy**

50. *For statistical purposes, the concept of the “informal market economy” is defined as all production in the informal sector and all productive activities of workers in employment that are – in law or in practice – not covered by formal arrangements* (Para 18).

51. The underlying concept of informal productive activities needs to be further categorized in order to become statistically and analytically relevant. Or when viewed from the perspective of the informal economy, the informal economy needs to be further de-composed to become relevant. This decomposition of the informal economy or categorization of informal productive activities can be performed as a series of steps, moving towards increasingly concrete and measurable concepts. The concept of the informal market economy can be viewed as one step in this process.

52. The informal market economy includes informal productive activities in relation to both informal and formal jobs (where partly informal productive activities are carried out), thus capturing all employed persons in the informal economy. It also includes informal production carried out by enterprises in the informal sector. From a statistical point of view, the concept includes the statistical core components of informal employment with the informal sector complemented by partly informal activities carried out in the context of formal employment. In other words, the statistical concept of the informal market economy reflects, to a large extent, the intention behind the definition of the informal economy contained in Recommendation No. 204.

53. This more restricted definition of the “informal market economy” is highly relevant to policymakers as an overarching concept that includes informal productive activities taking place both in the context of employment and among enterprises that produce for the market; this is consistent with the policy objective of formalizing the informal economy. At the same time, the concept of the informal market economy does not include all informal productive activities within the informal economy of a country, such as own-use production work, volunteer work and unpaid trainee work.

54. The use of the concepts of informal productive activities, the informal economy and the informal market economy allows for a broad conceptual recognition that informal productive activities can take place outside the informal and formal sectors and outside employment (i.e. within the informal economy but outside the informal market economy) while maintaining a clear statistical and policy focus on informal activities carried out for pay or profit, i.e. the informal market economy, which are to be addressed as a high policy priority when introducing measures that contribute to formalization.

55. Excluding from the informal market economy work activities that are not carried out for pay or profit implies the exclusion of some informal productive activities that nevertheless have high policy relevance in assessing and addressing informality within a country and require the provision of more regular data. Groups of workers such as subsistence foodstuff producers and unpaid trainees lie within the informal economy but outside the informal market economy. In countries where these categories of informal productive activities are significant, it is essential to complement concepts relating to the informal market economy with these essential categories of informal productive activities in order to create a more coherent picture of the structure of informality within the country and to meet policy needs. The underlying concept of informal productive activities and the concepts
of the informal economy and the informal market economy can be used to organize the various statistical components. From the perspective of workers, informal employment complemented by formal employment with partly informal activities constitutes the informal productive activities carried out by workers for pay or profit (i.e. employed persons) within the informal market economy. Persons carrying out informal productive activities not for pay or profit lie outside the informal market economy but within the informal economy. Among these informal productive activities, essential categories are identified in order to complement the estimation of informal employment and partly informal activities within formal employment.

56. From the perspective of economic units, the informal market economy consists of production by economic units within the informal sector. However, the inclusion of informal productive activities within employment also creates a link to economic units in the formal sector and to households that engage informal employees or use partly informal productive activities in the context of formal jobs as inputs to production.

5.3. The informal economy and related concepts.

57. The concept of “informal economy” is surrounded by several slightly overlapping and, to some extent, related but conceptually different statistical concepts with different objectives, including, among other things, the non-observed economy, illegal production, underground production and the black economy. These concepts and the relationships between them are described in Measuring the Non-observed Economy: A Handbook (OECD et al., 2002).

58. The non-observed economy is an SNA term used to describe activities that, for various reasons, are not captured in regular statistical enquiries. It is therefore a pragmatic term that describes all activities not regularly measured and included in the SNA. The types of activities which fall within the non-observed economy vary between countries depending on the capacity and coverage of the production of official statistics. According to the OECD handbook, the activities most likely to be part of the non-observed economy are those carried out underground, illegally, in the informal sector or by households producing for own final use. Whether these activities are included depends on the statistics produced in the country. For example, if a country measures the production in the informal sector on a regular basis then, from an SNA perspective, that country's informal sector is not part of the non-observed economy. Thus, the relationship between the non-observed economy and the informal economy depends on the components of the informal economy that a country consistently measures. In addition, the non-observed economy typically includes underground production, undeclared production and illegal production, which, as discussed below, are only partly captured by the concept of the informal economy.

59. Underground production includes productive activities that are legal but are deliberately concealed from public authorities in order to avoid payment of taxes, social security contributions or compliance with legal standards or administrative procedures. The concept of the informal economy and, in particular, the informal market economy includes to some extent the concept of underground production. A small business that has not been registered in order to avoid paying taxes, or a worker hired off the record to avoid complying with labour laws, is included in the
statistical concept of the informal market economy. However, the statistical concepts of the informal market economy and its various components are fundamentally different in essence and in scope and go beyond underground production. For example, a specific type of production might take place in the informal sector for several reasons: production may be at such a small scale that registration is not required; the producer may be unable to comply with existing regulations because they would impose an unsustainable economic burden; tradition and culture may discourage compliance; or the country's regulatory system may be limited, irrelevant or bureaucratic and expensive. While underground production is typically a way to increase profit, informality is often the only means of sustaining a livelihood.

60. **Undeclared production** includes all production of goods and services that is deliberately concealed from the public authorities to avoid payment of taxes and social security contributions or compliance with other regulations. The term includes underground production, as well as illicit and illegal production. Like underground production, undeclared non-illicit production overlaps to some extent with the informal economy and, in particular, the informal market economy. Where an employee's work for an enterprise is not declared for tax purposes and no social insurance is paid by the employer, the person is considered an informal employee and the work is considered undeclared. Expansion of the informal market economy to include partly informal productive activities carried out in the context of formal jobs increases the overlap between undeclared production and informality because these undeclared and partly informal productive activities are also considered part of the informal market economy. However, the concept of undeclared production is different from that of informality; for example, it also includes tax evasion, which affects the value added of market transactions by understating the value of the transaction as such or overstating associated production costs, and other formal production using formal labour input that are partly undeclared. On the other hand, the informal market economy includes informal productive activities not included in the concept of undeclared activities, for example, where the economic unit's production is on such a low scale that registration and declaration of the activities are not required. In such cases, the economic unit does not deliberately conceal its informal production but is simply not required to declare it. Undeclared work also includes illegal production and illicit activities that are only partly included in the informal economy, as discussed below.

61. **Illegal production and illicit activities** are defined as productive activities that generate goods and services which are prohibited by law or are illegal when carried out by unauthorized producers. As noted above, the SNA distinguishes between two types of illegal production (SNA, para. 6.43):

   (a) the production of goods or services whose sale, distribution or possession is forbidden by law; and
   (b) production that is usually legal but becomes illegal when carried out by unauthorized producers.

62. While type (a) illegal production is excluded from the informal economy, type (b) falls within the boundaries of the informal economy. This reflects the diverging policy objectives with regard to informal productive activities and illegal production. To compile both these two types of activities
without separation would make it difficult to describe the structure of informality required for the identification and implementation of policies designed to encourage formalization.

63. This boundary between illicit or illegal production and informal production within the informal economy is a clarification of the current statistical standards, which do not explicitly address the issue of illicit activities. At the same time, it is reasonable to assume that in practice, relatively few illicit productive activities will be identified by surveys designed to measure the informal sector and informal employment. The statement that type (a) activities should be excluded is therefore likely to have a limited impact on countries’ current estimates and can rather be viewed as a conceptual clarification. The estimation of type (a) illegal production in what can be termed the illegal economy is, however, important as a complement to informal production within the informal economy; for example, it facilitates the development of a more comprehensive GDP and identifies flows and links between the illegal, the informal and the formal economy.
6. Statistical definitions of the three sectors

64. Two aspects of an economic unit need to be established to identify the informal sector, the formal sector and the household own-use and community sector:
   (a) the intended destination of the production; and
   (b) the formal status of the economic unit (Para 22).

65. The intended destination reflects whether the production is mainly intended for the market with the purpose of generating a profit and income (Para 23).

66. Types of production that are not intended for the market with the purpose of generating a profit and income include:
   (a) production that is mainly for own final use; and
   (b) production mainly intended for the market but without an intention to generate income; and
   (c) non-market production that is mainly for final use by other households (Para 24).

67. The formal status of the economic unit reflects whether the unit is formally recognized by government authorities as a distinct producer of goods or services and is thus covered by formal arrangements (Para 25).

68. Depending on the formal status of the economic unit and the intended destination of the production, economic units can be allocated mutually exclusively to one of the following sectors:
   (a) The formal sector, comprising economic units that are formally recognized as distinct producers of goods and services for the consumption of others and whose production is mainly intended for the market with the purpose of generating an income or profit, for a non-profit purpose, or non-market production for use by other economic units (corporations, quasi-corporations, government units, formal non-profit institutions serving households and formal household unincorporated market enterprises).
   (b) The informal sector, comprising economic units whose production is mainly intended for the market with the purpose of generating income and profit, but that are not formally recognized as producers of goods and services distinct from the own-use production of the owner-operators’ household (informal household unincorporated market enterprises).
   (c) Household own-use and community sector, comprising economic units that are not formally recognized as producers of goods and services for the consumption of others, whose production is either mainly for the household’s own final use, or for the use of other households, without the purpose of generating income and profit for the producing household or households or the members of the non-formal non-profit organization (households and non-formal non-profit organizations) (Para 26).

69. In identifying the three different sectors, the first dimension is the intended destination of the production. A characteristics of informal household market enterprises in the informal sector is that the production is mainly intended for the market with the purpose of generating income and profit for the owner-operators of the economic unit. Production carried out for own final use, non-market production carried out mainly for final use by other households and production mainly intended for
the market, but without the intention to generate income for the owner-operators of the economic unit, are therefore linked to economic units in either the formal or the household own-use community sector.

70. The threshold of being “mainly” intended for the market is a change as compared with the threshold used in the 15th ICLS resolution, concerning statistics of employment in the informal sector (ILO, 1993), which establishes a threshold of some market production and excludes only economic units that produce exclusively for own final use from the informal sector. This change is an alignment with the threshold established in the SNA, which defines “market producers” as “establishments, all or most of whose output is market production” (SNA, para. 6.133), while “[p]roducers for own final use produce goods and services mostly for final consumption” (SNA, para. 2.40). The threshold of “mainly intended for the market” is also established in 19th ICLS resolution I as the difference between unincorporated household market enterprises (the term used in the resolution) and households that produce goods or services mainly for own final use (ILO 2013, para. 6 (c)).

71. This change of threshold reduces the scope of the informal sector. Its impact depends on the share of own-use producers of goods with some market production within a given country. At the same time, it creates a more homogeneous informal sector with regard to underlying intention: it includes production with the primary objective of generating income and employment and excludes production that is mainly intended for own final use but where, for example, a small surplus is sold. The latter form of production is likely to share characteristics with production exclusively for own final use; this is one of the reasons that they are categorized together in the SNA, as well as in 19th ICLS resolution I.

72. The second dimension of the identification of the three sectors is the formal status of the economic unit, i.e. whether it is formally recognized by the country's legal and administrative framework as a producing unit distinct from the household and therefore covered by formal arrangements that give access to benefits and carry obligations for production. Economic units in the informal sector are characterized by the fact that they do not have a formal status as market producers and therefore are not covered by such formal arrangements while those that are formally recognized as distinct producers of goods and services constitute the formal sector.

73. Formal recognition as a producing economic unit is a precondition for de facto coverage and effective access to the formal arrangements established to protect and regulate the activities of economic units as a producer. A lack of formal recognition as a separate producer implies that productive activities are not formally recognized by what can broadly be described as the country's legal and administrative framework and are therefore not covered by the formal arrangements that regulate and support those activities. This creates a strong link between the definition of the informal sector and the underlying concept of informal productive activities. By identifying the informal sector and its production, informal production intended for the market as a means of

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1 For an assessment of this impact, see ILO. 2019. Issues to be addressed in the revision of the standards for statistics on informality. Discussion paper for the Working Group for the Revision of the standards of statistics on informality, chapter 5.2.
generating income and profit can be measured. The formal status of a producing economic unit implies that its production is considered formal and covered by formal arrangements and due to that any delineation of “informal” and formal output of that production would, in practice, be challenging. Instead, this aspect is included in the concept of undeclared production. Although production by formal economic units is formal in nature, these units can use informal work as an input to their formal production (see Table 2 below). This informal work falls into the category of informal productive activities, ensuring that the concept of the informal economy includes all informal productive activities by persons or economic units.

74. One challenge in determining whether an economic unit is covered by formal arrangements is the need to identify criteria reflecting the requirement that it be formally recognized in practice as well as in law. This challenge creates a degree of imbalance between the assessment of informality for enterprises and for workers, in particular employees, since such an assessment in the case of employees is based to a greater degree on the “in practice” dimension. This issue is not easily resolved, but the operational criteria used in evaluating formal recognition of an economic unit as a distinct market producer can at least be defined so as to reflect, to the extent possible, the situation in practice. This aspect is discussed below in the context of operational definitions.

75. Based on the two dimensions, the three sectors can be derived conceptually as mutually exclusive categories as can be seen in table 1.

▶ Table 1. Conceptual derivation of the three sectors

<table>
<thead>
<tr>
<th>Formally recognized status</th>
<th>Production mainly intended for the market with the purpose of receiving a profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>No</td>
</tr>
<tr>
<td>Yes</td>
<td>Formal sector</td>
</tr>
<tr>
<td></td>
<td>Formal sector</td>
</tr>
<tr>
<td>No</td>
<td>Informal sector</td>
</tr>
<tr>
<td></td>
<td>Household own-use and community (HOC) sector</td>
</tr>
</tbody>
</table>

76. The conceptual definition of the informal sector as comprising economic units which produce goods or services for the market with the purpose of generating profit and income, but without formal recognition as market producers, creates a strong link between the statistical concept of the informal sector and the concept of informal productive activities, thereby clarifying the statistical meaning of the term “informal” when measuring the informal sector. This is a shift away from the current conceptual definition of the informal sector, which is partly based on characteristics of economic units such as small size and low levels of organization. While these characteristics are typically those of enterprises in the informal sector, they can also be shared with formal enterprises such as formal household unincorporated market enterprises. Linking the conceptual definition of the informal sector more clearly to non-recognition of market production clarifies the conceptual distinction between the formal and informal sectors and between formal enterprises and informal household unincorporated market enterprises.
77. These three sectors or types of economic unit are also linked to the work carried out by persons. Workers can carry out different forms of work that can be respectively informal or formal for economic units in the informal sector and formal sectors, respectively, as well as for households and non-formal non-profit organizations (see Table 2). It is important to capture this aspect statistically from the perspectives of both formalization and production and productivity measurement in any of the three sectors. Assessing the extent of formalization typically calls for different measurement depending, for example, on whether informal employment is addressed in the informal sector, the formal sector or the household own-use community sector. In order to measure production and productivity within any of these sectors, it is essential to go beyond mere employment by identifying the contribution of, among others, unpaid trainees and volunteers in the sector in question.

Table 2. Informal productive activities by economic units in the informal economy

<table>
<thead>
<tr>
<th>Economic units</th>
<th>Informal production</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Formal sector</td>
</tr>
<tr>
<td>Informal productive activities by economic units</td>
<td>Production in the formal sector is formal</td>
</tr>
<tr>
<td>Form of informal work as input to production</td>
<td>For pay or profit</td>
</tr>
<tr>
<td></td>
<td>Partly informal productive activities of persons in formal employment *</td>
</tr>
<tr>
<td></td>
<td>Not for pay or profit</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Relation to SNA production boundary</td>
<td>Goods and services</td>
</tr>
</tbody>
</table>

* Components of the informal market economy.

6.1. Operational definitions

78. The operationalization of the definitions for the three sectors is structured around the two dimensions of intended destination of the production and on whether the economic unit is formally recognized as a distinct producer of goods or services. This ensures the identification of three mutually exclusive sectors, using the same set of operational criteria to identify the three types of economic units that are relevant to compilation of the sectors: informal household unincorporated market enterprises; formal economic units; and households producing for own final use or for the use of other households and non-formal non-profit organizations.
6.1.1. The formal sector

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

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

(i) being owned or controlled by the government; or

(ii) being recognized as separate legal entities from their owners; or

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

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

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

(b) the intended destination of the production being:

(vi) mainly for the market with the purpose of generating an income and profit or with a non-profit purpose, or non-market production for use by other economic units (Para 28).

80. The formal sector comprises economic units that are formally recognized as distinct producers of goods and services, irrespective of whether the production is mainly intended for the market with the purpose of generating an income or profit, production for a non-profit purpose and non-market production for use by other economic units. This includes government units, corporations (incorporated enterprises), enterprises with a complete set of accounts for tax purposes, formally registered household unincorporated market enterprises and formally registered non-profit organizations. These economic units are characterized by being formally recognized as distinct producers of goods or services as separate from their owners and their households and this separation can be more or less explicit depending on the characteristics of the unit. While a corporation has a separate legal identity from its owner, a formal household market enterprise is formally recognized as a distinct enterprise, but without a clear separation of the economy and liabilities between the enterprise and the household of the owner-operator.

6.1.1.1. Operational definitions of criteria (i)–(iv) for the formal sector

81. Criteria (i)–(v) above are included in the statistical definitions of both the formal and the informal sectors. In operationalizing these criteria, countries should take the following recommendations into account:

82. Economic units that are owned or controlled by the government: Economic units that are owned or controlled by the general government include units that are part of the central, state or local government and economic units owned and operated by the State with the purpose of producing goods and services for the population, such as state healthcare, public schools, defence, public order and safety, or producing market goods and services (public corporations). This excludes situations where the general government might control access to the market or similar but does not own and control the economic units carrying out the production (Para 30).
83. Clearly, economic units owned and controlled by the General Government are formally recognized units which have legal identities separate from the persons controlling them and are covered by formal arrangements. They are therefore formal economic units in the formal sector. It is not sufficient that the Government controls access to the market, for example by providing licenses to trade or granting access to a marketplace. These kinds of measures have no direct impact on the formal status of the production (unless other criteria, such as registration or keeping a complete set of accounts, are established) and do not imply any kind of government ownership of the economic units carrying out the production.

84. Economic units that are recognized as separate legal entities from their owners: Economic units that are incorporated (such as a limited liability corporation or limited partnership) and therefore recognized as legal entities separate from their owner are formally recognized producers of goods and services. The incorporated status of the economic unit implies a separation of assets and income between the owner and the enterprise and a limited legal liability for the owner in relation to, for example, any debts or other obligations held by the enterprise (Para 31).

85. The terms used and the benefits and obligations that follow from the status as an incorporated enterprise depend on the specific legal forms and requirements in the country. However, it implies a separation of assets and income between the owner and the enterprise and limited legal liability for any debts or other obligations held by the enterprise. It also carries the obligation of registration and, typically, of maintaining and providing complete accounting records for tax purposes.

86. Economic units that keep a complete set of accounts for tax purposes: Enterprises that keep a complete set of accounts (including balance sheets, assets, liabilities, flows of income and capital between the enterprise and the owner) for the purpose of aligning to tax regulations or other relevant regulations are defined as formally recognized enterprises and thus included in the formal sector (Para 32).

87. Enterprises keep different forms of accounts, which may range from an informal overview of their costs and incomes to a complete set of accounts that enables identification of their financial flows and assets. In addition, the type of accounts that an enterprise is obliged to keep often varies, depending on factors such as its legal status, the size of its turnover and whether it wishes to derive value-added tax (VAT). For an enterprise to qualify as formal based on this criterion, it must keep a complete set of accounts that include balance sheets, assets, liabilities and flows of income and capital between the enterprise and the owner, permitting an in-practice distinction between the economy of the enterprise and that of its owner and the owner's household. This criterion also applies to the identification of quasi-corporations, which, according to the SNA, are unincorporated enterprises that function as if they were corporations and keep a complete set of accounts which permit a clear separation between the economy of the quasi-corporation and that of its owner(s). Quasi-corporations are treated as corporations (i.e. incorporated enterprises) by the SNA because of their similarities with corporations.

88. Enterprises which keep a limited, but not a complete, set of accounts do not meet this criterion even where they comply with the country's legal requirements. However, it should be borne in mind that the definition of the “formal sector” also includes the criterion of registration. A registered enterprise with a limited set of accounts would be considered a formal economic unit based on its registration.
In countries which permit registered enterprises to submit limited accounts for tax purposes, the existence of such accounts can serve as an indication that the enterprise is registered. In practice, a complete set of accounts is typically used to identify enterprises which are not registered (or where information regarding registration is missing) but which can nevertheless be considered formal. From this perspective, it seems relevant to set a high threshold for the type of accounts that need to be kept in order for an enterprise to be considered formal.

89. A complete set of accounts is typically kept complying with national laws regarding the reporting of revenues, taxes and so on. This creates a strong correlation between a complete set of accounts and registration. At the same time, a household enterprise with a complete set of accounts may or may not be recognized and covered by the country's formal arrangements. The act of keeping a complete set of accounts for tax purposes is associated with compliance with regulations. It shows that the enterprise is embedded in the country's administrative and legal framework and is thus included in the formal sector. In practice, quasi-corporations must be registered to lodge their accounts with the Government and be considered as corporations. Thus, the key issue is not whether the accounts exist, but whether they are submitted to the relevant authorities. Keeping accounts for tax purposes creates a stronger link to the criterion of registration and to informal or formal status. It also reflects the in-practice situation and can be viewed as an indication that the enterprise's owner is effectively complying with fiscal regulations. Furthermore, strengthening this criterion involves further recommendations on how it should be operationalized in surveys, emphasizing that in order to be included in the informal sector, it is not sufficient merely to "have some accounts".

90. From a strictly conceptual point of view, adding that the accounts should be kept to comply with tax regulations implies that not all quasi-corporations, as defined by the SNA, are necessarily excluded from the informal sector. An unincorporated and unregistered enterprise that keep a complete set of accounts with no other objective than allowing the owner to keep track of its economic performance would be an example of a quasi-corporation as defined by the SNA that would not be included in the formal sector but categorized in the informal sector. These cases are likely to be rare and the deviation between the criterion and the SNA definition would, in all likelihood, be marginal. Moreover, the country's national accounts would not, in practice, treat them as quasi-corporations owing to the absence of information about them in data sources such as tax records.

91. **Economic units that are registered in a governmentally established system of registration used for granting access to benefits and that carries obligations:** Registration implies formal recognition of the economic unit as an entity producing for the market distinct from the own-use production of the owner-operators' household, irrespective of whether this separation is a de facto legal separation or a financial separation. Registration should refer to a register or registers in the given country used for granting access to benefits such as tax deductions, obtaining a separate legal identity for enterprises, granting access to statutory social insurance (if it implies a formal status of the economic unit) and carrying obligations such as paying business tax and keeping accounts. The register or registers would typically be at a national level, but could also be at a local level if the register is governmentally established and controlled, but locally administrated (Para 33).

92. **Depending on the national context, the existence of simplified accounts for tax purposes can be an indication of registration, if keeping these accounts implies a registration of the economic unit and thereby**
a formal recognition of the economic unit. In countries where registering an enterprise might not necessarily carry any obligations or benefits, there might be a need to combine different registers such as, for example, the business register and the tax register, to ensure that a certain degree of formal arrangements comes with the formal status of the economic unit (Para 34).

93. In case countries have special regulations and registers targeting a specific type of production, such as agricultural activities, registration may also refer to these specialized national registers. However, registers used for purposes other than production or the operation of a business, such as those related to land tenure, are not assumed to imply the existence of a formal enterprise (Para 35).

94. The registration criterion overlaps with other criteria. Government units and incorporated enterprises are registered economic units and enterprises that keep a complete set of accounts for tax purposes are likely to be registered. However, the criterion also categorizes as formal enterprises unincorporated registered enterprises that do not have a complete set of accounts for tax purposes. For these enterprises, registration can be viewed as formal recognition that market production is carried out in a separate unit, even though the enterprise’s financial flows, assets and so on cannot be clearly separated from the owner’s economy and household and the owner carries a liability. Registration may still provide the enterprise with benefits such as legal protection of its name and intellectual property and easier access to capital. It may also carry obligations such as the requirement to keep a limited set of accounts or, if its turnover or income passes a given threshold, a complete set of accounts for tax purposes or if the owner wishes to deduct VAT. At the same time, effective access to benefits and the legal requirement might be limited for some registered enterprises. Moreover, some registered enterprises might not effectively meet their obligations.

95. To some extent, this situation creates an imbalance in the sense that the criterion of registration is used to reflect the in-practice situation of formal enterprises. This issue is not easily resolved. However, its impact can be limited by requiring the registration criterion of registration to be based on registrations used in the country for granting access to different benefits such as establishment of legal identity, protection of the company name and deduction of VAT, and impose obligations, such as the payment of taxes. Such a criterion can be applied regardless of the extent to which these benefits, rights and obligations are effectively earned or assumed by all registered enterprises.

96. In countries where, for example, the registration of an enterprise is separate from registration for tax purposes and one form of registration (for example having a registered enterprise) does not necessarily give rise to any obligation or entitlement to benefits and do not require the other form of registration, (for example being registered in relation to tax), it may be necessary to require multiple forms of registration as a basis for defining the enterprise as formal. This would ensure that some formal arrangements accompany the formal status of the economic unit and that registered enterprises with informal characteristics (such as those that keep no accounts for tax purposes, pay no taxes and do not register their employees for social insurance) are not defined as having a formal status.

97. It follows from the foregoing that the type(s) of registration that a country uses for operationalization purposes should typically be established by its national authorities. A guiding principle would be that registration should be attached to benefits and obligations and that not
being registered in the given register or registers imply that an enterprise lacks legal identity and a complete set of accounts for tax purposes etc. and thereby lack a formal status. Regulation or registration by the local authorities, such as issuance of a permit to operate a business or of a trade license, would not be sufficient as regulations may vary over time and between different parts of a country and may not establish an enterprise’s legal identity or require its registration for tax purposes or access to benefits. However, there may be countries in which a “national” register is administered and, to some extent, controlled at the local level. These situations could still meet the criterion of registration if local registrations are controlled at the national/governmental level and if this type of registration can be viewed as a substitute for registration at the national level. In such cases, it would be essential that inclusion in these locally-administrated registers carried obligations, such the payment of taxes and keeping of accounts, and benefits, such as the possibility of being granted legal identity.

98. Countries can also use more indirect operational criteria to determine whether an economic unit is registered. The criterion of keeping a complete set of accounts for tax purposes would overlap significantly with the criterion of registration since enterprises that kept such accounts would also be registered. In addition, some countries allow registered enterprises to keep more simplified accounts for tax purposes, for example if their turnover falls below a certain threshold. In countries with a direct link between registration and the keeping of specific simplified accounts for tax purposes, the fact of keeping those accounts would be an indication that the enterprise was registered, and therefore formal. In such cases, countries can use these supplementary indirect criteria as part of their procedure for the identification of informal and formal enterprises.

99. Removal of the option to exclude agriculture from the informal sector (see chapter 4.1.2 below) might require recognition that for some specific types of production, countries might need to expand the criterion of registration to include specialized registers of, for example, agricultural production. This could also apply to registration in relation to specific professional groups. However, it is important to ensure that registers used for purposes other than production or operation of a business, such as those related to land tenure, are not assumed to imply the existence of a formal enterprise.

100. Economic units that employ one or more persons to work as an employee with a formal job: Economic units that employ one or more persons under conditions that meet the requirements of a formal job held by an employee, ..., are considered to be formally recognized economic units and thus form part of the formal sector, unless the economic unit is a household in the household own-use and community sector. Economic units that employ one or more persons to work under conditions that meet the requirements of an informal job, ..., may be defined as formal economic units, informal household unincorporated market enterprises or households, depending on the formal status of the economic unit and the intended destination of the production (Para 36).

101. Defining an enterprise as formal if at least one of its employees holds a formal job (but without defining it as informal if one employee holds an informal job), allows for the existence of informal jobs in the formal sector but precludes the existence of formal jobs in the informal sector. This means that if an employee’s job is defined as formal, then the enterprise in which he or she works is, by definition, formal. However, if the employee’s job is defined as informal, then the formality or informality of the enterprise is based on the criteria used to define the formal and informal sectors.
102. The existence of formal employees in the informal sector is a conceptual and analytical challenge in the 17th ICLS Guidelines concerning a statistical definition of informal employment and difficult to attach to a real situation. For example, it is hard to imagine a situation where an employer contributes to social security on behalf of its employees in the absence of legal recognition of the enterprise. In addition, the existence of statistical datasets with significant numbers in this specific category is likely to be a consequence of difficulties in establishing the formal status of the enterprise when collecting information through its employees, or of the use of incompatible criteria for defining the informal sector and informal jobs held by employees. The pragmatic approach to define enterprises as formal if they employ at least one employee with a formal job removes this category and limits the difficulty of categorizing an enterprise where the information is collected directly from its employees. It is assumed that the fact that an employer in practice pays the relevant taxes and social security benefits and complying with labour laws and regulations would, in practice, imply that the enterprise is formal. For example, an important criterion for defining formal employment for employees, the employer's contributions to social insurance, typically requires registration not only of the employee, but also of the enterprise.

103. When operationalizing the criteria for defining the formal status of an economic unit, the criterion is mainly intended to be applied in determining the formal or informal sector of employees with informal or formal jobs, for example in household surveys. Employees who have been identified as holding formal jobs are, by default, working for a formal economic unit and therefore categorized in the formal sector. For employees with informal jobs, as well as for owner-operators of enterprises (independent workers), other criteria – such as registration and the keeping of a complete set of accounts – must be applied to assess the formality of the economic unit.

6.1.1.2. Additional clarifications with regard to economic units in the formal sector

104. Formal economic units can carry out economic activities in any type of industry. The production by formal economic units is, by default, considered formal production, but could include informal productive activities carried out by persons when informal work is used as input to that production. This includes formal economic units engaging informal employees, formal employees carrying out partly informal productive activities and persons carrying out informal work other than employment (Para 37).

105. The only type of production that, by definition, is excluded from the formal sector is production by households for own final use. All other types of production, i.e. market production for profit or non-profit and non-market production for the use of others, can be included in the formal sector if produced by economic units formally recognized as producers. Thus, the formal sector consists of multiple sectors as defined by the SNA.

106. The formal status of the economic unit as a producing economic unit implies that its production is considered formal because it is covered by formal arrangements. However, some of this production might be undeclared and some could also in a sense be considered "informal" where some parts of the production are covered by formal arrangements while others are not. Since any delineation between formal and informal production by a formal enterprise would be extremely challenging in practice, this type of situation should be included in the concept of undeclared, rather than informal, production. Although production by formal economic units is considered formal,
these units can still use informal work as an input to their formal production. This informal labour input forms part of the informal economy and ensures that informal employment, partly informal productive activities of persons in formal employment, and informal productive activities in the context of forms of work other than employment are statistically identified, including where used as inputs to the production of a formal economic unit.

107. Persons carrying out work in the formal sector include employed persons in the formal sector, unpaid trainees and volunteers carrying out work for a formal economic unit (Para 38).

108. Persons employed in the formal sector include independent workers who own and operate a formal enterprise, dependent contractors who own and operate a formal enterprise or are registered for tax, employees and contributing family workers with informal or formal jobs carrying out work for a formal economic unit (Para 39).

109. Formal economic units can use different labour inputs to their production, including persons in employment, unpaid trainees and volunteers who carry out work for the formal economic unit.

110. Employed persons in the formal sector include all persons defined as being in employment who carry out work for a formal economic unit. For independent workers, this includes persons who own and operate a formal enterprise and for employees and contributing family workers, it includes those who are engaged by a formal economic unit for which they carry out work.

111. Dependent contractors in the formal sector include those which have a formal enterprise or are registered for tax purposes by their own action or by the economic unit on which they depend. This approach reflects the unique situation of dependent contractors and the fact that some of them own what can be considered an unincorporated enterprise while others perceive themselves as employees who merely provide their labour to the entity on which they depend. By underlying the possibility that not only the enterprise, but also the dependent contractor and their activities can be registered in relation to tax on profits and hence formal, the different situations of dependent contractors are taken into account when categorizing the informal and formal sector.

112. Registration of the activities in relation to tax on profits or enterprise can be viewed as a precondition for formality. It is the starting point for coverage under any type of formal arrangement, however limited in practice. Registration of the dependent contractor for tax purposes can therefore be viewed as a complement to the issue of whether the worker has a formally recognized enterprise and reflects the fact that dependent contractors have formal status under the country's legal and administrative system. The type of registration used in operationalizing the criterion of registration for tax purposes is further defined in the context of the definition of formal and informal jobs for dependent contractors but typically refers to registration for tax purposes that implies registration not of an enterprise, but of a worker and the worker's activities in relation to the profits made by the dependent contractor.

113. The “dual” criteria i.e. – i.e. owns and operates a formal enterprise or being registered for tax for profits made, for categorizing the sector should be applied to all dependent contractors. In other words, they are to be considered a single unique group, regardless of whether they merely provide
their labour as an input or have invested in financial and material inputs and regardless of whether they perceive themselves as self-employed or employees.

6.1.2. The informal sector

114. For statistical purposes, the informal sector is defined as comprising economic units that are producers of goods and services mainly intended for the market to generate income and profit and that are not formally recognized by government authorities as distinct market producers and thus not covered by formal arrangements. These informal household unincorporated market enterprises are characterized by:

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

(b) the intended destination of the production being:
   (i) mainly for the market with the purpose of generating an income and profit for the owner or owners of the enterprise (Para 40).

115. Criteria (i)–(v) ensure that informal market household enterprises do not have formal status as market producers distinct from the household of the owner-operator and therefore lack coverage under formal arrangements. An informal household market enterprise is an unincorporated enterprise that does not have a complete set of accounts for tax purposes, is not registered in a nationally-established system of registration and does not employ one or more persons to work as an employee with a formal job. The operationalization of these criteria follows the recommendations concerning the operational definition of the formal sector, thus ensuring that the three sectors and, in particular, the distinction between the informal and formal sectors are mutually exclusive categories.

116. Not being owned and/or controlled by the Government. Economic units owned and/or controlled by the general Government would, by definition, be formal economic units and therefore excluded from the informal sector.

117. Not being recognized as separate legal entities from their owners. Informal household unincorporated market enterprises lack a legal identity separate from that of the persons who own and operate them. Any debts or liabilities incurred are the personal responsibility of the owner-operators.

118. Not keeping a complete set of accounts for tax purposes. Informal household unincorporated market enterprises are characterized by having no clear separation of the economic activities between the enterprise and the household(s) of the person(s) who own and operate them. No complete set of accounts, including balance sheets, assets, liabilities and flows of income and capital between the enterprise and the owner, is kept for tax purposes. Accounts can, however, be kept for
non-tax-related purposes. This typically includes a more simplified set of accounts or informal records of orders, sales and purchases that are used to keep track of the activities associated with the informal enterprise.

119. **Not being registered in a governmentally established system of registration used for granting access to benefits and that carries obligations.** Informal market household enterprises are not formally recognized as market-producing units separate from the households of the persons who own and operate them. This implies that they are not formally registered in a nationally-established system that provides legal identities, ensuring their tax contributions and deduction of VAT, and are thus not imbedded in the country's legal and administrative framework. Such enterprises can, however, be registered with the local authorities, for example to obtain a permit to operate a business or a trade licence. These types of registrations do not necessarily entail coverage under formal arrangements or embed the economic unit in the country's legal and administrative framework; rather, they give access to a given market while imposing very limited obligations on and providing very limited protection of the economic unit and its activities.

120. **Not employing one or more persons to work as an employee with a formal job.** Informal household unincorporated market enterprises may or may not engage employees to carry out work for the enterprise. The informal nature of the enterprise does, however, prevent the enterprise from engaging an employee on a formal basis. In practice, payment of relevant taxes and social security contributions and comply with labour laws and regulations on behalf of the employee would require the enterprise to be formal. Therefore, a defining characteristic of informal household unincorporated market enterprises is that any employees that they engage hold informal jobs.

121. Another defining characteristic of informal household unincorporated market enterprises, in addition to their lack of formal status, is that their production is mainly intended for the market with the intention of generating income or profit. This sixth criterion separates market-oriented production of informal household unincorporated market enterprises from production carried out by households for own final use and ensures that the three sectors are mutually exclusive.

122. A characteristic of informal household unincorporated market enterprises is that their production is mainly intended for the market with the purpose of generating an income or profit for the owner or owners of the enterprise. This ensures that the main purpose of an informal household market enterprise is to generate income and employment for the persons concerned. Economic units with production mainly intended for own final use, or whose market production is not intended to be a source of income and profit, are therefore excluded from the informal sector (Para 42).

123. Use of the term “mainly” aligns the concept of market production with the definitions used in the SNA and in 19th ICLS resolution I. The SNA 2008 defines “market producers” as “establishments, of whose all or most of the output is market production” (SNA, para. 6.133), whereas “producers for own final use produce goods and services mostly for final consumption or fixed capital formation by the owners of the enterprises in which they are produced” (SNA, para. 2.40). From the perspective of the SNA, the new threshold implies that non-market-oriented units and non-market service providers are excluded from the informal sector. A similar threshold is also used in 19th ICLS
resolution I to separate employment from own-use production work and to distinguish between household unincorporated market enterprises and households that produce goods or services mainly for own final use (ILO 2013, para. 6 (c)). A threshold based on the main intended purpose of production excludes from the informal sector households that produce for own final use. Own-use production work as defined in 19th ICLS resolution I is therefore, by definition, not carried out in the informal sector.

124. How the term “mainly” should be operationalized is not further specified in 19th ICLS resolution I. Efforts to explore this aspect are under way in the context of implementation of the resolution and measurement of the different forms of work, in particular with respect to the boundary between employment and own-use production. Based on the discussion to date, there seem to be good arguments that the market boundary should be assessed at the individual level (based on the production carried out by the person) rather than at the household level (based on the production carried out by all members of the household). This is consistent with the definitions proposed within this conceptual framework, which define “informal household unincorporated market enterprises” at the individual level. There has also been progress with regard to the level of individual production that should be used in assessing whether a person carries out market or own-use production. This issue is particularly relevant to agricultural activities, where part of the production is carried out for the market while other parts are intended for own final use. In such cases, the total agricultural production carried out by the person, by activity clusters or at the product level might be used as a basis for the assessment. It was concluded that total production, which is currently the default approach in many countries, seemed to be effective. However, the activity cluster level could be relevant in settings with a high prevalence of mixed activities. (ILO 2021a).

6.1.2.1. Additional clarifications with regard to the definition of “informal household market enterprises”

125. In addition to the operational criteria for identifying the informal sector, further clarifications with regard to informal household unincorporated market enterprises will contribute to a statistical understanding of the informal sector. These include the kinds of production that can be carried out by informal household market enterprises, the link to the relevant SNA sectors and the distinction between different household unincorporated market enterprises within the same household.

126. *Informal household unincorporated market enterprises can engage in production in all industries, agriculture as well as non-agriculture, insofar as the production is mainly intended for the market to generate an income and profit. All productive activities of informal household unincorporated market enterprises are, by definition, informal productive activities* (Para 43).

127. Production in the informal sector is not limited to certain kinds or places of production. Informal household unincorporated market enterprises can engage in all kinds of activities such as agriculture, manufacturing, construction, retail, transportation and so on, provided that the production meets the criterion of being mainly intended for the market with the purpose of generating income or profit. This implies that agricultural activities should be included in the measurement of the informal sector using the same criteria as those used to define the informal sector for non-agricultural activities.
128. Removal of the option for countries to either include or exclude agricultural activities from the informal sector is an important change in the standards and in the definition of the “informal sector”. This flexibility was introduced in the 15th ICLS resolution concerning statistics on employment in the informal sector due owing to the practical challenges and additional costs that arise from including those activities in the measurement of the informal sector, for example when using a so-called “1-2 survey” (mixed household-establishment survey). Information such as type of production, assets, costs, sales, and value added might be difficult to collect from informal household unincorporated market enterprises, particularly in the case of agricultural activities. It might also be difficult to construct a relevant and respondent-friendly questionnaire for collecting information on both agricultural and non-agricultural activities.

129. At the same time, there are strong arguments for including agricultural production in the informal sector. Information on informal economic units and informal workers engaged in agricultural production is essential for policymakers to understand the structure of a country's informality and the situation of its informal workers in agriculture. Information on informal agricultural production would also be important to comprehensive measurement of production in the informal sector as a contribution to GDP.

130. The inclusion of agricultural production in the informal sector is also essential where the main objective is to measure informal employment as an input to labour statistics. This is recognized in the 17th ICLS Guidelines concerning a statistical definition of informal employment which emphasize that jobs in agriculture should be included in the measurement of informal employment (ILO 2003, para. 7). Agriculture is the sector with the highest level of informal employment (93.6 per cent globally) (ILO 2018a, p. 20) and global estimates of the share of persons in informal employment fall from 61.2 per cent to 50.5 per cent when agricultural activities are excluded. The exclusion of agricultural activities reduces the informal employment rate in all regions, but the impact is particularly great for developing and emerging countries, especially in Africa. (ILO 2018a, p. 14.). It is expected that the difference caused by whether agriculture activities is excluded or included will be reduced with the implementation of 19th ICLS resolution I since a large part of what is now defined as own-use production of goods is agricultural production. However, the difference between including or excluding agricultural production from the measurement of informal employment will still be significant, especially in countries with a high share of agricultural production.

131. The importance of agricultural activities in the context of informality is illustrated by the fact that from a conceptual and analytical point of view, such activities must be included in a comprehensive measurement of the informal sector and informal employment. This is also emphasized by the adjustment of SDG Indicator 8.3.1 (Proportion of informal employment in non-agriculture employment, by sex), which no longer excludes agriculture.

132. Because persons employed in agriculture are already included in the category of employment, the costs arising from a distinction between formal and informal jobs would be marginal; the main issue is whether the criteria used to define the informality of a job are valid for agricultural activities. Conceptually, the criteria of registration and keeping a complete set of accounts are relevant to agricultural production. As with other industries, an independent farmer who has not registered his
or her activities is “invisible” in the sense that neither the farmer nor the activities is embedded in the legal and administrative framework of the country and are therefore not covered by any formal arrangements. This situation is not, as such, different from that of independent workers engaged in non-agricultural production in the informal sector. Countries might, however, have special regulations governing agriculture activities, including registration requirements or specialized agriculture registers, and might need to adapt the registration criterion to take such national specifics into account. For example, in operationalizing the criterion of registration, it might be necessary to include national registers of agricultural production. It is important to ensure that registers used for purposes other than production or operation of a business, such as those related to land tenure, are not assumed to imply the existence of a formal enterprise since they would not reflect the formal or informal status of the activities carried out.

133. The change in the threshold for market production and the exclusion of production which is mainly for own final use (but some of which is intended for the market) might help to reduce the difficulties that accompany the inclusion of agricultural activities in measurement of the informal sector. The exclusion from the informal sector of production that is mainly for own final use does not mean that this production should not be measured at all. In particular, the importance of counting agricultural outputs and associated labour inputs in the third (i.e. the HOC) sector should be stressed, especially in countries where this accounts for a significant proportion of GDP or of the national food supply. The inclusion in the HOC sector of production mainly for own final use but with some market production will enable the use of specialized surveys targeting agricultural production that is mainly for own final use, regardless of whether some of that production is intended for the market. This might be a more efficient way to statistically measure this type of production.

134. Informal household unincorporated market enterprises, which are thus in the informal sector, can be viewed as a subsector of the household sector as defined by the SNA. Informal household unincorporated market enterprises share characteristics with households as defined by the SNA and there is no clear separation in practice between the assets and liabilities of the informal household unincorporated market enterprise and the owners (Para 44).

135. A household unincorporated market enterprise is an unincorporated market producer of goods and services for which there is no clear separation of assets between the household as a consumer and as a producer. The owner's liability for the enterprise's debts is unlimited, putting the assets of the household at risk (SNA, paras 4.155–4.157). These enterprises may or may not have formally recognized status as producers, reflected in the criterion of registration. Household unincorporated market enterprises that have a formal status as market producers are defined as “formal household unincorporated market enterprises” while those that lack such recognition are defined as “informal household unincorporated market enterprises” and constitute the informal sector. Informal household unincorporated market enterprises and the informal sector can therefore be viewed as a subsector of the household sector as defined by the SNA.

136. A single household can include multiple informal household unincorporated market enterprises and may also engage in different types of production in parallel, including production for own final use and production in relation to one or more informal household unincorporated market enterprises (Para 45).
137. In SNA terms, a household is an institutional unit that can engage in multiple types of production, some of which might be intended for the market while others might be intended for the consumption of the household's members. From the point of view of the household as an institutional unit, it could potentially include various household unincorporated market enterprises which, conceptually, constitute separate economic units while at the same time the household could be a producing unit of goods and services for the consumption of its members.

138. Informal household unincorporated market enterprises can be owned and operated by one person only or in partnership with members of the same household or other households. Different unrelated market activities carried out by different household members are defined as separate informal household unincorporated market enterprises. Different unrelated market activities that involve different kinds of productive activities, as defined by the International Standard Industrial Classification of All Economic Activities, and different skill requirements and occupations, as defined by the International Standard Classification of Occupations, carried out by the same person can, if feasible and relevant, be defined as separate informal household unincorporated market enterprises (Para 46).

139. The financial flows and assets of an informal household unincorporated market enterprise are, by definition, not clearly separated from the economy of the household (or households in the case of multiple partners). It might therefore be difficult to distinguish between multiple informal household unincorporated market enterprises in a given household. From the perspective of the SNA, an enterprise is an institutional unit in its capacity as a producer that can be engaged in a range of different productive activities (SNA, para. 5.11). From that perspective, all productive activities in the household are part of the household enterprise and all market-oriented activities are part of the household market enterprise. Such a definition would, however, be statistically problematic since it would create a situation where several different and potentially unrelated activities carried out by different people were included in the same household market enterprise. For the purposes of classification by economic activity, a hierarchy of activities based, for example, on value added or as a proxy, time worked would therefore be needed. This would create heterogeneous industries where the secondary activities were very different from the principal ones. If for example, one person in the household produced crops for sale and another worked as a street vendor, these activities would be included in the same household market enterprise and the industry of that enterprise would depend on which activity was defined as the principal one based either on the value of the output or on the time worked in order to produce it.

140. It is therefore important to allow for the existence of multiple informal household unincorporated market enterprises within a single household. A pragmatic means of distinguishing between these enterprises would be to assign different horizontal market activities carried out by different household members to different and separate household unincorporated market enterprises. This approach is already recognized as a possibility in the 15th resolution concerning statistics on employment in the informal sector.

141. The same person can, however, also carry out multiple activities in different occupational categories at different points in time and in different industries. For example, a person who sells goods during the day at a market stall and drives his or her own taxi during the evening is carrying out two separate activities, and there must be a way to identify each of those jobs to properly address such situations. In addition, there seem to be advantages in identifying separate informal
household unincorporated market enterprises. This would ensure alignment with the 20th ICLS Resolution concerning statistics on work relationships (ILO, 2018b), which presumes the existence of one job per economic unit owned and operated by an independent worker, and has practical advantages when identifying informal household unincorporated market enterprises based on informal jobs held by independent workers, for example in the context of mixed surveys. At the same time, some flexibility is needed since it would not always be desirable to assign different activities to different informal enterprises, for example, where the activities are clearly related but fall under different industries. A pragmatic approach would allow for the existence of multiple informal household unincorporated market enterprises owned and operated by one person where they can be classified as different types of productive activity, as defined by the International Standard of Industrial Classification (ISIC), and have different skill requirements and occupational descriptions, as defined in the International Standard Classification of Occupations (ISCO), but only where this would be relevant and feasible, including in situations where individuals perceive themselves as holding separate jobs, and therefore separate enterprises.

142. **Persons carrying out work in the informal sector include employed persons in the informal sector, unpaid trainees and volunteers carrying out work for an informal household unincorporated market enterprise** (Para 47).

143. **Persons employed in the informal sector include independent workers who own and operate an informal household unincorporated market enterprise, dependent contractors who do not own and operate a formal economic unit and are not registered for tax, employees and contributing family workers who are employed in informal household unincorporated market enterprises** (Para 48).

144. Categorizing workers within the informal sector is essential in order to provide data on the sector’s productivity and describe the situation of its workers. Informal household unincorporated market enterprises can engage workers to carry out various forms of work, including activities defined as “employment” and work performed by unpaid trainees (unpaid trainee work) or volunteers (volunteer work). It is important to identify these workers as part of production in the informal sector with a view to comprehensive measurement of productivity in the informal sector, assessment of the number of workers engaged in that sector and description of their working conditions.

145. Employed persons in the informal sector include both independent workers who own and operate an informal household market enterprise and employees and contributing family workers who have been engaged by an informal household market enterprise to carry out work. In addition, it also includes dependent contractors in the informal sector who do not have a formal household market enterprise and are not registered for tax purposes by the economic unit on which they depend or by their own actions. In the absence of registration of an enterprise and of registration for purposes of tax on the profits made, these dependent contractors do not have formal status and are therefore invisible in the country’s legal and administrative framework.

146. Categorization of the sector in the case of dependent contractors requires treatment different from that accorded to other dependent workers because that categorization is not directly linked to the economic unit on which they depend. A dependent contractor can, for example, be registered for tax purposes but depend on an informal enterprise or, in the absence of registration, be
categorized as falling into the informal sector but be dependent on a formal enterprise. Thus, categorization of the sector does not reflect the economic unit on which the dependent contractor depends, but rather the formal status of the worker under the country's legal and administrative system. This reflects the fact that the relationship between the economic unit and the dependent contractor is commercial in nature and is not one of employment.

6.1.3. The Household own-use and community (HOC) sector

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

(a) not being formally recognized as distinct producers of goods or services; and
(b) the production that takes place being mainly intended for:
   (i) the own final use of the household; or
   (ii) the use of other households without the purpose of generating an income or profit for the members of the household or non-formal non-profit organization (Para 49).

The HOC sector completes the categorization of economic units. It includes productive activities carried out by the household or by family members outside the household for the main purpose of consumption by the household or by family members living outside the household. In other words, all households and the production that takes place within them for the purpose of their consumption fall into this sector, regardless of whether the household also carries out production for the market which might fall within the formal or the informal sector, depending on how it meets the relevant criteria. The sector also includes direct volunteer work – non-market production by one household for the use of other households – as well as production by non-formal non-profit organizations. The inclusion of own-use production, production from non-formal non-profit organizations and direct volunteer work is reflected in the term “household own-use and community sector”, which indicates that the sector includes the production of households both for own use and for the use of other households (either by non-formal non-profit organizations or directly between households).

6.1.3.1. Additional clarifications with regard to economic units in the HOC sector

Persons carrying out work in the household own-use and community sector include:

(a) persons employed in the household own-use and community sector, including domestic workers;
(b) household members carrying out own-use production of goods and services; and
(c) volunteers carrying out direct volunteer work or organization-based volunteer work for a non-profit organization that is not formally recognized (Para 50).

Persons employed in the household own-use and community sector include employees with informal or formal jobs engaged by the household to produce goods or provide services to be consumed by the household and employees with informal jobs engaged by non-formal non-profit organizations (Para 51).
151. Employed persons in the HOC sector are employees with informal or formal jobs who are engaged by the household to provide services (i.e. domestic workers) or to produce goods to be consumed by the household, as well as informal employees engaged by non-formal non-profit organizations.

152. The HOC sector also includes household and family members who carry out own-use production of goods and services as defined by 19th ICLS resolution 1, as well as informal unpaid trainee work, direct volunteer work and organized volunteer work carried out for a non-formal non-profit organization.

6.1.3.2. **Subsectors of the HOC sector**

153. The household own-use and community sector may, if feasible and relevant in the national context and depending on statistical objectives, be further categorized into the pairs of dichotomous subsectors set out below.

(a) Households producing for own final use versus non-profit organizations that are not formally recognized by the legal administrative framework of the country.
   
   (i) This dichotomy is relevant in relation to statistics on volunteer work.
   
   (ii) The identification of the two subsectors requires additional information on the degree of organization of the volunteer work carried out for use by other households.

(b) Household own-use and community sector within the SNA production boundary versus household own-use and community sector outside the SNA production boundary (but within the SNA general production boundary).
   
   (i) This dichotomy enables a comprehensive measurement of all informal productive activities in the informal economy that are within the SNA production boundary.
   
   (ii) The goods and services to include in the two different subsectors should follow the latest recommendations defining the SNA production boundary.

(c) Households and non-formal non-profit organizations with employees versus households and non-formal non-profit organizations without employees.

   (i) This dichotomy enables the identification of households and non-formal non-profit organizations as employers engaging, for example households engaging, domestic employees

   (ii) It requires information to establish whether households engage employees to produce goods or services to be consumed by the household and employees engaged by non-formal non-profit organizations.

   (iii) If non-formal non-profit organizations are not separately identified these are to be treated as households thereby creating the dichotomy of households producing for own final use with employees versus households without employees (Para 52).

154. Depending on the statistical objective it might be necessary to further divide the HOC sector into subsectors, which would, however, differ depending on the purpose of the sub-categorization. Three different dichotomies could be of relevance; distinguishing between non-formal non-profit organizations and households in the context of statistics on volunteer work, the separate
identification of activities that fall within the SNA production boundary as inputs to the SNA versus those that falls outside the boundary, and households (and potentially non-formal non-profit organizations) that engage informal employees and are thus included in the informal market economy versus those that do not engage employees.

155. A distinction between non-formal non-profit organizations and households producing for own final use or for the use of other households is relevant to the compilation of statistics on volunteer work. The aforementioned definition of the HOC sector includes both direct volunteer work and volunteer work carried out for or through non-formal non-profit organizations. This inclusion of direct volunteer work is in line with the treatment of volunteer work in the SNA, which places such work in the household sector (UNSD 2018, p. 13). Less straightforward, however, is the inclusion of organization-based volunteer work carried out by non-formal Third or Social economy institutions (TSE institutions) which have an internal organization, meaningful organizational boundaries and permanence (UNSD 2018, p. 18) but are not registered or do not have a legal identity. The SNA treats these non-formal non-profit organizations as households producing for other households, and thus as falling into the SNA household sector. Within the framework of the informal economy, such activities can be separated and treated as non-formal non-profit organizations as and where necessary. These economic units would then constitute a subsector of the HOC sector and are characterized by a degree of organization in the production of services and goods to be consumed by households, but without the intention to generate income or profit for their members. This could be useful when compiling statistics on volunteer work in the TSE sector or distinguishing between non-formal and formal NPIs. Identification of the two subsectors would require additional information as to whether the degree of organization related to the volunteer work was sufficient to fulfil the requirements of a TSE institution as defined in the satellite account on non-profit and related institutions and volunteer work (UNSD 2018).

156. The identification of activities in the HOC sector that fall within the SNA production boundary is essential to the provision of data for the SNA. Identifying informal production in the HOC sector which falls within the SNA production boundary, as well as informal productive activities within the informal and formal sectors, is necessary with a view to achieve a comprehensive measurement of all informal productive activities within the SNA production boundary. In the interests of consistency, the separation of household own-use production activities that fall within the production boundary from those which lie outside that boundary but within the general production boundary would need to follow the boundaries established in the SNA.

157. It is important to identify households that engage one or more workers as employees to ensure that households with domestic workers, for example, are statistically identified and recognized as part of the informal market economy. However, this does not mean that all the production within these households is part of the informal market economy. Households that engage informal employees may also have members who engage in own-use production of goods and services, activities which lie outside the informal market economy but within the informal economy. The production to be included in the informal market economy is the work carried out by informal employees who produce goods or services to be consumed by the household. Non-formal non-profit organizations can also engage informal employees and in case these economic units are separately
identified from households then the dichotomous subsector would include households and non-
formal non-profit organizations engaging employees versus households and non-formal non-profit
organization without employees. In case non-formal non-profit organizations is not identified
separately then these are to be treated as households and the subsector would consists of
households engaging employees versus households not engaging employees.

6.2. The three sectors and work

158. Economic units in the three sectors can engage workers to carry out different forms of work.
The economic unit can be viewed as the starting point for the identification of jobs (the term used
for employment) and work activities (the term used for other forms of work) as defined in the 20th
ICLS resolution. The statistical units of economic units, jobs and work activities are essential
to the definition of informal productive activities, which is linked to the formal and informal status of
economic units, jobs and work activities.

159. Almost all people carry out own-use provision of services to be consumed by their own
households, and some also produce goods to be consumed by the household. Consequently,
households (almost certainly) will have an economic unit related to their own-use production
activities (namely the household). Figure 1 provides an example of a household comprising
members who produce goods and services for own final use. In addition, because household (HH)
member 1 operates a market-oriented enterprise that is not formally recognized as an economic
unit distinct from the household, there is a second economic unit, namely an informal household
unincorporated market enterprise. We can therefore recognize that HH member 1 carries out
productive activities (i.e. work) for two different economic units (the household and the informal
household unincorporated market enterprise. The work carried out for the household to which
the person belongs is own-use production work while the work for the informal household
unincorporated market enterprise is employment because it is carried out for pay or profit. Because
the work is carried out for two different economic units, there are two separate work relationships.
The HH member has one job in the context of the activities defined as employment (the work carried
out for the informal household market enterprise) and one work activity (the provision of services
produced for and consumed by the household). In addition, other individuals may have a
relationship with the economic units and household members may have working relationships with
economic units outside the household (e.g., additional forms of work such as employment,
voluteer work or unpaid trainee work for economic units other than their own household).

160. In the case of non-household members, imagine that a second person who is not a household
member (see Figure 1) is engaged to work for the informal household unincorporated market
enterprise. Depending on whether these productive activities carried out by Person 2 are
remunerated and on the underlying objective of the productive activities from the perspective of
Person 2, this could take the form of employment, volunteer work or unpaid trainee work. Person 2
is also engaged in carrying out work for a formal economic unit. This second work relationship could
take the form of employment (and thus be considered a job, whether informal or formal), volunteer
work or unpaid trainee work. The point is that there can be multiple economic units and multiple
work relationships within a given household and that these can include both household members
and people living outside the household. Correctly specifying these relationships in a mutually exclusive manner will enable clear measurement and meaningful analysis and provide a starting point for establishing the informal or formal status of each job and work activity.

**Figure 1. Economic units and the different forms of work**

161. In addition to the two different levels of statistical unit: the economic unit and the job or work activity – conceptually there is also a third unit: productive activities. A person who carries out work for an economic unit has one job (in the case of employment) or work activity (in the case of a form of work other than employment) in that unit. This job or work activity includes various tasks and duties carried out for this economic unit, which may be formal, informal, or partly informal and partly formal. This underlying concept of productive activity makes it possible to recognize that workers with a formal job or work activity who perform work for a formal economic unit can still carry out informal productive activities if some of their tasks and duties are formal while others are informal.

162. Considering the foregoing, it is possible to specify the relationship of different forms of work to the three types of economic unit. Employment, unpaid trainee work and volunteer work can be carried out in an economic unit in the formal sector, an informal household market enterprise or a household producing for own final use. The type of economic unit (informal, formal or HOC) does not determine the form of work that can be carried out for that unit. The only exception is own-use production work, which takes place only in households producing for own final use (i.e. the household economic unit that, by definition, all households have). This means that the measurement of all productive activities carried out by workers in, for example, the formal sector requires the identification not only of activities defined as employment, but also of those activities defined as unpaid trainee work and volunteer work (see Table 3 below). Or, from the perspective of
forms of work, employment may be found in the formal sector, the informal sector or the HOC sector (e.g. as a domestic employee).

**Table 3. The three sectors and the different forms of work**

<table>
<thead>
<tr>
<th>Type of production unit</th>
<th>Employment</th>
<th>Unpaid trainee work</th>
<th>Volunteer work</th>
<th>Own-use production work</th>
<th>Other work activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HOC sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* By definition, impossible

163. These sectors have not only conceptual, but also analytical value, enabling measurement of the contribution of a given sector to GDP, the frequency of the different forms of work in each sector and the distribution of a given form of work over the three sectors. This allows for two different perspectives. First, a sector can serve as an analytical unit in order to identify the forms of work and types of production in that sector. For example, the number of employed persons, volunteers and unpaid trainees can be used to calculate the productivity of the informal sector or to understand the structure of and time spent on work activities in households producing for own final use. Second, the distribution of a specific type of work (e.g. informal and formal employment), which is essential information from a policy perspective, can be assessed in the three sectors.

6.3. The informal sector and the SNA institutional sectors

164. An institutional unit is defined by the SNA as “an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities” (SNA, para. 4.2). This includes corporations, quasi-corporations (which are not legal entities but act like corporations and have separate accounts), government units, NPIs, and persons or groups of persons in the form of households. (Chapter 4.1 SNA 2008) According to the SNA, depending on the type of unit that controls the institutional unit and the type of production that takes place, all institutional units fall into one of the five different institutional sectors: (a) the non-financial corporations sector; (b) the financial corporations sector; (c) the Government sector; (d) the non-profit institutions serving households (NPISH) sector; and (e) the household sector (see Table 4 below).

**Table 4. The informal, formal and HOC sectors and their relationship to the SNA sectors**

<table>
<thead>
<tr>
<th>SNA sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Non-financial corporations sector; (b) Financial corporations sector</td>
</tr>
<tr>
<td>Type of SNA institutional unit</td>
</tr>
<tr>
<td>-------------------------------</td>
</tr>
<tr>
<td>Type of production</td>
</tr>
<tr>
<td>Operational criteria for identifying the formal status</td>
</tr>
<tr>
<td>SNA production boundary</td>
</tr>
<tr>
<td>SNA general production boundary</td>
</tr>
<tr>
<td>Forms part of</td>
</tr>
</tbody>
</table>

165. The definitions of the informal sector, formal sector and household own-use and community sector are not intended to enable identification of the various SNA sectors, for which additional information would need to be collected if the objective were to create the five SNA sectors. For example, the distinction between the non-financial and the financial corporations sectors is not relevant to the identification of the formal, informal and HOC sectors (which is also why the two sectors have been combined in Table 4). Incorporated enterprises (or, in SNA terms, corporations) are formal enterprises, regardless of whether they fall into the financial or the non-financial corporation sector. From the point of view of the SNA, the three sectors can be viewed as three domains within the institutional sectors. However, as Table 4 shows, there is a clear link between the SNA sectors and the formal, informal, and HOC sectors. The informal sector is a subsector of the SNA household sector; the formal sector includes the non-financial corporation, financial corporation, Government and NPISH sectors, as well as a third subsector of the SNA household sector; and the HOC sector includes a subsector of the SNA household sector. From the point of view of the SNA, the subdivision of the SNA household sector into three subsectors is the key factor in linking the SNA sectors to the formal, informal and HOC sectors.

166. As seen from Table 4, FS1–FS5 correspond to the formal sector and include:

- FS1: Corporations as part of the non-financial and financial sector;
- FS2: Quasi-corporations as part of the non-financial and financial sector;
- FS3: Government units;
- FS4: NPISH that are formally recognized; and
- FS5: Formal household unincorporated market enterprises.

167. **FS1: Corporations as part of the non-financial and financial sectors.** According to the SNA, corporations are enterprises engaged in market production that are “recognized at law as separate legal entities from their owners who enjoy limited liability” (SNA, para. 4.38). Corporations or
incorporated enterprises are clearly formal enterprises and fall within the operational definition of the formal sector.

168. **FS2: Quasi-corporations as part of the non-financial and financial sector.** The SNA defines a quasi-corporation as “an unincorporated enterprise that has sufficient information to compile a complete set of accounts and is operated as if it were a separate corporation and whose de facto relationship to its owner is that of a corporation to its shareholders” (SNA, para. 4.42). From an SNA perspective, the essential point is that quasi-corporations act as corporations and that there is a clear and complete separation between the economy of the owner's household and that of the enterprise. This separation enables the inclusion of quasi-corporations in the SNA at a similar level of detail as corporations. The objective of categorization of the informal sector, formal sector and HOC sectors is, however, different: the underlying issue is not whether an economic unit is clearly identifiable, but whether it is formally recognized as a producing unit distinct from the owner's household. The narrower criterion of a complete set of accounts for tax purposes, used in the operational definition of the formal sector, clarifies and strengthens the inclusion of quasi-corporations in the formal sector. This minor conceptual difference creates a theoretical gap, and it could be argued that not all quasi-corporations, as defined by the SNA, are identified and included in the formal sector using the narrower criterion. It is, however, likely that in practice, this difference will be minor, not least in view of the use of registration as a criterion. A quasi-corporation, as defined by the SNA, in the informal sector would be a non-registered enterprise that keeps a complete set of accounts for own purposes only. These cases are likely to be relatively rare and it is reasonable to assume that these quasi-corporations would, in practice, be defined as formal enterprises.

169. **FS3: Government units and the general government sector.** According to the SNA, Government units are non-market-producing “legal entities established by political processes that have legislative, judicial or executive authority over other institutional units within a given area” (SNA, para. 4.9). Government units are clearly formal in nature and are thus part of the formal sector.

170. **FS4: Non-profit institutions (NPIs) without market production serving households.** Institutional units that are not controlled by governments and are not engaged in production intended to generate profit and income for the persons controlling them are defined by the SNA as falling into the NPIs serving households (NPISH) sector and outside the SNA household sector. According to the SNA they include legally constituted non-profit organizations as well as organizations that are recognised by the society but lack a formal legal status (Para 4.85a SNA 2008). These latter types of organizations still require an internal organization, meaningful organizational boundaries and a degree of permanence (UNSD 2018, p. 18) in order to be regarded as NPIs. In practice, NPIs in the NPISH sector are considered formal as they typically need to be registered and have accounts in order to be included in the SNA. For this reason, NPISH fall into the formal rather than the informal sector because their production is not intended to generate income or profit.

171. **FS5: Formal household unincorporated market enterprises as part of the household sector.** Unincorporated enterprises with market production which are registered but do not keep a complete set of accounts that allow a clear separation between the economy of the household and that of the enterprise are not treated as separate institutional units by the SNA; the production of a
household unincorporated market enterprise is considered part of that household’s production and thus falls into the SNA household sector. From an informal sector and formal sector perspective, these household unincorporated market enterprises would be defined as formal household unincorporated market enterprises and be part of the formal sector. Registration can be viewed as formal recognition that market production is taking place in an acknowledged separate unit, even in the absence of a clear separation between the economy of the enterprise and that of the household or households that own it, and that– as with quasi-corporations – any liability is carried by the owner or owners. Registration of a household unincorporated market enterprise implies that the enterprise is formally recognized as an enterprise by the formal institutions in the country and, in practice is covered by formal arrangements.

172. **IS: The informal sector.** From the perspective of the SNA, the informal sector is a subsector of the household sector (see Table 4). It includes producers of goods and services that are mainly intended for the market to generate profit and income, and economic units that are not recognized as formally separated enterprises. Household unincorporated market enterprises are considered part of the household sector by the SNA, which views their market production as part of the household's institutional unit. From an informal sector perspective, their production of goods and services is mainly intended for the market and its purpose is to generate profit and income for the owner(s). However, this production is not recognized as such by the country’s legal and administrative framework because it is not connected to an acknowledged and recognized economic unit in the form of a corporation, quasi-corporation, or registered household unincorporated market enterprise. As in the case of a formal household unincorporated market enterprise, there is no clear and complete separation between the economy of the enterprise and that of the household or households that own it, any liability is carried by the owner or owners, and the market production is not produced by a registered separate unit.

173. **HOC: The household own-use and community (HOC) sector** is a subsector of the SNA household sector (see Table 4). It includes household production that is mainly intended for own final use and production for the use of other households (i.e. volunteer work) that is not formally recognized. Like production carried out by informal and formal household unincorporated market enterprises, production by a household that is mainly intended to be consumed by its members or by family members outside the household is considered by the SNA to fall into the household sector. This includes the production of goods, which falls within the SNA production boundary, and the provision of services, which lies outside that boundary but within the SNA general production boundary. The definitions of the formal and the informal sectors also exclude from both the formal and the informal sectors household production of goods and services that are not mainly intended for the market, placing it in a third (the HOC) sector. Household production that is intended for use by other households without the purpose of generating income and profit is also placed in this sector, regardless of whether the production is carried out by one household or multiple households; of the level of organization of the production5. For example, volunteer work carried out by a group of persons falls into the HOC sector, regardless of whether this work has a degree of organization, if the production is not attached to an organization that has a separate legal identity or is formally recognized by registration and is therefore considered formal. Where necessary, the latter type of production can be separately identified as a sub-category of the HOC sector.
7. Informal productive activities and work

174. Informal productive activities carried out by persons constitute informal work. This is a broad concept which potentially includes all activities defined as work according to the 19th ICLS resolution I, and therefore all activities within the SNA general production boundary that are not covered by formal arrangements.

175. Informal work consists of productive activities performed by persons that are – in law or in practice – not covered by formal arrangements. It comprises:

(a) productive activities carried out by persons in employment that are, in law or in practice, not covered by formal arrangements such as regulations and laws that stipulate the responsibilities, obligations and protection of the economic units and the workers; and

(b) productive activities carried out in relation to:
   (i) own-use production work;
   (ii) volunteer work;
   (iii) unpaid trainee work; and
   (iv) other work activities,

as defined by the latest standards on work and where the work activities are not covered by formal arrangements such as regulations and provisions that promote or facilitate the work and protect and regulate the actions and functions of the worker (Para 53).

176. Informal work includes informal productive activities defined as work, whether or not they are carried out by persons for pay or profit. To some extent, productive activities not carried out for pay or profit fall within the scope of informal productive activities as currently defined in the ICLS Guidelines concerning a statistical definition of informal employment (ILO 2003). As defined in the Guidelines, informal employment includes not only activities carried out for pay or profit (i.e. employment as defined in 19th ICLS resolution I), but also own-use production of goods, organization-based volunteer work and unpaid trainee work, thereby recognizing that all activities which fall within the SNA production boundary can be informal. While the 19th ICLS resolution I recognizes these types of productive activities as different forms of work, the concept of work as defined by the 19th ICLS resolution I is broader and also include own-use provision of services and direct volunteer work providing services. Thus, from the conceptual perspective, work and informal work include not only productive activities that lie within the SNA production boundary (which was the boundary of the previous definition of “employment”), but also those which lie outside that boundary but within the SNA general production boundary.

177. As an underlying concept, informal productive activities can be viewed from the perspective of either the economic unit or the person. These two perspectives overlap in the sense that all productive activities carried out by persons constitute input to the production of the economic unit for which the work is carried out. This creates a link between informal productive activities carried
out by workers (i.e. informal work) and informal productive activities carried out by economic units (i.e. informal production).

178. The unifying factor that makes both productive activities carried out in an economic unit and those carried out by a person informal is the lack of effective coverage under formal arrangements that regulate them and give effective entitlement to benefits and protection. In the case of work defined as employment, this includes formal arrangements such as coverage under labour laws and social security laws, effective access to paid annual and paid sick leave, a guaranteed minimum wage, regulated hours of work, payment of social security contributions and access to social insurance. It also includes coverage under commercial laws that regulate the productive activities carried out by economic units and procedures for reporting economic activities as part of fulfilling fiscal obligations with a view to, among other things, the payment of taxes and entitlement to social security benefits.

179. While it is relatively clear how formal arrangements should be understood in the context of employment, the issue can be more challenging in the case of other types of work than employment. Some countries may have more limited regulatory frameworks governing certain forms of work other than employment, such as basic protection for unpaid trainees; certain activities within a given form of work, such as basic protection for organization-based volunteers; own-use production work, such as the responsibilities and obligations that arise from engaging a domestic worker to assist with the household services; or certain types of productive activity within a given form of work, such as caring for one's own children with compensation from the Government. At the same time, there are productive activities carried out by persons that are unregulated and where there is no or little interest in regulating them, e.g. in the context of direct volunteer work where a person helps a neighbour, or own-use provision of services such as meal preparation for one's own family.

180. Informal work is an overarching concept that is not intended to be measured in its totality and comprises informal productive activities within the SNA general production boundary which are carried out by persons as informal work. This broad definition allows for identification of the essential components that need to be measured on a regular basis in order to provide statistics needed for policy purposes. These include both informal employment that is part of the informal market economy and, potentially, other essential categories such as unpaid trainee work and subsistence foodstuff production.

181. An essential aspect of the concept of informal work is the identification of informal jobs and informal work activities. All activities can be attached to a job or work activity and all work relationships to an economic unit. If the job or work activity is considered informal, it follows that all activities carried out by a worker in that context are informal productive activities. The identification of informal jobs or informal work activities is therefore crucial to the identification of informal work which creates a strong link between informal work and informal jobs or work activities.

182. Informal productive activities may also be carried out by persons who hold formal jobs or carry out formal work activities if parts of the activities carried out within the formal jobs are to be considered formal while others can be considered informal. For this reason, the identification of all informal productive activities within a given form of work, such as employment, requires the
identification not only of informal jobs, but also of partly informal productive activities taking place in the context of formal jobs.

183. Persons may carry out informal productive activities in the informal economy for economic units which fall into the formal, informal or HOC sector (see Table 5 below).

<table>
<thead>
<tr>
<th>Persons</th>
<th>Informal work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main intention of the productive activities</td>
<td>For pay or profit</td>
</tr>
<tr>
<td>Informal productive activities by persons</td>
<td>Informal productive activities in relation to employment</td>
</tr>
<tr>
<td>Informal productive activities by persons</td>
<td>Formal employment with partly informal activities *</td>
</tr>
<tr>
<td>Informal productive activities by persons</td>
<td>Informal unpaid trainee work</td>
</tr>
<tr>
<td>Informal productive activities by persons</td>
<td>Informal other work activities</td>
</tr>
<tr>
<td>Informal productive activities by persons</td>
<td>Direct volunteer work</td>
</tr>
<tr>
<td>Sector of the economic unit for which the work is provided</td>
<td>Formal sector</td>
</tr>
<tr>
<td>Sector of the economic unit for which the work is provided</td>
<td>Informal sector *</td>
</tr>
<tr>
<td>Sector of the economic unit for which the work is provided</td>
<td>Household own-use community sector</td>
</tr>
<tr>
<td>Sector of the economic unit for which the work is provided</td>
<td>Household own-use community sector</td>
</tr>
<tr>
<td>Relation to SNA production boundary</td>
<td>Goods and services</td>
</tr>
<tr>
<td>Relation to SNA production boundary</td>
<td>SNA production boundary</td>
</tr>
<tr>
<td>Relation to SNA production boundary</td>
<td>SNA general production boundary</td>
</tr>
</tbody>
</table>

* Components of the informal market economy.
8. Informal employment

184. Statistics on informal employment aim at:

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

(b) describing the structure and extent of informal employment, identifying groups of persons in employment most represented and at risk of informality, and providing information on exposure to economic risk, decent work deficits and working conditions (Para 55).

185. The policy need for the regular provision of data on informal employment is well-established. Informal employment is covered by the SDG 2030 (SDG Indicator 8.3.1) and is at the core of the policy concept of the informal economy and of the Transition from the Informal to the Formal Economy Recommendation, 2014 (No. 204) (ILO 2015). The issue of informal employment is closely linked to that of decent work, as recognized in the ILC resolution concerning decent work and the informal economy (ILO 2002), and to the fundamental principles and rights at work (ILO 1998). The issue of informal employment must be addressed to reduce decent work deficits and ensure respect for the fundamental principal of decent work and the enjoyment of rights at work. Informal employment is at the centre of the proposed statistical framework and constitutes the main form of work in the informal market economy.

186. As defined in the 20th ICLS resolution concerning statistics on work relationships I (ILO, 2018b), all productive activities defined as employment are attached to a job and all jobs are linked to a person and to the economic unit for which the work is performed. These two agents, i.e. the person carrying out the work and the economic unit, and the relationship between them are essential factors in identifying informal employment. If a job is not formally recognized or acknowledged and is not effectively covered by formal arrangements, then it follows that all productive activities associated with the job are also not covered and that both independent and dependent workers carry the risks associated with the activities. For independent workers, this means that they and their households carry the enterprise's economic risks. Dependent workers also carry economic risks in the event of permanent or temporary loss of job-related income. For both independent and dependent workers, an informal job also entails increased personal risk arising for example, from non-compliance with regulations and laws put in place to ensure the health, safety, and welfare of workers.

187. A formally recognized job and effective access to benefits and protections also implies that the work is performed for a formal economic unit. It is difficult to perceive that a worker could hold a formal job, with effective access to coverage under formal arrangements, where the economic unit was an informal household unincorporated market enterprise as defined above. The formal status of the economic unit is therefore an essential part of the definition of informal employment.
188. Effective access to formal arrangements in the context of employment means effective access to the arrangements put in place to regulate workers’ actions and functions and protect them from the economic risk – in the event of external shocks – and personal risks associated with the productive activities. However, countries have different formal arrangements and levels of protection; workers with effective coverage under formal arrangements may have very limited protection from economic risks while those who an informal job may nevertheless have some limited protection. The degree of protection can also vary within a country depending, for example, on the status in employment category, industry, or occupation. This can be viewed as a second dimension that provides a further context for the dichotomy between informal and formal jobs. These two dimensions (i.e. the informal – formal dichotomy and contextualization of the formal arrangements to which the workers have effective access) facilitate a better understanding of the economic and personal risks to which the workers are exposed. It is essential to provide further information on exposure to economic risk, decent work deficits and working conditions among informal and formal workers as an essential supplement to the provision of data on the structure of informality in the country and identification of the most-represented population groups and their exposure to informal employment. These are key factors when designing and evaluating economic and social policies aimed at promoting employment, improving working conditions, reducing gender gaps and poverty, and addressing decent work deficits.

8.1. Informal and formal employment – conceptual definitions

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

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

(b) dependent contractors who do not have a formal status in relation to the legal administrative framework and whose activities are not effectively covered by formal arrangements;

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

(d) contributing family workers whose work relationships are not formally recognized in relation to the legal administrative framework of the country and associated with effective access to formal arrangements (Para 56).

190. In light of the definition of employment in 19th ICLS resolution I and the underlying concept of informal productive activities, the concept of “informal employment” applies to productive activities carried out for pay or profit that are not, in law or practice, effectively covered by formal arrangements, and therefore lack an effective access to the rights, benefits and obligations defined
in commercial, fiscal and labour laws as well as the protection granted by social protection regulation. Various forms of social protection and access to employment benefits, such as paid annual and sick leave, reduce the economic impact of events such as illness, injury, unemployment and old age to which a worker is exposed while labour laws that regulate working time and ensure the health, safety and welfare of workers reduce their risk of occupational illness or injury. Effective access to formal arrangements also includes the institutional arrangements that enable and support the activities, such as access to markets, capital or economic stimuli; relief for independent workers (as business owners); and other support mechanisms. From a policy perspective, this is essential: the goal is not only to push for job formalization, but also to ensure the resulting protection from personal and economic risk.

191. Operationally, informal employment has several statistical components based on the concept of an informal job. The operational definition of an informal job is, in turn, based on the various categories of status in employment established in ICSE-18. This creates a link between the conceptual operational definitions of informal employment, informal job and ICSE-18 where the operational definition of an informal job depends on the status in employment category.

192. Formal employment is defined as any activity of persons to produce goods or provide services for pay or profit in relation to a formal job, where the activities are effectively covered by formal arrangements. Formal employment comprises productive activities carried out in relation to formal jobs held by:

(a) independent workers who operate and own or co-own a formal economic unit;

(b) dependent contractors who have a formal status in relation to the legal administrative framework of the country and whose activities are associated with effective access to formal arrangements;

(c) employees, if their employment relationship is, in practice, formally recognized by the employer in relation to the legal administrative framework of the country and associated with effective access to formal arrangements; and

(d) contributing family workers carrying out work for a formal economic unit and whose work relationships are formally recognized in relation to the legal administrative framework of the country and associated with effective access to formal arrangements (Para 64).

193. The definition of “formal employment” mirrors to a large extent that of “informal employment”. This is necessary in order to create two mutually-exclusive categories. Informal employment includes activities which are defined as employment and are effectively covered by formal arrangements. The productive activities carried out by persons with formal jobs are typically formal productive activities in nature and are thus covered by formal arrangements. However, there may be situations in which some of the activities carried out in the context of a formal job can be considered formal while others can be considered informal. In such cases, the worker would be considered to hold a formal job involving partly informal and partly formal activities (see section 8.11 below). As with informal employment, the definition of “formal employment” is based on the statistical unit of a job and is thus also linked to ICSE-18.
8.1.1. Status in employment and the definition of informal and formal jobs

194. ICSE-18 is a statistical classification of jobs based on the relationship between workers and the economic unit for which the work is carried out. It can be organized according to the type of authority that the workers exercise or the type of economic risk to which they are exposed. When organized according to type of authority this creates a top-level dichotomy between independent and dependent workers where the former is defined as workers who own the economic unit for which they work and control its activities and the latter as those that do not have complete authority or control over the economic unit for which they work. (ILO 2018b, paras 12–13).

195. For independent workers, the formal or informal status of the job follows from the informal and formal status of the economic unit that the person owns and controls. In the case of an informal household market enterprise, the productive activities carried out by the owner-operator of the enterprise are, by definition, informal, as the enterprise is not formally recognized. It would thereby follow that the tasks performed by the owner are not a formally recognized either and the job held by the owner-operator would be an informal job. Where the economic unit is a formal enterprise, the productive activities carried out by the owner-operator are either fully or partly formal. Although some productive activities may be carried out on an informal undeclared basis, the job held by the owner of a formal enterprise is formally recognized through recognition of the economic unit that the person owns or co-owns. The operational definitions of “informal” and “formal” jobs for independent workers therefore rely on the informal or formal status of the enterprise that they own and control.

196. The situation of dependent workers in employment, including employees, contributing family workers and dependent contractors, is different; they do not have complete authority or control over the economic units for which they work. For this reason, the criteria for categorizing the informal jobs held by these workers are different from those used in the case of independent workers and reflect not only the formal status of the economic unit, but also the nature of the relationship between the workers and the economic units on which they depend.

197. For employees, formal employment implies that in practice, the employer must effectively and formally recognize the job held by the employee in relation to the legal and administrative framework by providing employees with effective access to and coverage under formal arrangements. It is not sufficient for an employer to recognize the employment relationship if it does not, in practice, meet the formal obligations established in the country’s labour laws, regulations and collective bargaining and ensure a degree of protection of the employee.

198. The formal status of the economic unit for which an employee carries out work is another essential factor in this regard. An employer who owns an informal household market enterprise cannot formally recognize an employee’s work relationship and is thus unable to provide that employee with effective access to and coverage under formal arrangements. By contrast, the employer in a formal economic unit may or may not formally and effectively recognize the job held by the employee in the context of the country’s legal and administrative framework. Therefore, the employee may or may not be effectively covered by formal arrangements. An employee with an informal job may work for an informal household market enterprise, a formal economic unit or an
employer in the HOC sector, i.e. a household producing for own final use or a non-formal non-profit organization (see Table 6 below).

199. In many countries, contributing family workers are not covered under any formal arrangements. This has been the argument for defining them by default as holding informal jobs under the ICLS Guidelines concerning a statistical definition of informal employment. However, there are countries in which contributing family workers are able to register their jobs, thereby gaining access to formal arrangements. In these situations, their jobs could be considered formal as they are recognized by the country’s legal and administrative framework and, as a result, enjoy a degree of protection. In countries where this option does not exist, contributing family workers hold informal jobs by default. Introduction of the possibility that they might hold formal jobs under certain circumstances has important gender and policy implications as women are overrepresented among contributing family workers (ILO 2023c). By definition, a contributing family worker in employment carries out work for a market-producing economic unit. Those who hold informal jobs can work for informal household unincorporated market enterprises or formal enterprises, whereas those who hold formal jobs in countries in which formal arrangements for these workers are in place must work for a formal enterprise.

200. Dependent contractors fall into a new category of status in employment, which was introduced with ICSE-18. While they are dependent workers in employment, their situation is slightly different from those of the other two categories of dependent workers. They have contractual arrangements similar to those of owner-operators of unincorporated enterprises, but they are organizationally and economically dependent on another economic unit and this “in-between” situation calls for unique treatment when identifying their jobs as formal or informal. As with other workers in employment, there are strong arguments for defining jobs held by dependent contractors as “informal” if they fall into the informal sector and hence do not have formal status under the country’s legal and administrative system. This implies that where a dependent contractor does not have a formal enterprise and is not registered for tax purposes, then the job held by that dependent contractor is informal. For dependent contractors who are considered to have formal status and therefore fall into the formal sector, the identification of a job as formal or informal depends on whether the workers have effective access to formal arrangements that reduce their economic risk. Operationalization of this aspect of effective coverage depends on the links between business registers, registration in relation to profit, and registration with and contributions to social insurance in the country.

201. The definition of “informal employment” based on ICSE-18 creates a link between the definitions of “formal” and “informal” jobs, the category of status in employment and the sector (formal, informal or HOC) of the economic unit. For independent workers, the definitions of “formal” and “informal” jobs follow from categorization of the economic unit that they own and operate. Owner-operators of corporations, i.e. independent workers who own and operate an incorporated enterprise, fall into the formal sector and, by default, hold formal jobs (see Table 6 below). Those who do not own and operate such an enterprise and who are categorized under ICSE-18 as independent workers in household unincorporated market enterprises hold a formal job if the economic unit that they own and operate is a formal economic unit in the formal sector, and an informal job if the unit is informal
and hence falls into the informal sector. The link between the sector of the economic unit and the informal or formal status of the job is, to some extent, less direct for dependent workers. Employees who carry out work for a formal economic unit or an economic unit in the HOC sector (e.g. domestic employees engaged by households) may hold either a formal or an informal job, but those who carry out work for an informal economic unit always hold an informal job. Thus, employees may hold informal jobs working for economic units in any of the three sectors. A contributing family worker can hold either an informal job carrying out work for an economic unit in the formal or the informal sector or, depending on the country in question, a formal job in the formal sector. As with other workers, dependent contractors always hold an informal job where the job itself falls into the informal sector, and they may hold a formal or an informal job where the job falls into the formal sector. However, categorization of the sector for dependent contractors reflects their formal status in the context of the country’s legal and administrative framework and is therefore separate from the formal status of the economic unit on which they depend.

Table 6. Informal and formal jobs by status in employment and sector

<table>
<thead>
<tr>
<th>Sector of the economic unit for which the work is carried out</th>
<th>Independent workers (employers, own-account workers)</th>
<th>Dependent workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owner-operators of corporations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Independent workers in household (unincorporated)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>market enterprises</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Formal</td>
<td>Informal</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formal sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informal sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household own-use and community sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Formal</td>
<td>Informal</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Cells shaded in dark blue refer to jobs, which, by definition, do not exist in economic units located in the specific sector. Cells shaded in light blue refer to formal jobs. Informal employment consists of the 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 their formal status in relation to the legal administrative framework of the country. ** The existence of formal jobs among contributing family workers carrying out work for an economic unit in the formal sector depends on the national context (see paragraphs 89–91).

8.2. The conceptual link between informal productive activities and informal and formal jobs

202. All tasks and duties carried out in relation to an informal job are considered to be informal productive activities by nature (Para 57).

203. Informal productive activities performed by persons may also be carried out in relation to formal jobs if a subset of the tasks and duties carried out are not effectively covered by formal arrangements (Para 58).
Lack of formal recognition of a job and of effective coverage and access to formal arrangements means that all tasks and duties carried out in the context of that informal job are to be considered informal as well. This creates a link between the underlying concept of informal productive activities, informal jobs and informal employment.

The identification of informal jobs as one category of status in employment does not capture all informal productive activities carried out by persons for pay or profit, for example, where informal productive activities are carried out within a formal job (see below with regard to the definition of “persons in formal employment carrying out partly informal activities”).

8.3. Informal jobs and multiple job holdings

Persons may have one or several formal or informal jobs, or both, during a given reference period. Dependent workers have an informal or formal job for each economic unit on which the worker is dependent. Independent workers have an informal or formal job for each informal or formal economic unit they operate and own or co-own (Para 59).

A person may hold one or more jobs and each of those jobs can be defined as either “formal” or “informal”. The separation between jobs and the placement of each job in the correct category of status in employment is essential for defining informal employment. However, this statistical exercise is not always straightforward, especially in the context of informality since a worker may carry out several different activities that cannot always be clearly separated and are not formally recognized as different jobs. The definition of “jobs” and their categorization based on the nature of the work relationships in question are included in the 20th ICLS resolution concerning statistics on work relationships I (ILO, 2018b), which makes an important distinction between dependent and independent workers: the former have as many jobs as the number of economic units on which the workers are dependent while the latter have as many jobs as the number of economic units that they own.

Under this resolution, in the case of dependent workers, a “job” is the set of tasks and duties performed for the economic unit on which the worker is dependent. A dependent worker who carries out tasks for two different economic units and is dependent on both of them, holds two separate jobs, each of which may be either formal or informal.

For independent workers, however, the number of economic units that the worker owns and for which he or she carries out work is an essential factor in determining the number of jobs held. This has different implications depending on whether the economic unit(s) owned by the independent worker are formal or informal. A formal economic unit, i.e. one that is a separate legal entity, a quasi-corporation that keeps a complete set of accounts for tax purposes or a registered household market enterprise, is viewed as a separate economic unit under the resolution concerning statistics on work relationships and would therefore be linked to one single (formal) job or in the case of the independent worker has multiple formal enterprises, multiple (formal) jobs. One for each formal enterprise. to be a separate economic unit.

The relationship between the number of jobs held by an independent worker and the number of economic units that the independent worker owns is relatively clear in a formal context. However,
the relationship between jobs and economic units in an informal context is more complex. If the number of informal household unincorporated market enterprises that a person can own and operate is limited to one, then all productive activities carried out by the owner for pay or profit which are related to that economic unit are considered a single job. This creates a situation where a person who carries out various unrelated activities in different industries and with different skill requirements – for example, a worker who sells goods at a market stall during the day and drives his or her own taxi during the evening – would conceptually be considered to hold a single job if both activities were defined as “informal” and the person were defined as an “independent worker”. These situations are a challenge when the aim is to describe the characteristics of the work relationship, especially where the respondent perceives the various activities as separate jobs.

211. To allow informal independent workers to have multiple informal household unincorporated market enterprises, as currently proposed in the context of the treatment of multiple informal household unincorporated market enterprises, deals with this issue. At the same time the proposal is aligned with the 20th ICLS Resolution concerning statistics on work relationship, that defines one job per economic unit. Conceptually, a person carrying out two different types of activities in two different industries and occupations would be viewed as working for two economic units, i.e. two different informal household unincorporated market enterprises. This separation would only be applicable if relevant and feasible but could for example be useful where the worker perceives the two activities as separate jobs.

212. Employed persons with an informal main job comprise all employed persons with an informal main job where the main job is the job with the longest hours usually worked as defined in the latest international statistical standards on working time. In the absence of information regarding hours usually worked, other information such as income from each job could be used to identify the main job (Para 60).

213. Employed persons with an informal secondary job comprise all employed persons with an informal second job or additional jobs (Para 61).

214. The definition of “informal employment” is currently based on the total number of informal jobs. A person is in informal employment if he or she holds at least one informal job, regardless of whether it is the main, second, third or other job. In practice, however, statistics on informal employment typically consider that the main job is informal, and many countries only publish informal employment data for the main job. SDG Indicator 8.3.1, as well as the publication, Women and Men in the Informal Economy (ILO 2018a), define “informal employment” to mean persons in employment with an informal main job. The reason for this is practical: informal employment is usually measured through household surveys, which typically identify only main and second jobs, and their questions regarding informality are limited to the main job in order to reduce response burden. Although only a few countries take informal second jobs into account, the findings from these countries indicate that the level of informality in second jobs is significant. In Timor-Leste, for example, 90 percent of second jobs and 72 per cent of main jobs were informal (Timor-Leste labour force survey (LFS) 2013). One way to clarify the current situation is to acknowledge the need to allow for the continued conventional practice of publishing informal employment indicators only with regard to the main job but strongly recommend countries to specify this as part of describing the indicators.
215. The main job is the job with the longest hours usually worked and would typically, but not necessarily, generate the highest income. The typical economic dependency on the main job for the worker and the worker's household therefore implies an increased economic risk for the worker if the main job is informal.

216. “Employed persons with informal secondary jobs” includes all employed persons, as defined by 19th ICLS resolution I, who hold one or more informal second or additional jobs. Depending on national context and need, this category can provide an important complement, since some forms of employment may be more prevalent in secondary jobs and would contribute to the comprehensive measurement of all informal jobs within the country. The output variable could be subdivided into second and additional jobs if needed.

8.4. Operational definition of informal and formal jobs for independent workers

217. Independent workers with informal jobs are “independent workers in household market enterprises” who operate and own or co-own an informal household unincorporated market enterprise (Para 66).

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

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

   (b) “independent workers in household market enterprises” who operate and own or co-own a formal economic unit (Para 67).

219. As previously discussed, in the case of independent workers, the definition of “informal jobs” relies on the informal or formal status of the economic unit which they own and work for. The criteria used for the operationally defining informal jobs are therefore the same as those used when establishing the informal or formal status of an economic unit. By definition, independent workers who own and operate an informal household unincorporated market enterprise hold an informal job and those who own a formal economic unit hold a formal job. This link between the definitions of the “informal sector” and “informal jobs” for independent workers is established in the ICLS Guidelines concerning a statistical definition of informal employment (ILO 2003). However, ICSE-18 introduces changes that are relevant to the operational definitions of “formal” and “informal” jobs in the context of independent workers.

220. ICSE-18 uses incorporation as a key criterion for distinguishing between the detailed categories of employers (i.e. employers of corporations and employers in household market enterprises) and independent workers without employees (i.e. owner-operators of corporations without employees and own-account workers in household unincorporated market enterprises without employees). ICSE-18 also uses incorporation as a boundary between the aggregate categories of owner-operators of corporations and independent workers in household unincorporated market enterprises when organized according to type of economic risk (ISCE-18-R). The use of incorporation
as one of the criteria for identifying the detailed categories means that employers in corporations and owner-operators of corporations without employees are, by definition, owner-operators of formal enterprises and hence hold formal jobs. They are therefore excluded from the scope of informal jobs among independent workers.

221. It is also worth noting that ICSE-18 does not require the identification of quasi-corporations and treats their operators as owner-operators of household market enterprises. Thus, it uses the term “household market enterprise” differently from the SNA and its use in the context of informality. In practical terms, this has no real impact; in a household survey based on ICSE-18, the inclusion of a question on incorporation for persons defined as “independent workers” would be necessary. The identification of informal jobs for those workers would then require additional questions targeting workers who do not own and operate an incorporated enterprise in order to identify those who have an informal household market enterprise and thus hold an informal job. The questionnaire’s structure and derivation procedures would closely follow those currently used by most countries except for the fact that incorporation as an active criterion would be useful for both the operational definition of informal/formal jobs and the identification of status in employment.

8.5. Dependent workers and informal jobs

222. Under ICSE-18, dependent workers in employment are employees (including permanent, fixed-term, short-term and casual employees and paid apprentices, trainees, and interns), contributing family workers and dependent contractors. These three groups of workers are all dependent but with essential differences, inherent in their work relationships, which call for the use of different operational criteria in determining whether their jobs are formal or informal. The unifying characteristic is that they do not have decisive authority or control over the economic unit for which they work, yet all of them face a relatively high level of economic risk. This affects the definition of an “informal job” for these categories of status in employment because the definition relies not only on the formal status of the economic unit for which the work is carried out, but also on whether that unit enables effective access to formal arrangements.

8.6. Informal jobs held by dependent contractors

223. Dependent contractors are considered to have informal jobs 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 related to holding the specific job (Para 68).

224. This includes dependent contractors that:

(a) do not own or co-own a formal economic unit and are not registered for tax and thereby do not have a formal status; or

(b) own or co-own a formal economic unit or are registered for tax, and thereby have a formal status but without effective access to formal arrangements intended to reduce the economic risk related to the job (Para 69).
Depending on the national context, effective access to formal arrangements intended to reduce the economic risk for dependent contractors could include measures that protect their own registered company name and their physical and intellectual property, that increase their ability to obtain capital and that provide access to job-related occupational injury insurance, 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 (Para 70).

For operationalization the following should be considered:

(a) In countries where owning and operating a formal enterprise or being registered for tax implies effective access to such arrangements, having a registered enterprise or being registered for tax is sufficient for the job to be considered formal, while not being registered thus defines the job as informal.

(b) In countries where the registration of the enterprise or registration for tax is not directly linked to such measures, registration in and contribution to other voluntary or mandatory statutory social insurance schemes should be used as an additional criterion to ensure that the formal job held by the dependent contractor carries protections aiming at reducing the economic risk holding the specific job. The lack of such protection would thus define the job as informal (Para 71).

“Dependent contractors” is a new category of status in employment that was introduced with ICSE-18. They are on the border between employees and own-account workers in household market enterprises without employees and share characteristics with both: they are workers employed for profit who are dependent on another entity that exercises control over their activities and directly benefits from their work. This dependence may be operational as well as economic (ILO 2018b, para. 35). Dependent contractors are remunerated through commercial transactions, which, together with the fact that they do not have an incorporated enterprise, subjects them to a relatively high level of economic risk. By definition, like other independent workers, they operate under a commercial agreement rather than a contract of employment (formal, informal or implicit). For this reason, they are not recognized as employees by the economic unit on which they depend and are typically responsible for arranging their own social insurance and income tax contributions. However, like employees, they are operationally and/or economically dependent on another entity and have only limited authority to take decisions regarding their activities owing to the control exercised by the entity on which they depend.

Categorization of the sector is an important first step in defining “formal” and “informal” jobs for all workers since carrying out work for a formal enterprise is a precondition for holding a formal job. For other dependent workers, i.e. employees and contributing family workers, categorization of the sector in which they operate is based on the formal status of the economic unit on which they depend. Application of this approach to dependent contractors would, however, be problematic since, by definition, there is no formal relationship other than the commercial agreement between the dependent contractors and the entities on which they depend and these entities do not have, or do not acknowledge, any responsibility other than commercial. This means that there is no clear link between the formal status of the entity (e.g., main-client, intermediary of clients, or single supplier) and that of the dependent contractor. Their commercial relationship with the entities on which they depend calls for different treatment with regard to categorization than in the case of other dependent workers.
Like other independent workers, dependent contractors may or may not have registered their businesses or have a complete set of accounts. Their dependence on another economic entity, which exercises organizational or economic control over their activities, does not necessarily change the legal or administrative status of the production unit. The formal status of the economic units that dependent contractors own and operate is therefore relevant to categorization of their sector since these units could be viewed as formally recognized by the country's legal and administrative system. At the same time, there are dependent contractors for which the worker and the economic unit are, in practice, the same entity. This calls for expanding the notion of an “enterprise” and also recognize the possibility that the activities carried out by the dependent contractor might be formally recognized despite a lack of a registered enterprise, for example when the person is registered in relation to tax on the profits made from the activities. Dependent contractors who own a formal enterprise or are registered as workers for tax purposes are formally recognized by the country's legal and administrative framework and therefore fall into the formal sector. Where this is not the case, there is no formal recognition of the enterprise or the workers, who fall into the informal sector. Thus, categorization of the sector for dependent contractors is detached from the formal status of the economic unit on which they depend. This treatment, which differs from that accorded to other employees and contributing family workers, arises from their unique situation and implies that a dependent contractor who falls into the informal or the formal sector may have a dependent relationship to a formal or an informal economic unit. At the same time, the entity on which the dependent contractor depends may facilitate or ensure the dependent contractor's formal status, for example where dependent contractors are registered through or by the entities on which they depend. For this reason, the formalization process could potentially target the entity engaging the dependent contractor, as is the case with some policy measures targeting digital platforms.

One of the underlying assumptions of this conceptual framework is that formal job requires the formal status of the economic unit. Thus, by definition, persons who carry out work in the informal sector hold informal jobs. Characterizing the jobs held by dependent contractors who fall into the informal sector as informal reflects the fact that for dependent contractors who do not own and operate a formal enterprise and are not registered for tax on the profits, there is no formal recognition of the existence of their jobs or of the activities carried out in that context. The dependent contractor is therefore not embedded in the country's legal and administrative framework and the job is defined as informal.

The next step is the identification of informal and formal jobs held by dependent contractors who fall into the formal sector. As in the case of independent workers, there are arguments that formal recognition of an enterprise implies formal recognition of the job. This is similar to the situation of owner-operators of unincorporated enterprises: registration of an enterprise can be viewed as formal recognition of the economic unit, which in turn formalizes both the unit itself and the job held by the dependent contractor. Another similarity to the situation of independent workers is the fact that having a formal enterprise is accompanied by a degree of coverage under formal arrangements, such as the obligation to pay taxes and keep accounts, the ability to deduct VAT, and protection of the company's name and intellectual property. At the same time, dependent contractors, and particularly those that are registered only for tax purposes, would have little or no coverage under formal arrangements that would reduce their economic risks.
232. An important aspect is therefore to ensure that dependent contractors who hold a formal job enjoy a degree of coverage under formal arrangements that reduce their economic risk. This would, to some extent, be a compensation for that the economic risk to some extent has been transferred to the dependent contractors while their authority has been reduced and for the fact that, pursuant to the commercial agreement between the two parties, these entities have no obligation to provide for such arrangements. This situation is different from that of other dependent workers, particularly employees, whose employers carries the economic risk of their economic unit and are required to ensure their access to formal arrangements that reduce their economic risk.

233. However, the extent to which dependent contractors are covered under formal arrangements varies from one country to another. In some countries, registration entails the mandatory payments of fees, lump sums or contributions to a job-related statutory social insurance scheme. The type of social insurance to which these payments provide access and the level of coverage provided varies, depending on the country, but could include access to benefits such as health insurance, pensions, unemployment insurance and paid sick and/or maternity leave. Benefits under such coverage are typically more limited or at a lower level than those provided to, for example, employees (European Parliament 2013).

234. In other countries, however, there is no direct link between registration and social insurance because having a registered enterprise or registration for tax purposes does not carry the obligation to make social insurance contributions. Instead, there might be the option to contribute to a voluntary social insurance scheme that may or may not require registration of an enterprise or of the profits made. In these countries, coverage of registered dependent contractors under formal arrangements is limited if they choose not to participate in the voluntary scheme. This is particularly true of dependent contractors who are registered only for tax purposes, do not have a registered enterprise and thus do not have access to the (limited) formal arrangements associated with a formal enterprise.

235. These differences between national systems mean that in some countries, registered dependent contractors have coverage under formal arrangements as a consequence of the direct link between registration and mandatory social insurance while in other countries, this is not the case because no such link exists. While dependent contractors with a registered enterprise may, depending on the country, have access to limited formal arrangements such as protection of the company's name, access to capital and the right to deduct VAT, dependent contractors who are registered for tax purposes only have little or no access to these arrangements. The lack of coverage under formal arrangements in countries where there is no link between registration and mandatory contributions to social insurance underlines the need to introduce the additional criterion of registration and voluntary payment of social insurance contributions into the definition of “informal” and “formal” jobs for this group. This would ensure that, like other dependent workers with formal jobs, dependent contractors are not only formally recognized, but also enjoy a degree of protection as a consequence of holding a formal job.

236. Countries should therefore operationalize their definitions in light of their national contexts to ensure similar outcomes. Where there is a direct link between having a registered enterprise or registration for tax purposes and social insurance, the categorization of dependent contractors’ jobs
as falling into the formal sector may be sufficient to conclude that they have access to formal arrangements that reduce their economic risk. In these countries, the criterion of formal status through registration implies access to formal arrangements and the jobs held by dependent contractors are defined as “informal” if the dependent contractors lack formal status and access to the formal arrangements attached to that status. In these countries, no further operational criteria are needed to establish a distinction between informal and formal jobs for dependent contractors.

237. However, in countries where registration and access to formal arrangements that reduce economic risk are not directly linked, the additional criterion of voluntary contributions to social insurance may be needed to ensure that some coverage under formal arrangements follows from holding a formal job. There may also be countries where the additional criterion of voluntary payment of social insurance contributions will only be needed for a subpopulation of dependent contractors, e.g. those registered only for tax purposes. In those countries, the jobs held by these contractors would be defined as “informal” if they do not make voluntary contributions even where they are categorized as falling into the formal sector and thus have formal status.

238. The type of social insurance and the degree of coverage to which dependent contractors have access will vary from one country to another. For this reason, the national context must be assessed in order to decide whether social insurance should be used as an active operational criterion when defining “informal” and “formal” jobs for dependent contractors and, if so, whether the criterion should be applicable to all dependent contractors in the formal sector or to only a subgroup thereof. This will depend on the link between registration of a business and registration for tax purposes and on the type of formal arrangements that accompany one or both of these types of registration. If it is determined that voluntary social insurance contributions are needed to ensure a degree of access to formal arrangements, then the specific type of insurance used in operationalizing the criterion must be adjusted and adapted to the national context.

239. The specific issue of defining “formal” and “informal” jobs for dependent contractors is further discussed and described in the room document, “Integrating dependent contractors in the framework for statistics on the informal economy” (ILO 2023b).

8.7. Formal jobs for dependent contractors

240. Dependent contractors are considered to have formal jobs if they have a formal status in relation to the legal administrative framework of the country and have effective access to formal arrangements aimed at reducing the economic risk related to holding the specific job (Para 72).

241. This includes dependent contractors that:

   a) operate and own or co-own a formal economic unit or are registered for tax; and

   b) have effective access to formal arrangements (Para 73).

242. Being registered for tax implies that the dependent contractor is, on their own account or through the economic unit on which they are dependent, registered for tax in relation to the profits made from the activities carried out in relation to the job. Depending on the national circumstances, this may refer to a register that implies registration of the worker and the activities carried out by the worker and that obliges
the worker to declare the income and expenses related to carrying out the activities for tax purposes as well as any additional obligatory contributions depending on national regulations and laws (Para 74).

243. Dependent contractors who have formal status through a registered enterprise or registration for tax purposes and are covered by formal arrangements that reduce their economic risk are considered to hold formal jobs.

244. However, the link between registration of a business, registration in the context of tax on profits and coverage under social insurance varies from one country to another. This will have an impact on categorization of the sector and on the definition of “formal” and “informal” jobs and will create differences in outcome if not taken into account. In some countries, registration in the context of tax on profits implies automatic inclusion in the national business register, while in others the two registers are, to some extent separate and registration in one does not necessarily imply registration in the other. For example, in one country a sole proprietor who registers for tax purposes may be automatically included in the national business register and receive an official enterprise number while in another country, where the two registers are not directly linked, the same person may be able to register in the national tax register as a sole trader but choose not to register the enterprise in the national business register. In countries where there is a direct link between owning and operating a formal enterprise or registration and coverage under formal arrangements, ownership or registration is sufficient to conclude that dependent contractors have access to formal arrangements and their jobs can thereby be defined as formal. The only criteria needed would therefore be those used in identifying formal economic units and registration in the context of tax on profits.

245. In countries where there is no direct link between formal status and access to formal arrangements for some or all dependent contractors in the formal sector, effective access to formal arrangements must be ensured by applying the additional criterion of voluntary contributions to social insurance as described above with regard to the definition of “informal” jobs for dependent contractors. If dependent contractors in the formal sector contribute to a job-specific social insurance scheme, they would have access to formal arrangements that reduce their economic risk, and their jobs can be considered formal.

246. Operationalization of the criterion of registration for tax purposes should take the country's tax system into account. However, it may be useful to provide general guidelines regarding registration for tax purposes, which typically entails registration not of an enterprise, but of its workers and their activities. If the registration of workers for tax purposes implies registration of the enterprise, then a dependent contractor has a formal enterprise and falls into the formal sector, regardless of whether the other criteria have been met. Because dependent contractors are workers in employment for profit, the payment of their taxes would be in relation to any profits made by the dependent contractor in relation to that specific job. Registration should, to some extent, oblige the dependent contractors to declare their expenses and income from their activities, but typically on a less-detailed level than the accounts that must be kept by incorporated enterprises. Depending on the country context, registration could also entail the required payment of additional contributions, for example to pension funds and insurance schemes.
247. The definition of “formal” and “informal” jobs for dependent contractors is further discussed in the room document, “Integrating dependent contractors in the framework for statistics on the informal economy” (ILO 2023b).

8.8. Informal jobs held by employees

248. Employees are considered to have informal jobs if their employment relationship is not, in practice, formally recognized by the employer in relation to the legal administrative framework of the country and is not effectively covered by formal arrangements such as labour legislation, social protection, income taxation or entitlement to employment benefits (Para 76).

249. Employees with informal jobs include:

(a) permanent employees;

(b) fixed-term employees;

(c) short-term and casual employees; and

(d) paid apprentices, trainees and interns,

who do not have access to effective formal arrangements such as statutory social insurance, access to paid annual leave and paid sick leave (Para 77).

250. The formal or informal nature of an employee's job depends on whether the employer formally and effectively recognizes the job and, in practice, provides the employee with effective access to and coverage under formal arrangements, i.e. the regulations and mechanisms that give rise to a degree of protection for employees and to obligations for employers. Labour laws ensure employees' health, safety, and welfare by regulating working time, wages and required safety measures and various forms of social insurance and employment benefits reduce the impact of external shocks such as illness, injury and old age. However, the implementation of these mechanisms requires formally recognizing the employee's job in the context of the county's legal and administrative framework and ensuring in practice that such recognition entails effective access to those protections. Where this is not the case – where an employee's job is not formally recognized or the employee does not have an effective access to formal arrangements – the job is considered informal.

251. Like all informal productive activities, informal jobs held by employees may be informal owing to a lack of legal or effective coverage under formal arrangements. “Lack of legal coverage” includes situations in which a country's labour laws and regulations include exemptions based on employment relationships with certain characteristics, for example where a job is of short duration or casual; number of hours worked; or wages that fall below a certain threshold. “Lack of effective coverage” includes situations in which employees are legally required to be covered by formal arrangements but, in practice, are denied such coverage by their employer, for example owing to a lack of enforcement in the country or because their work is undeclared. As with all informal productive activities, the reason that a given employee lacks access to formal arrangements has no
impact on the statistical definition of “formal” or “informal” jobs since the employees are in a similar situation, regardless of whether they lack coverage in law or in practice.

252. The term “employees who hold informal jobs” is not limited to any specific category of employees; permanent, fixed-term, short-term and casual employees and paid apprentices, trainees, and interns as defined in ICSE-18 can all hold an informal or a formal job. Informality and formality do not directly depend on the category of status in employment, but rather on whether the specific job is, in practice, covered by the country's formal arrangements.

8.8.1. Operational criteria for defining informal jobs for employees

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

(a) When operationalizing this criterion, countries should take the national context and social security laws into account as well as the requirements set out in paragraph 81. The operationalization should be based on one or more specific statutory social insurance schemes.

(b) Typically, the employer's contribution to a pension fund on behalf of the employee would be relevant for operational identification. Other types of insurance, such as occupational injury insurance, health insurance or unemployment insurance, could also be of relevance, depending on the national context (Para 78).

254. Additional characteristics that may be relevant for the statistical identification of informal jobs held by employees are a lack of access to paid annual leave or a lack of access to paid sick leave.

(a) Access to paid annual leave is the employee's entitlement and ability to take paid time off granted by the employer or to be compensated for unused annual leave. The number of days granted by the employer may vary between countries and also within the same country (for instance, between different industries and occupations), depending on national labour laws and regulations. It is not sufficient to have a legal right to paid annual leave if the worker does not have access to it in practice.

(b) Access to paid sick leave is the employee's entitlement and ability to take paid sick from employment due to personal sickness or injury. The number of days for which the worker can receive payment during sickness or injury may vary between countries and also within the same country (for instance, between different industries and occupations), depending on national labour laws and regulations. It is not sufficient to have a legal right to paid sick leave if the worker does not have access to it in practice (Para 79).

255. Depending on the national circumstances, additional characteristics such as the non-existence of a written contract, the non-deduction of income tax by the employer and the lack of access to severance...
pay, advanced notice of dismissal, maternity leave, paternity leave or parental leave might be relevant to support the definition of informal jobs held by employees (Para 80).

8.8.1.1. Employer contributions to social insurance

Employer contributions to statutory social insurance are the main criterion used by countries to operationalize the definition of “informal employment” among employees (ILO 2023d). This criterion clearly captures the issue of whether the job is, in practice, formally recognized and whether the employees can be expected to have effective access to formal arrangements. The act by the employer of making contributions indicates that recognition is accorded not only in law, but also in practice. Failure to make such contributions is therefore a defining characteristic of informal jobs held by employees, whereas jobs for which such contributions are made are formal in nature.

Operationalization of this criterion must take the national context into account. In many countries, contributions to pension funds would be a relevant operationalization of the criterion in many countries. Pension schemes are established in most countries in the world, in contrast, for example, to unemployment benefits. The legal exclusion of certain types of workers from these schemes is less frequent than for other types of benefit and, with a few exceptions, is mainly based on social insurance principles and involves contributions from both employers and employees. By contrast, health insurance is covered by public health services and is fully State-financed in a significant number of countries. Even where job-related health insurance is in place, contributions may be fully subsidized by the State for certain categories of employees with no obligation imposed on employers (ILO 2017). In many countries, unemployment benefits are not offered or are limited to certain categories of workers, for example where legal exclusion is based on the enterprise’s size, the workers’ level of remuneration, the duration of employment or the sector. The use of unemployment benefits as a basis for operationalization is therefore typically less feasible in most countries. However, the type of social insurance scheme used for operational measurement, including old age, occupational injury, health or unemployment insurance, is less important when defining “formal” and “informal” jobs, so long as operationalization is effective and job-specific in the context of the country’s legal and administrative system or, if voluntary, implies registration of the economic unit and the employee. Countries therefore need the flexibility to take their national contexts into account in operationalizing this criterion.

8.8.1.2. Access to paid sick and annual leave

Based on country practice (ILO 2023d), it appears that most countries use access to paid annual and sick leave in combination with employer contributions to social insurance. These two criteria are typically incorporated into a country’s legal and regulatory system and can serve as an indication of whether a job is formally recognized and thus subject, in law and in practice, to labour laws and regulations. Countries typically ask whether an employee has access to paid annual and sick leave rather than asking about the number of paid days. The two criteria are defined as cross-cutting variables in the 20th ICLS resolution, concerning statistics on work relationships (ILO, 2018b) and the identification of informal jobs held by employees can be based on the definitions of the two criteria established therein.
8.8.1.3. Additional national characteristics

259. An assessment of country practices, shows that several countries use additional national criteria, and particularly the existence of a written contract, when operationalizing the definition of “informal” jobs held by employees (ILO 2023d). There is, however, some ambiguity in this criterion since a written contract may be a precondition for obtaining effective access to formal arrangements without being sufficient to ensure such access. Thus, even where the absence of a written contract indicates informality, the opposite may not be true; not all contracts guarantee effective coverage under labour laws and social protection schemes and lack of enforcement may lessen the contract’s value. There are also situations in which employees do not have written employment contracts because their conditions of employment are automatically governed by collective agreements or national labour laws. Nevertheless, the criterion may be used in combination with employer contributions to social insurance and paid annual and sick leave to further support the operationalization of informal and formal jobs for employees.

260. Other additional characteristics, such as whether income from a job is subject to income taxation, access to maternity leave and, more specifically, whether workers receive a “thirteenth month” bonus may also be relevant to the operational definition of “informal” jobs. The payment of income tax (whether through payroll deductions by the employer, direct payments to the tax authorities or declaration for tax purposes) and employees' access to maternity leave or other benefits are an indication that the job is formal. A review of country practices suggests that the use of these additional characteristics in determining the informal and formal status of jobs held by employees is relatively rare and that they are almost never used except in combination with at least one of the other criteria (employer contributions to social insurance or paid annual and sick leave). However, depending on the national context it may still be useful to combine them with the three main criteria where insufficient information is available (for example, in the case of numerous “don't know” responses to household surveys).

8.8.1.4. Further recommendations for countries’ adaptation of the criteria

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

(a) **Job specific:** The criterion used must be dependent on holding a particular job and not universal.

(b) **In relation to the legal administrative framework of the country:** Meeting the criterion should reflect a formal recognition of the job by the employer in relation to the legal administrative system of the country and imply that both the economic unit and the job held by the employee can be considered formal in relation to the legal administrative system of the country.

(c) **Capture the situation in practice:** The operationalization of a given criterion should, to the extent possible, reflect that the employer in practice fulfils a given obligation (Para 81).
262. Although a set of main criteria for defining “informal” jobs held by employees can be identified, there is a need for guiding principles that allow countries to decide how they should be operationalized at the national level. Countries should assess the relevance of the various criteria, the need for further operationalization of a given criterion (particularly in the case of employer contributions to social insurance) and the usefulness of additional characteristics in light of their specific context. The three requirements of being job specific, reflecting that the criterion is in relation to the countries legal and administrative system of the country and that it should capture the situation in practice, capture the underlying intention behind the definition of “informal” and “formal” jobs held by employees. A criterion that does not meet these requirements will not be efficient in indicating whether the job held by an employee is informal and should therefore not be used.

263. **Job specific:** The criteria need to be linked to holding a specific job. A criterion that is not directly linked to a specific job for example, a universal non-contributory social protection scheme, cannot be used to determine whether a specific job is effectively formally recognized.

264. **In relation to the legal administrative framework of the country:** A given criterion needs to capture whether the employer formally and effectively recognizes a given job in relation to the legal administrative framework of the country. For example, voluntary payment in the case of sickness only captures the relationship between the employer and the employee but does not necessarily capture the dimension of whether that relationship is formally and effectively recognized in relation to the authorities and whether the employee effectively has access to formal arrangements. However, there might be situations in which voluntary contribution could be considered a valid criterion if the act of the employer making the voluntary contributions imply that the economic unit and the job are formal. For example, when voluntary contributions by the employer to social insurance implies that the enterprise and the employee is registered in a manner that includes obligations as well as benefits.

265. **Capture the situation in practice:** It is not sufficient to use a criterion that only reflects the legal situation of the employee. A situation where an employee is covered by law but not covered in practice would still leave the employee in the same situation as if she or he were not covered by law. As part of operationalizing the criteria this aspect might be challenging to ensure. However, some measures can be taken to ensure that to the extent possible it is considered, for example in relation to questionnaire design, as part of the discussion of whether additional characteristics should be used, and how the criteria should be combined.

8.8.1.5. **Combining the operational criteria**

266. An assessment of national practice in operationalizing the definition of “informal” jobs held by employees shows that countries have a strong preference for use of the same set of criteria: employer contributions to social insurance, in combination with the existence of a written contract and paid annual and sick leave. However, they are divided in their approach used for combining these criteria and there is no clear preference. The strict approach (all criteria must apply for the job to be defined as “formal”) is the most prevalent, closely followed by the moderate approach (different combinations, giving one main criterion priority over the others). However, some
countries also use the weak approach (it is sufficient that one of the criteria be met for the job to be defined as “formal”) (ILO 2023d). These approaches might to some extent reflect different country contexts where in some countries fulfilling one of the criteria would be sufficient to define the job as formal while in others multiple criteria are necessary. However, it also reflects slightly different views on how an informal job for employees should be conceptually understood, i.e. whether a high level of protection is needed or whether recognition of a job is sufficient for it to be defined as formal, even if the resulting protection is limited in scope.

267. The different approaches followed in combining the criteria for defining “formal” and “informal” jobs held by employees has an impact on the share of employees with formal and informal jobs, respectively. This impact varies between countries depending on the correlation between the criteria used, but it can be significant (ILO 2023d). It also poses a challenge to harmonization at the international level and makes it difficult to provide global and regional estimates.

268. The proposed operational definition of “informal” jobs held by employees does not specify the combination of criteria that countries should use. It does, however, establish a hierarchy of criteria and make stronger recommendations as to how to combine them than those contained in the 17th ICLS guidelines concerning a statistical definition of informal employment. Jobs held by employees whose employers make social insurance contributions are defined as “formal” while an employer’s failure to pay these contributions is an absolute criterion for informal jobs. Access to paid annual leave and to sick leave are recommended, but not absolute, criteria for defining “informal” jobs. This approach creates a degree of flexibility, allowing countries to take their national contexts into account while ensuring a greater degree of harmonization as compared to the current situation. In countries where the absence of employer contributions to statutory social insurance is a strong indication that an employee’s job is informal, this can be used as the defining criterion. In these countries, access to paid annual and sick leave can be useful in household surveys where a respondent does not know whether those contributions are made or refuses to answer. In countries where the social protection system is, to a large extent, based on universal protection or where voluntary contributions or a social insurance system are non-existent, access to both paid annual leave and to sick leave can be used as the main criteria for defining a job as formal, either as part of the main criteria or as an alternative approach to deal with “don’t knows” and refusals. In any case, countries should include these criteria in their measurements. If they are used in defining “formal” and “informal” employment, both conditions (i.e. the two criteria) need to be met in order for a job to be considered formal, hence the and statement. Where no social insurance contributions are made by the employer and the employees have access to paid sick leave or paid annual leave but not both, the job is considered informal. Thus, the weak formality approach, where it is sufficient that one of the (three) criteria applies for a job to be formal, is not consistent with the new definition. This change is made because access to, for example, paid annual leave alone is not a strong indication of formality under many national legal and administrative frameworks; it may be the result of an ad hoc agreement between the employer and the employee that is not directly linked to the country’s legal and administrative framework.

269. Additional characteristics may also be useful in some countries, depending on the national context and on the need to further support the operational definition.
270. This soft, moderate approach builds on the common ground between countries. It aims to strike a balance between the need for flexibility in adapting the operational definition of “informal” jobs held by employees while, at the same time, increasing the level of harmonization between countries and ensuring that they include the same set of criteria in their measurements. This will facilitate the preparation of global and regional estimates and of a harmonized series for informal employment.

8.8.1.6. Clarification that all types of activities are included

271. Employees holding an informal job can carry out activities in any type of industry, in any place of work for any type of economic unit (formal, informal or a household producing for own final use) (Para 82).

272. Employees who hold an informal job are not limited to a certain kind of production and can engage in all kinds of productive activities. The work may take place both in and outside the employer’s premises (some outworkers), in the employees’ own homes (some home-based workers) or in the employer’s home (some domestic workers). This factor does not, as such, influence the formal or informal status of the job. Similarly, the definition of “employees holding an informal job” does not rely on the type of economic unit; they may work for an economic unit in the formal sector, such as a government institution, a corporation or a formal household market enterprise; in the informal sector, for an informal household market enterprise; or in the HOC sector, for example as a domestic worker.

8.9. Formal jobs held by employees

273. Employees are considered to have formal jobs if their employment relationship is, in practice, formally recognized by the employer in relation to the legal administrative framework of the country and associated with effective access to formal arrangements such as labour legislation, social protection, income taxation or entitlement to employment benefits (Para 83).

274. “Employer’s contributions to statutory social insurance” on behalf of the employee, as defined in paragraph 78, characterize the job held by the employee as formal (Para 84).

275. Additional characteristics that may be relevant for the statistical identification of formal jobs held by employees are access to paid annual leave and access to paid sick leave (Para 85).

276. Depending on the national circumstances, additional characteristics such as the deduction of income tax by the employer on behalf of the employee, eligibility for severance pay, advanced notice of dismissal and access to maternity leave, paternity leave or parental leave might be relevant to support the definition of formal jobs held by employees (Para 86).

277. An employee holding a formal job by definition carries out work for a formal economic unit, unless the employer is a household in the household own-use and community sector (Para 87).

278. Like all other categories of workers in employment, countries should ensure that formal jobs and informal jobs held by employees are mutually exclusive categories. The same set of criteria should therefore be applied to define jobs as formal and informal. Irrespective of any national adaptation of the operational definition, it is recommended to include employer’s contribution to statutory social insurance, access to paid annual leave and paid sick leave to enable an assessment of the coverage of formal
arrangements for employees holding informal and formal jobs and for facilitate the creation of regional and global estimates (Para 88).

279. The operational definition of “formal jobs held by employees” includes jobs that are formally and effectively recognized by the employer and carry effective coverage under formal arrangements. It therefore mirrors the definition of “informal jobs” and creates two mutually exclusive categories.

280. To that end, operationalization of the criteria should follow the definitions and recommendations applicable to the definition of “informal” jobs. Employer contributions to social insurance are a key criterion for identifying formal jobs held by employees; employer contributions to a job-dependent social insurance scheme on their behalf suggest that they have effective access to formal arrangements and that their jobs should be defined as “formal”.

281. As with the definition of informal jobs held by employees, information regarding access to paid annual leave and sick leave may be relevant. Such access can be viewed as an indication that the employer formally recognizes the employment relationship and that the employees are covered by formal arrangements, not only in law, but also in practice. In some countries, there may be arguments for the use of additional criteria, in combination with the three main criteria, to further support the definition of “formal” jobs, for example where there is insufficient information regarding the main criteria. However, countries should be encouraged to include the three main criteria to facilitate the preparation of regional and global estimates.

282. It is important to ensure that informal and formal jobs are mutually exclusive categories, particularly if additional national criteria are used. The criteria for defining “informal” jobs will therefore influence those used in defining “formal” jobs and vice versa.

283. It is also important to note that, under the aforementioned definition of “formal economic units”, where an employee’s job is defined as formal the economic unit is, by default, also formal. This has both conceptual and practical consequences as the criteria used to define the “formal” or “informal” status of a job may, in some situations, determine the informal or formal status of the economic unit. This is, however, only the case where the employee is defined as holding a “formal” job.

8.10. Contributing family workers

284. In countries where formal arrangements, such as the possibility to register and contribute to job-related statutory social insurance, are not available for contributing family workers, such workers can be considered to have informal jobs by default (Para 89).

285. In countries that have such formal arrangements in place for contributing family workers these workers can be considered having:

(a) Informal jobs if their job is not, in practice, formally recognized in relation to the legal administrative framework. This includes contributing family workers who:

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

(b) Formal jobs if:

(i) the economic unit for which the work is formal; and

(ii) the job is registered in relation to the legal administrative framework of the country; and

(iii) contributions are made to a job-related statutory social insurance scheme (Para 90).

286. Registration of the job held by the contributing family worker and contribution to a job-related statutory social insurance scheme implies that the worker is employed formally in that job. The type of statutory social insurance relevant for operationalizing the criterion depends on the national context but would include mandatory or voluntary statutory social insurances such as a pension fund if this implies a formal status of the worker (Para 91).

287. According to the current definition of “informal employment” under the ICLS Guidelines concerning statistical definition of informal employment (ILO, 2003), contributing family workers, by definition, hold informal jobs. This rests on the argument that these workers typically do not have an explicit contract regulating their work and that their employment is not usually subject to labour legislation and is therefore not effectively covered by labour laws, social security regulations and so on.

288. ICSE-18, as such, has no impact on this approach. Instead, it could be argued that it further strengthens the argument by providing clearer boundaries for the definition of “contributing family workers”. The distinction between these workers and independent workers is clarified by the explicit statement that contributing family workers “do not make the most important decisions affecting the enterprise or have responsibility for it” (ILO 2018b, para. 57). They are not operators or, in a wider sense, owners of the enterprise. The reinforcement of the boundary between independent workers and contributing family workers will likely lead to the reclassification of some people who were previously defined as contributing family workers and who, depending on the informal or formal status of the enterprise, may now be defined as holding formal jobs. A stronger boundary between independent workers, dependent contractors and contributing family workers also reinforces the notion that the criteria used to define “informal” jobs in the case of independent workers are not relevant to contributing family workers.

289. The definition provided by ICSE-18 also clarifies the boundary between employees and contributing family workers by stating that “they do not receive regular payments, such as a wage or salary, in return for the work performed.” (ILO 2018b, para. 57). This is not a conceptual change from the previous definition in ICSE-93, but it highlights the fact that contributing family workers do not have an agreement or contract of employment. A wage or salary is an indication that the worker has an employment agreement and should be considered an employee. The criteria used to define “informal” jobs among employees, e.g. access to paid annual or sick leave, are therefore not relevant.
Many countries do not have formal arrangements in place for contributing family workers and they would not be subject to labour legislation and social security regulations. The status in employment category of contributing family workers thereby defines their jobs as “informal” as they would not be registered nor have access to formal arrangements because these mechanisms are not options for them. In these countries, which account for the vast majority of national systems, jobs held by contributing family workers are necessarily informal and the current approach – defining these workers as “informal” by default – can be retained.

At the same time, some countries have specific formal arrangements for all or some contributing family workers. For example, in Poland and Ecuador those engaged in agricultural activities can register and contribute to social and health insurance schemes that entitle them to a degree of protection in the event of an occupational accident or illness and, later, to a pension. In Denmark, a contributing family worker can formally register a job in an enterprise owned by a family member and thus gain access to social insurance and paid sick and maternity leave. These are examples of situations in which jobs held by these workers can be considered formal through registration and a resulting degree of protection and coverage. Allowing for the definition of jobs held by contributing family workers as “formal” under these circumstances would facilitate monitoring of the outreach and impact of such arrangements and strengthen the policy focus on this group. It would also have important gender implications. Recent ILO pilot studies (of 8 countries) showed that while contributing family worker was a transitory status for young males, it was ultimately a more persistent status among females and its prevalence among them increased with age, particularly in rural areas (Discenza and Walsh 2020). This situation creates a major gender gap in social security, both during working life and at the time of retirement. Contributing family workers are often in a highly vulnerable situation; they do not receive regular payments and typically lack any form of protection. An important policy objective is therefore to shift their employment status to that of independent workers, where they would be co-owners of an enterprise and take part in essential decision-making, or of employee, where they would receive a wage or salary for their work. A complementary policy objective could be to improve the situation of contributing family workers by implementing measures that increase their protection. The possibility that these workers could hold formal jobs, in countries where such measures exist, can be viewed as a policy objective beyond that of shifting their employment status. From a statistical point of view, allowing them to hold formal jobs enables the provision of statistics that highlight the transition from informal to formal jobs and from contributing family worker to employee or independent worker status, whether their jobs are formal or informal. This will decrease their vulnerability and may increase the attention paid to this category of workers.

In countries where allowing contributing family workers to hold formal jobs might be envisaged, a precondition should be the formal status of the business for which the work is carried out. As with other workers in employment, it would be difficult to imagine a situation in which a worker could be considered to hold a formal job while carrying out work for an informal household market enterprise owned and operated by a family or household member.

Registration of a job held by a contributing family worker, in combination with contributions to a statutory job-related social insurance scheme, ensures that the formal jobs held by these workers...
are recognized (i.e. registered) under the country’s legal and administrative framework and that there is effective access to the formal arrangements (i.e. social insurance) that accompany formal jobs. In such cases, these workers’ jobs could be considered formal. As with other statuses in employment for which this criterion is used to define “informal” and “formal” jobs, it is essential that the social insurance used in operationalizing the criterion is statutory in nature; in other words, it must be grounded in the national legislation regulating the national social protection system and be linked to holding a specific job. Universal tax-financed social protection and private non-job-related insurance schemes should be excluded as they do not reflect job-related coverage under formal arrangements in the context of the country’s legal and administrative framework.

8.11. Persons in formal employment carrying out partly informal activities

294. Depending on the national context and need, countries may identify the number of persons with formal jobs carrying out partly informal productive activities and hours spent on or earnings received from paid informal activities in relation to formal jobs (Para 92).

295. This would complement data on persons in informal employment and provide input to the SNA for a more comprehensive measurement of informal productive activities in the informal market economy (Para 93).

296. Partly informal paid activities include activities in relation to formal employment carried out by:
   (a) employees where part of the paid hours or tasks carried out in relation to the formal job are not covered by formal arrangements, for example when earnings and hours worked are not declared for taxation or mandatory job-related social contributions.
   (b) independent workers and dependent contractors where part of the activities carried out in relation to the formal job are not covered by formal arrangements, for example when income is not declared for taxation (Para 94).

297. Statistics on partly informal paid activities in formal jobs can include estimates of the number of paid working hours in formal jobs and related earnings and income for both formal and informal activities (Para 95).

298. Depending on the national context and need, statistics on paid informal activities in relation to formal jobs should be complemented with estimates on unpaid hours for employees whose remuneration is directly dependent on the number of hours worked (Para 96).

299. Activities carried out in the context of formal jobs would in general be considered formal productive activities. However, depending on the national context, it may be statistically relevant to identify persons who carry out partly informal paid productive activities in the context of formal jobs. This would include formal jobs in which some, but not all, of the paid work performed by the worker is covered by formal arrangements. For employees it could for example be a situation in which the employee might be paid to work ten formal hours per week for a formal enterprise but have an agreement with the same employer to work ten additional paid undeclared hours for which
no social contributions were made or, in the event of illness, not compensated for. An employee in this type of situation would, to some extent, share characteristics with informal employees and the protection that follows from holding a formal job would be more limited as compared with a situation in which all of the tasks and duties carried out by the employee are considered formal and thus covered by formal arrangements. In the case of independent workers and dependent contractors, this could include, for example, a situation where the owner-operator of a formal enterprise (an employer or an independent worker without employees) carries out work to produce goods or provide services and where some of the activities are declared while others are undeclared.

300. The separation between informal and formal productive activities among persons in formal employment could use either working hours or income as a reference unit. This would allow a separation between paid working hours spent on informal versus formal tasks and duties or between income received from formal versus informal activities in the context of a formal job.

301. Depending on the national context and on the country’s needs, it could also be useful to take into account unpaid hours worked by employees whose remuneration is directly dependent on the actual number of hours worked. This could include situations where an employee is paid by the hour but carries out additional uncompensated work for the same employer. An estimation of the number of unpaid hours worked by employees directly remunerated by the hour could serve as a complement to the estimate of partly informal paid activities.

302. The identification for statistical purposes of partly informal productive activities in the context of a formal job as a complement to the concepts of informal employment and jobs, should not be included in the job-based concept of informal employment, which is directly linked to the status of a job. Rather, it can be viewed as an identification of informal activity in, or in the context of, formal employment and jobs. Partly informal productive activities are of interest in countries where the share of informal employment is relatively low, but the proportion of partly informal productive activities in the context of formal jobs is significant. An estimate of working time spent on, or income received from, informal and formal activities, respectively, in the context of a formal job would also provide useful input to the SNA with a view to the comprehensive measurement of all informal productive activities.

303. More work on the statistical measurement of partly paid informal productive activities in the context of formal jobs is needed. This could be a future development based on countries’ experience with direct measurement through, for example a labour force survey or other survey and with various indirect methods of estimating undeclared work.

8.12. Treatment of specific cases

304. While all jobs can be defined conceptually as “formal” or “informal” based on the definitions and criteria provided by the draft resolution concerning statistics on the informal economy, there may be complex situations, such as multi-party work relationships, or new emerging phenomena, such as digital platform employment, that are challenging to define operationally. Regardless of the specific job, however, the starting point of a statistical definition of its “formal” or “informal” status
is correct identification of its status in employment category under ICSE-18, after which the criteria to use in determining whether the job is informal or formal will follow.

8.12.1. Agency workers and outsourced service providers

305. The 20th ICLS resolution defines agency workers as workers who “are supplied by an agency to work for another enterprise under the supervision of the user enterprise” (ILO, 2018b, paragraph 114), for example, where a nurse has an agreement with an employment agency to perform work for a hospital while one of its employees is on parental leave. Agency workers are considered to be in multi-party work relationships as there are multiple parties involved: the employer engages the employee to provide work for a client, which supervises the employee. In the above example, the agency has an employment agreement with the nurse and is therefore the nurse's employer. The hospital is the agency's client and although it supervises the nurse, they do not have an employer-employee relationship; rather, the hospital has a commercial agreement with the agency, which it pays for providing the service. The work relationship, i.e. the job, is therefore the relationship between the agency and the nurse.

306. Like agency workers, employees who provide outsourced services are employees in multi-party work relationships. This includes situations where an employee is engaged by an enterprise, such as a cleaning or security service provider, to deliver services that the employer has contracted to provide to a client. The job held by an employee who provides outsourced services is the relationship between the employee and the enterprise that engaged the employee to provide the service. The client, on whose premises the work might be carried out and who might partially supervise the work, has only a commercial relationship with the enterprise that is providing the service.

307. The distinction between agency workers and employees providing outsourced services is not, as such, important from the point of view of defining the “formal” or “informal status” of the job. Both have multiparty relationships, and their jobs are defined in relation to their employer, namely the agency or enterprise that has engaged them to provide a service to its clients. Whether the work is carried out on the premises of the client and under full or partial supervision does not change the fact that the job relationship is between the employee and the employer, i.e. the agency or enterprise that has contracted to provide the service to the client.

308. Thus, the formal or informal status of an agency or enterprise that has contracted to provide a service to a client determines whether the employee is categorized as falling into the formal or the informal sector and the formal status of the client that receives has no impact on categorization of that sector. The formal or informal status of the job is also determined in the context of the economic unit which has engaged the employee and is therefore the employer. Where the employer, i.e. the agency or enterprise that has contracted to provide the service, meets the criteria for formal jobs held by employees, for example by making social insurance contributions on their behalf and granting them paid annual leave and other benefits, then the employees’ jobs are considered formal. Where this is not the case, the jobs are informal. Like the categorization of the sector, the client that receives the service, has no impact on the definition of “formal” and “informal” jobs for employees who have a commercial agreement with their employer.
8.12.2. Digital platform employment

309. While the prevalence of digital platform employment is still relatively low in many countries, the number of platforms has increased significantly over the past few decades. Digital platforms are a global phenomenon that has penetrated almost all industries and reflects a number of different business models. This has created a highly diverse landscape of digital platforms and digital platform employment (ILO 2021b).

310. From a statistical perspective, digital platform employment is a new area that requires further conceptual and methodological work. The Handbook on Measuring Digital Platform Employment and Work (OECD, ILO and Eurostat 2023) provides a starting point for a framework that is aligned with international statistical labour standards and includes recommendations on how to measure this type of employment.

311. Digital platform employment is a cross-cutting dimension of the labour market that is found in different types of industries and occupations and is performed by people with different categories of status in employment. The common factor is that the employment activities are carried out on or through a digital platform (OECD et al. 2023). As these workers can have a variety of statuses in employment, the starting point for defining “formal” and “informal” jobs is to determine the status in employment category of the job under ISCE-18. Once this category has been identified, the criteria to be used in defining the “informal” or “formal” status of the job and for categorizing them in respectively “informal” or “formal sector, follows.

312. The Handbook distinguishes between external and internal digital platform employment. The former refers to independent workers and dependent contractors who carry out work on or through a digital platform and the latter to employees of the digital platform that carries out work on or through the platform. As with all types of job, the status in employment category of a job held by persons who carry out digital platform employment determines the specific criteria to be used in determining its informal or formal status and sector. The approach is therefore the same as that used for workers engaged in all other types of employment.

313. Independent workers, for example own-account workers carrying out digital platform employment, have a commercial agreement to provide work on or through a digital platform and a sufficient degree of operational and economical control over their activities and the economic units that they operate. For independent workers engaged in digital platform employment, the informal or formal status of the job depends on that of their own economic unit. Where the unit is registered and keeps a complete set of accounts for tax purposes, the economic unit is formal, and the independent workers fall into the formal sector and have formal jobs. Where this is not the case, the workers fall into the informal sector and hold informal jobs.

314. Like independent workers, dependent contractors have a commercial agreement with the digital platform but have reduced authority owing to its operational and economic dependence. The platform controls essential aspects of the work such as access to clients; sets the price for the services or goods delivered; controls the organization; and evaluates the work. Dependent contractors fall into the formal sector and hold formal jobs if they have a formal enterprise or are
registered for tax purposes, either by the digital platform or of their own volition and have access to formal arrangements such as social protection, either by registration or through voluntary contributions. Registration for tax purposes and contributions to social insurance may be handled directly by the dependent contractor or facilitated by the digital platform, for example where the platform ensures that the providers of services or goods are registered for tax purposes and that social protection contributions are paid through deductions from payments received through the digital platform. Dependent contractors who have no access to formal arrangements hold informal jobs in the formal sector while those who do not have a formal enterprise and are not registered for tax purposes fall into the informal sector and, by default, hold informal jobs.

315. Employees have a contract of employment with the digital platform, which is therefore the employer. Those who carry out work on or through this platform are considered internal digital platform workers because they have been “internalized” into the economic unit that owns and controls the platform. There is an important distinction between employees who carry out digital platform employment and those that that are engaged by the economic unit that owns a platform in order to provide work that does not take place directly on or through that platform. For example, a programmer who develops a digital platform and an employee in the human resources department of the company that owns that platform are employees of the economic unit but are not engaged in digital platform employment. Employees of an enterprise that owns a digital platform who carry out work on or through that platform fall into the informal or the formal sector, depending on the informal or formal status of the economic unit that owns the platform. As with all employees, jobs held by employees who carry out digital platform employment are considered formal where the employee has effective access to formal arrangements such as social protection and employment benefits; where not is not the case, the jobs are considered informal. The same operational criteria used in defining “formal” and “informal” jobs for all employees should therefore also be applied to employees in digital platform employment.

316. Although digital platform employment can be dealt conceptually in the same way as all forms of employment when identifying the informal or formal status of the sector and the job, there are several practical challenges. It may comprise short (a few hours) tasks; the provider of the services or goods may use multiple digital platforms; the work may be carried out across national borders; and it may constitute the employee’s second or even third job. These challenges must be addressed in order to improve the conceptual and methodological basis for the measurement of digital platform work and employment but do however, not as such impact on how to treat digital platform employment in relation to determine its formal or informal status.

8.12.3. Day labourers

317. Day labourers are not defined in the 20th ICLS resolution but can be characterized as workers with employment agreements of very short duration, often on a day-to-day basis or for only a few days, with variable employers. They may wait on street corners or parking lots in the hope of being hired and carry out a variety of activities such as construction, moving, demolition and short-term agricultural work. They may be paid by the piece or the hour, typically at the end of the day. When
the tasks have been completed or the agreed time worked, the employment relationship terminates and there is no guarantee of further work.

318. From the point of view of ICSE-18, day labourers can be considered employees with very short agreements of employment who might hold multiple consecutively jobs within a short period of time. Each of these jobs can theoretically be defined as either “formal” or “informal” and may be categorized as falling into the informal, the formal or the HOC sector. However, as the measurement of informal and formal jobs is typically restricted to the main job, categorization of the sector and identification of a job’s formality status will depend on the job relationship during the reference period in which the day labourer has worked the most hours or received the most income.

8.12.4. Cooperatives

319. Members of producers’ cooperatives are no longer recognized as a separate category under ISCE-18. However, the status in employment categories established therein can be applied to people who carry out work in the context of cooperatives. The ILO Guidelines concerning Statistics of Cooperatives (ILO 2018c) identify four types of cooperatives – producer cooperatives, worker cooperatives, consumer/user cooperatives and multi-stakeholder cooperatives. These different cooperatives consist of three types of members – producer-members, consumer-members and worker-members (ILO 2018, Diagram 1.) – which can potentially have different work relationships with the cooperatives:

i. Producer-members are members of producer cooperatives and owner-operators of their own enterprises. They are therefore typically defined as “independent workers” under ICSE-18 (ILO 2020, para. 358).

ii. Consumer-members may be engaged as employees in their own cooperative (ILO 2020, para. 359).

iii. Worker-members of cooperatives carry out work in a cooperative that they jointly own. While they have a vote in key decisions and during the election of board members, this vote is not decisive since each member is entitled to a single vote. They are therefore classified as dependent workers. If they receive a wage or a salary, they are considered employees of the cooperative; if paid in profit or surplus or on a fee-per-service basis, they are considered dependent contractors (ILO 2020, para. 361).

320. Once the ICSE-18 category has been identified, assignment to the informal or formal sector and the formality status of the job follow from the specific status in employment category. Independent workers who are producer-members of a cooperative fall into the formal sector and hold formal jobs if their enterprises have formal status, for example, through incorporation or registration or by keeping a complete set of accounts for tax purposes. Where an enterprise that is owned and operated by an independent worker does not have formal status, the worker holds an informal job and falls into the informal sector.

321. Employees who are consumer-members or worker-members of a cooperative fall into the informal or the formal sector depending on the formality status of the cooperative. If the
cooperative has formal status, the employees fall into the formal sector; if not, they fall into the informal sector. The formality status of a job depends on whether a formal cooperative ensures that its employees have effective access to formal arrangements such as social protection and employment benefits.

322. Dependent contractors who are worker-members of a cooperative fall into the formal sector if they own and operate a formal economic unit or are registered for tax purposes; if not, they fall into the informal sector regardless of the formality status of the cooperative. In the case of dependent contractors categorized as falling into the formal sector, the formality status of a job depends on whether the contractor has access to formal arrangements. If so, the contractor holds a formal job; if not, he or she holds an informal job in the formal sector. Dependent contractors who fall into the informal sector hold informal jobs by default.
9. Informal productive activities and forms of work other than employment

323. The 19th ICLS resolution I define own-use production work, unpaid trainee work, volunteer work and a category of other work activities as different forms of work in addition to employment. Some of these productive activities lie within the SNA production boundary and therefore, at least conceptually, forms part of informal employment as defined by the 17th ICLS Guidelines concerning a statistical definition of informal employment (ILO 2003). These include own-use production of goods, unpaid trainee work, organization-based volunteer work and direct volunteer work producing goods. It is, however, unclear to what extent countries have, in practice, included all of these activities in their measurement of employment, and hence of informal employment, as defined by the guidelines.

324. The different forms of work also include own-use provision of services (included in own-use production work) and direct volunteer work providing services (included in volunteer work). These productive activities were not included in the previous concept of employment and are therefore also excluded from the concept of informal employment under the 17th ICLS Guidelines concerning a statistical definition of informal employment.

9.1. Why should we identify informality among forms of work other than employment?

325. The underlying concept of informal productive activities defined as "all productive activities by persons or economic units that are – in law or in practice – not covered by formal arrangements" includes all informal activities defined as “work”. This raises two main questions: how can such a statistical concept be meaningful if almost all activities within a given form of work are informal and, if the concept is meaningful, how should formal arrangements be understood in the context of these types of activities?

326. The different forms of work vary in nature according to the intended destination of the production and the type of transaction, but also more fundamentally in the intention behind the activity. Employment is carried out for the purpose of generating pay or profit, unpaid trainee work for the purpose of acquiring skills and workplace experience, own-use production work for the purpose of producing goods and services for consumption by the household, and volunteer work for the purpose of helping and assisting others. Despite these differences, there are underlying similarities. Not only employment, but all forms of work, entail a productive activity and it can be argued that there is a degree of risk, both economic and personal, associated with any such activity. People can be injured while carrying out volunteer work; external shocks such as illness can have a serious impact on living conditions for people who rely on own-use production of goods; and unpaid trainees may be even more vulnerable than paid trainees. The impact of these risks may differ depending on the form of work and on the specific situation of the worker; workers who are solely dependent on own-use production of goods are more exposed to occupational risks than those who
produce goods for recreational reasons as a complement to employment. At the same time, governments typically regulate other forms of work less strictly than employment and in the case of some activities, there is no incentive for them to establish a regulatory framework to reduce risks and promote participation. Moreover, policy relevance and objectives may vary widely depending on the specific form of work.

327. From a statistical point of view, it seems clear that the objective of including forms of work other than employment in the framework of informality is not to lead countries to derive estimates of all types of informal work and their various components, i.e. informal volunteer work, informal own-use production work, etc. This data would not, as such, be meaningful in informing policies since the default situation for these other forms of work is likely to be informal. For example, since almost all people are involved in own-use provision of services which, to a large extent, constitute informal productive activities, it would be of very limited use to conclude that virtually everyone carries out informal work.

328. Within these forms of work, however, there are essential groups which may be a target of formalization policies and for which there is a particular policy and analytical advantage to separate identification as a complement to the concepts of informal employment and the informal market economy. There may also be analytical value to separating informal and formal productive activities in certain cross-cutting domains that include multiple forms of work; for example, care work can be carried out as employment, volunteer work or own-use provision of services. Comprehensive measurement of formal versus informal care-related productive activities would require the ability to statistically define “informality” in each of these forms of work. Agricultural activities are another area in which it is essential to include not only those defined as “employment”, but also those defined as “own-use production” in order to measure the number of formal and informal agricultural persons carrying out formal and informal agricultural activities. It may also be important to capture statistically vulnerable categories of workers in forms of work other than employment, such as subsistence workers and unpaid trainees, as a complement to the measurement of informal employment.

329. To facilitate this type of analysis in the context of informality, definitions and recommendations that can be used to categorize all forms of work as informal or formal are needed. A key question is how formal arrangements should be understood in the context of forms of work other than employment. In other words, under what circumstances should productive activities not defined as “employment” be regarded as formal or informal? While many of these types of activities are likely to be unregulated from the worker’s perspective, there may be exceptions and some countries may have in place formal arrangements for specific forms of work or for specific activities within a given form of work. The definitions of “informal” and “formal” work in the context of forms of work other than employment must therefore be sufficiently flexible for countries to operationalize their definitions in light of their national context and the types of activities.
9.2. Defining informal productive activities for forms of work other than employment.

330. Work other than employment is considered informal work if the activities are not effectively covered by formal arrangements. This comprises informal productive activities in relation to own-use production work, volunteer work, unpaid trainee work and other work activities where the unpaid work is not covered by formal arrangements such as regulations and provisions that promote or facilitate the work and protect and regulate the actions and functions of the worker (Para 97).

331. This definition creates a link between informal work carried out in the context of forms of work other than employment, and the even broader definition of “informal productive activities”. It also clarifies the manner in which informality and formality should be understood in that context. The understanding of formal arrangements is slightly broader for these forms of work than for employment and is not limited to arrangements designed to protect workers and regulate the work that they perform; it could also include those designed to enable and support the performance of that work. This definition offers a high degree of flexibility that allows it to be further operationalized, not only in the context of a specific form of work but also, if necessary, for certain types of activities within a given form of work.

9.3. Informal and formal own-use production work

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

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

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

who are not effectively covered by formal arrangements that aim to promote or facilitate the work and protect and regulate their actions and functions (Para 99).

333. Depending on the national context, own-use production work can be considered formal if the activities carried out are covered by formal arrangements in relation to the legal administrative framework of the country, such as registration of the activities, access to insurance against work-related injuries or accidents, access to social insurance such as a pension fund, cash transfers to support the work or other measures aiming to protect the worker and regulate and facilitate the activities carried out (Para 100).

334. Own-use production work includes both the provision of services and the production of goods. The International Classification of Status at Work (ICSaW-18) establishes a distinction between the production of goods, which lies within the SNA production boundary, and the provision of services, which lies outside that boundary but within the SNA general production boundary. This distinction is also relevant in the context of informal work.
Own-use production of goods includes the production of goods that are mainly for consumption by the household or family members. This type of production, and particularly subsistence work, is significant in some countries and makes an important contribution to the livelihoods of families. It is typically unregulated and therefore falls into the category of informal productive activities. However, some countries may have established programmes and measures designed to facilitate this work, promote the transition to market production, increase access to markets and skills development, improve food security and nutrition and/or provide basic social protection to the workers. These types of formal arrangements could be used as a basis for identifying a degree of formality, for example where some form of registration is required as a condition for effective access to such measures.

Own-use provision of services is also typically unregulated and does not entail coverage under formal arrangements. In some countries, however, there may be exceptions for certain specific types of provision of activities, for example where individuals are entitled to economic compensation or a pension for taking care of their own children or elderly family members, and where various formal arrangements are put in place around these activities. Another example involves employers in own-use production work: where domestic workers are employed on a formal basis, both the employee and the employer have rights and responsibilities and are protected against certain types of risks. Such formal arrangements can be viewed as attempts to facilitate and promote the formalization of these types of activities and to provide a degree of basic protection. As with own-use production of goods, registration could be used as an indication that the specific activities within own-use provision of services could be considered formal. The form of registration required would depend on the country’s specific circumstances and on the specific type of activity.

Informal and formal volunteer work

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

(a) Direct volunteering; or

(b) Organization-based volunteers, when

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

(ii) carries out work for or through a non-profit organization or other economic unit that is considered a formal economic unit when the volunteer is not covered by formal arrangements that aim to protect the worker and regulate and facilitate the activities carried out (Para 101).

A person carrying out informal volunteer work can carry out work for a household or non-formal non-profit organization in the household own-use and community sector, an informal household unincorporated market enterprise or a formal economic unit (Para 102).
Volunteer work can be considered formal if:

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

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

(c) the volunteer and the activities carried out are covered by formal arrangements in relation to the legal administrative framework of the country such as registration of the activities, access to insurance against work-related injuries or accidents and access to health insurance or other measures aiming to protect the worker and facilitate and regulate the work (Para 103).

It seems useful to distinguish between organization-based and direct volunteer work since the relevant formal arrangements may vary. Direct volunteer work is typically unregulated, and its productive activities are informal. Organization-based volunteer work is slightly different because it is carried out for or through an organization or community that may or may not be formally recognized. In this context, there may be situations in which productive activities can be considered formal: for example, the volunteer is registered in a formal volunteer organization and is covered by social insurance arising from the work (e.g. health or occupational injury insurance) and where there is formal recognition of the experience and skills acquired.

9.5. Informal and formal unpaid trainee work

Informal unpaid trainee work comprises activities carried out in relation to unpaid trainee work as defined by the latest standards of work and employment that are not effectively covered by formal arrangements aiming to protect the worker and facilitate and regulate the work carried out by worker (Para 104).

Informal unpaid trainee work can be performed by a person working for a household, an informal household unincorporated market enterprise or a formal economic unit (Para 105).

Unpaid trainee work carried out for an informal household unincorporated market enterprise is, by default, considered to be informal unpaid trainee work (Para 106).

Unpaid trainee work carried out for a formal economic unit or an household can, depending on the national context, be considered formal if the worker and the activities carried out are covered by formal arrangements in relation to the legal administrative framework of the country, such as registration of the activities, formal recognition of the experience and skills acquired, access to social insurance and insurance against work-related injuries or accidents, or other measures aiming to protect the worker and facilitate and regulate the work (Para 107).

Unpaid trainee work shares several characteristics with paid trainee work, the main difference being that in the latter case, the worker receives remuneration. Unpaid trainee work can be regulated and covered by formal arrangements, such as a limited degree of protection (i.e. health or occupational injury insurance) or formal recognition of the skills and experience acquired. It could also be argued that, as with employees, the formal status of the economic unit for which the work is carried out has an influence on whether the work performed by an unpaid trainee is defined as
“formal” or “informal”. It is difficult to imagine a situation in which a person who carries out unpaid trainee work for an informal household market enterprise would have a formal work activity and carry out formal productive activities. Thus, the formality of an economic unit could be viewed as a precondition for qualifying an unpaid trainee as formal.

### 9.6. Other work activities

346. Other work activities, such as compulsory work performed without pay, can, depending on the national context, be considered formal work if it is recognized by and conducted under the control of the national authorities and general government. If not recognized by the legal administrative framework of the country, then the activities should be considered informal (Para 108).

347. “Other work activities” is a residual category which includes compulsory work without pay. It ensures that all activities defined as “work” within the SNA general production boundary are categorized as falling into one of the five forms of work. The attention paid to these activities has thus far been limited, but the category could potentially include government-regulated activities such as unpaid court-ordered community service or unpaid compulsory military service, as well as other types of activities such as forced labour without pay. It might be argued that, depending on the national context, activities that are recognized and approved under a country’s legal and administrative framework could be considered formal while those conducted without formal recognition could be considered informal.

### 9.7. Essential categories of informal unpaid work

348. According to the national context, countries should produce statistics on essential categories of informal work other than employment, where those activities are prevalent. The identification of essential categories of informal productive activities should highlight important groups of persons engaged in informal production not intended to generate pay or profit that might be exposed to a high degree of economic risk without coverage by formal arrangements to facilitate the work, protect the person and regulate the productive activities carried out by the person (Para 109).

349. Essential categories of informal work other than employment include subsistence foodstuff producers and workers carrying out informal unpaid trainee work (Para 110).

350. The identification of informal subsistence foodstuff producers in countries where this is significant is an important complement to the identification of informal employment and contributes to creating a more comprehensive statistical picture of the structure of informality within the country. The separate identification of subsistence workers and a distinction between those who might be covered by arrangements aiming to support and facilitate the work or to extend social protection would allow an assessment of the outreach of such schemes (Para 111).

351. The identification of informal unpaid trainee work as an essential category of informal productive activities enables countries to provide information on the prevalence of informal and formal paid and unpaid trainee work, thus facilitating a better understanding of school-to-work transitions and the formal and informal nature of trainees within the country (Para 112).
Additional categories or domains of informal work can be identified, depending on the national need and context and on specific analytical or policy interest. These could include categories or domains for which there is a demand for analysis from a gender perspective, such as informal and formal care work across different forms of work or domains of particular focus, such as informal and formal work in relation to agricultural production or digital platform work. Different analytical domains of the informal economy can be extended to other priority areas, industries and vulnerable groups (Para 113).

Within a broad framework that includes all activities defined as “work” and potentially recognizes these activities as informal, it is essential to indicate the groups which are of particular statistical interest and should be measured with some regularity. The identification of essential categories of informal work is a pragmatic way of acknowledging that unpaid work activities can be (and often are) informal but that, for policy purposes, it may not be relevant to compile data on all of them. Instead, the focus of data compilation would be on the essential categories of workers in informal productive activities for which there is a clear policy need, as a complement to the data on informal employment, in order to provide a more complete picture of the structure of informality in a given country and to allow the identification of specific vulnerable groups beyond those in informal employment.

In some countries, one of the essential categories of informal work is “subsistence foodstuff producers”, a subgroup of persons engaged in own-use production work which 19th ICLS resolution I defines as “...all those who performed any of the activities specified in paragraph 22(b)(i) in order to produce foodstuff from agriculture, fishing, hunting, or gathering that contribute to the livelihood of the household or family.” (ILO 2013, para. 24(a)). This definition excludes persons producing for recreational or leisure purposes. Many subsistence foodstuff producers are in vulnerable situations and are exposed to high economic risk, typically without any form of protection. In some countries this group is relatively large and constituted a significant share of total employment as defined by the previous standards and therefore also of “informal employment” as defined by the 17th ICLS Guidelines concerning a statistical definition of informal employment. The identification of subsistence foodstuff producers would, particular in these countries, be an essential complement to informal employment.

By comparison with market-oriented production, this group typically requires a different set of policies; these might include formal arrangements that provide access to training and seeds, as well as general support for registered farmers producing for own final use. The separate identification of subsistence workers and a distinction based on whether they are covered by arrangements aiming at supporting and facilitating their work make it possible to assess the effectiveness of such schemes. Further conceptual and methodological work on the manner in which this group should be operationally defined and measured is ongoing at the ILO.

Informal unpaid trainee work is also identified as an essential category of informal work. Informal unpaid trainees would be part of informal employment and can be separately identified under ICSE-18. The recognition and measurement of informal and formal unpaid trainees enables the creation of an indicator that provides information on the distribution of paid and unpaid, formal and informal trainees in a given country and is thus an important complement to informal employment.
In addition to these essential categories, other recommended categories may be of specific analytical or policy interest to countries. For example, information on the volume and burden of paid and unpaid care work is of high policy interest and the dichotomy between informal and formal types of this work may be relevant. With a view to comprehensive measurement, both paid and unpaid care work should be identified in all forms of work. The dichotomy between informality and formality could be used to clarify the structure of care work, for example by dividing it into subcategories such as paid and unpaid, public and private or formal and informal work (Taylor 2004) or formal and informal carers (SPC and DG-EMPL 2021). This is challenging from a data measurement perspective and would typically require a time use survey or other specialized survey. However, the broad conceptual framework would provide the key elements of such an analysis.
10. Contextualizing informal employment and the indicator framework

358. One of the most important objectives of collecting data on informality is to support the development and monitoring of policies aimed at addressing the challenges associated with informality; improving the working conditions of workers in both formal and informal employment; and promoting formalization of the informal market economy as a means to address decent work deficits, reduce poverty and inequality, and enhance productivity and inclusive growth. While the dichotomy between informality and formality can help to achieve these goals, there is a strong need for more granular data in order to better understand the variety of characteristics, levels of protection and vulnerabilities of workers and economic units in the informal economy.

359. To that end, the Informal Economy Indicator Framework has been developed in order to give countries flexibility in pursuing the aforementioned goals in light of their progress in addressing informality and of their national priorities for describing the informal economy, addressing decent work deficits and supporting the transition to formality. This reflects the second objective set out in the draft resolution: statistics on informal employment should not only describe the dichotomy between informality and formality, but also provide data on the structure and extent of informal employment, identify the most-represented groups of persons in employment and those at the greatest risk of informality, and provide information on exposure to economic risk, decent work deficits and working conditions.

360. The Framework is a dynamic tool that further defines and describes the most essential indicators included in the draft resolution, as well as others that may be useful, and provides a more detailed description of the link between the indicators and policy measures. Development of the Framework is expected to continue following adoption of the new standards at the 21st ICLS, and it will continue to evolve based on countries’ experience with production of the indicators.

361. The indicators are organized into six dimensions and three reference units (see Table 7).

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<thead>
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<th>Table 7. Structure of the indicator framework</th>
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<td><strong>Reference unit</strong></td>
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<td>Categories</td>
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<td>2. Composition of informality</td>
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5. Contextual vulnerabilities

6. Other structural factors

362. The first three dimensions i.e. extent of informality, composition of informality and exposure to informality are to be viewed as headline indicators, which it is strongly recommended that countries produce on a regular basis in order to describe the informal market economy and support the formulation of policies that address the challenges associated with informality and facilitate the transition to formality. These indicators are designed to:

(a) provide data on the extent of informality, i.e. the number and share of persons in informal employment, in a given country;

(b) identify the categories of workers and economic units that are most exposed to the risk of informality, including indicators such as share of informal employment as a percentage of total employment for groups according to demographic and personal characteristics (e.g. sex, age and level of education) and employment-related features (e.g. status in employment, industry, occupation and size of enterprise);

(c) identify the most-represented categories of workers and economic units – those that account for the largest proportion of workers in informal and formal employment – using indicators such as distribution of informal employment or formal employment by sex, status in employment, industry and education.

363. The indicators in dimensions 4-6 contribute to a better understanding of working conditions, contextual vulnerabilities, and structural factors. The information needed by data producers will depend on the country’s national priorities, policy objectives and context. Countries are, however, encouraged to produce these indicators with some frequency, e.g. every 1–5 years, to facilitate a better assessment of the conditions and vulnerability of their informal workers.

364. The fourth dimension Working conditions for those in informal versus formal employment provides data on decent work deficits, including indicators such as working time (usual and actual hours of work), type and duration of employment agreements, form of remuneration and place of work, and indicators on productivity and performance of formal and informal economic units.

365. The fifth-dimension Contextual vulnerability includes indicators that provide additional information on the degree of informality and formality and on the degree of protection of informal and formal workers at the household level. These data can be used to contextualize the situation of informal and formal workers in households and to facilitate a broader assessment of vulnerabilities and opportunities at the household level as a complement to the assessment of personal and job-related factors and vulnerabilities at the individual level.

366. The sixth dimension, Other structural factors, includes the assessment of structural factors of informality that are associated with the structure of employment (e.g., the prevalence of certain
status in employment and the identification of sectors at a greater risk of informality) and with the level and composition of growth, together with additional factors such as coverage under formal arrangements. This information, which is based on both qualitative and quantitative indicators, can be used in determining whether informality is a consequence of a lack of legal coverage, an inadequate level of protection or a failure to comply with laws and regulations and can provide important input to the design of policies addressing informality.

367. The indicators that use jobs as a reference unit should provide data on the main job. Where feasible and relevant, data producers may, if feasible and relevant, also apply them in the context of secondary jobs. When presenting and publishing the indicators, the terms “informal main job” and “formal main job” can be replaced with the term “informal employment”. This corresponds to the conventional use of the concept of informal employment although the draft resolution includes all informal productive activities in relation to an informal job, regardless of whether they are carried out in the context of the main job or a secondary job. For example, SDG Indicator 8.3.1 (which parallels Indicator 128 (a) of the draft resolution) refers to the proportion of informal employment in total employment even though the SDG indicator is defined as informal employment in the context of the main job.

368. Indicators should be produced for the overall target population and for specific categories of workers or economic units that are relevant to policy concerns. Depending on the country context, needs and priorities, these indicators could include persons with disabilities, migrant workers, home-based workers, digital platform workers, micro- and small economic units or workers and economic units in specific sectors. Applying them to a specific subset of workers or economic units makes it possible to assess and analyse it from the perspective of the six dimensions. However, depending on the sample design, the source used in collecting the data and the general statistical precision of the estimates, there may be limitations on the range of indicators that can be applied and on the degree of potential disaggregation.

369. When producing and analysing these indicators, particular attention should be paid to the gendered dimensions of informality. There is a great demand for gender data and it is highly recommended that countries systematically gender-disaggregate all indicators related to persons, jobs and the owners of economic units. To allow for a more in-depth analysis of the gender dimension, the Framework also includes specific indicators such as the gender pay gap; time spent on unpaid domestic and care work; and the situation of workers in male- or female-dominated economic activities, occupations, and place of work. The ILO intends to provide further guidance on methods and tools for collecting and providing data on informality from a gender perspective, which will be made available through published guides and technical support.

370. Indicators related to people and jobs should be disaggregated by gender and by other relevant socio-economic characteristics and employment-related characteristics. For disaggregation purposes, the most relevant socio-economic characteristics are age, level of education, area of residence (urban/ rural) and geographic region and the most relevant employment-related characteristics are status in employment, economic activity, occupation, place of work and size of enterprise. Where feasible considering the sample size and the representativeness of the results, it
is recommended that multiple levels of disaggregation, such as sex and status in employment, be included in order to highlight such intersectionality.

371. Indicators related to economic units should be disaggregated by sector of economic activity, size of enterprise (number of employees and business owner), level of output or sales, level of output or value added per worker, level of profits and place of work, and by the socio-demographic characteristics of the owner(s), including sex, age, educational level, area of residence (urban/rural) and geographic region, depending on the situation of the country in question.

372. The accompany indicator framework provides additional guidance on the various indicators, including recommended disaggregation (ILO 2023e).


Draft report of the first meeting of the Subgroup on the Threshold on Market Production and Subsistence Foodstuff Producers.


Integrating dependent contractors in the framework for statistics on the informal economy. Room document 3 for discussion at the Twenty-first International Conference of Labour Statisticians. Available at: https://ilostat.ilo.org/about/standards/icls/icls-documents/

Defining informality for contributing family workers. Room document 4 for discussion at the Twenty-first International Conference of Labour Statisticians. Available at: https://ilostat.ilo.org/about/standards/icls/icls-documents/

Country practices for measuring informal sector and informal employment. Room document 2 for discussion at the Twenty-first International Conference of Labour Statisticians. Available at: https://ilostat.ilo.org/about/standards/icls/icls-documents/

Contextualising informality: The Informal Economy Indicator Framework. Room document 5 for discussion at the Twenty-first International Conference of Labour Statisticians. Available at: https://ilostat.ilo.org/about/standards/icls/icls-documents/


