▶ Room document*: 5

Contextualizing informality:
The Informal Economy Indicator Framework

100 years of ICLS

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Acknowledgements

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1.   Introduction

1.   Measuring informality and collecting data on informality should support the better understanding of the informal economy in its diversity and guide the development, implementation and monitoring of policies to address the challenges associated with informality and formalization processes.

2.   The immediate objective of this document is twofold. The first objective is to provide the background for and complement the dedicated section on indicators contained in the draft resolution concerning statistics on the informal economy that will be considered by the International Conference of Labour Statisticians (ICLS) at its 21st Session (ILO 2023a, Appendix). The second objective is to set the basis for the development of additional resources to support the implementation and complement the statistical standard, including a dynamic Informal Economy Indicator Framework that will evolve over time, beyond the adoption of the statistical standard. All or some of these indicators on the informal economy usually make up the quantitative component of national diagnoses of the informal economy (see Appendix and ILO 2021a).

3.   Following the introduction (section 1), the document includes five substantive sections (sections 2 to 6). Section 2 sets the scene by presenting the objectives and main components of the Informal Economy Indicator Framework, namely: (a) indicators organized along six dimensions of informality across three reference units; and (b) questions to describe the informal economy and to guide the development and implementation of policies and interventions. Sections 2 to 4 deal specifically with the indicators contained in the ICLS draft resolution and provide a suggested first set of additional indicators as part of the Informal Economy Indicator Framework.

4.   Section 3 covers persons, jobs and work activities, which is by far the most developed area of the indicator framework. It covers in particular indicators on formal and informal employment and (although these are largely undeveloped to date) indicators on work activities other than employment. Sections 4 and 5 present in a more succinct manner the indicators relating to the informal sector, as well as the few indicators contained in the ICLS draft resolution for assessing the contribution of the informal economy to the overall economy. Each section is organized based on the identified six dimensions of informality, as well as whether the indicators are included in the ICLS draft resolution (in which case they are referred to as headline and main indicators) or are proposed as additional indicators that could be included in the supporting Informal Economy Indicator Framework. This list of indicators does not claim to be exhaustive. Section 6 provides some examples to illustrate the approach that will guide the development of the broader indicator framework, linking questions to a set of indicators. This will support the development of an online tool for providing entry points (questions, reference unit, dimensions of informality) to select relevant indicators and associated metadata and resources (such as templates to compile data and compute indicators and guidance for the analysis and interpretation of results).

# 2.	Objective and structure of the Informal Economy Indicator Framework

## 2.1.	The situation

5.	An increasing number of countries are collecting data on informality. However, for many countries, questions remain about which data and indicators to produce and how to use them. Moreover, even if they collect data, produce indicators and disseminate the results, not all countries are necessarily engaged (yet) in addressing the situation of workers and economic units in the informal economy and in facilitating their transition to formality, even though their number is also increasing.

6.	The proposed indicator framework should be applicable in all contexts and, at the same time, should be sensitive to the national context. It should allow for flexibility to serve the objectives of all countries, whatever their stage of engagement and their priorities in terms of describing informality, addressing decent work deficits and supporting transitions to formality. In order to meet these different needs, the Informal Economy Indicator Framework provides a set of headline and main indicators on the six dimensions that are included in the ICLS draft resolution and are considered to be essential for most countries to measure and monitor, while offering a broader range of dimensions and indicators for countries that wish to go further.

## 2.2.	Objectives and associated questions

7.	The main two interlinked objectives of the indicator framework are to provide indicators and guidance to:

b.	describe the situation of workers and economic units in the informal economy, and highlight the heterogeneity and diversity of needs, deficits and opportunities and their contribution to the economy; (in order to)

c.	support the development of policies that take into account the various stages, at the country level, in understanding the informal economy, and political engagement in addressing the consequences of informality and facilitating transitions to formality.

8.	In order to achieve these two objectives, the indicator framework is composed of (a) a set of questions (evolving) and (b) a set of indicators, as well as some guidance on how to link indicators to questions and how to analyse, combine and interpret indicators in order to develop and monitor interventions, measures and policies (figure 1).

Figure 1.   Main components of the Informal Economy Indicator Framework

Informal Economy Indicator Framework

Objectives

1. Describe the informal economy and build a shared understanding of the situation (size, characteristics, causes and consequences)

2. Support the development and implementation of policies to address the challenges associated with informality and facilitate the transition to formality

Questions

× What is the extent of informality? What about progress towards addressing the challenges associated to informality?
× What is the extent of partly informal productive activities among workers in formal employment?
× Which workers and economic units are most represented in the informal economy?
× What are the prevalent forms of informality?
× Which workers and economic units are the most exposed to informality?
× What are the working conditions of persons with informal and formal jobs?
× Relative level of productivity and factors constraining or enhancing the development and productivity of informal economic units or formal economic units?
× What about the gender dimension of informality?

× How to define priority groups?
× What formalization processes entail for who?
× How to move workers/units from lower to higher levels of formality?
× From what type and levels of protection do workers in informal employment benefit (protection/vulnerability) and how to improve protections along the process?
× Which workers or economic units are "ready or able" to formalize in a sustainable way and which are those for whom the reduction of decent work deficits are vulnerabilities is the only possible option in the short term?
× Are formal jobs decent jobs or how to ensure that formality = decent work?
× How to systematically link formalization of economic units and formalization of jobs?
× How to prevent informalization of formal jobs?
× How to support a gender-transformative transition to formality?

A stock of indicators
"the toolbox"

× Organized into **six dimensions** and **three reference units (two units + a third combined unit)** to assess informality of jobs and work activities, economic units and "productive activities"
× Categorized into **headlines**, **main** and **additional** indicators
× Provides guidance associated with each indicator (existing standards, issues to consider, disaggregation, combined analysis, etc.)
× Link indicators to key questions to (a) understand/describe and (b) support the development and implementation of policies
× **Dynamic**: initial structure and set of indicators to be expanded (online tools + extracts)

9. A first set of questions aims to **describe** the situation of workers and economic units and their activities in the informal economy. These questions are of relevance for all countries, but especially as "main questions" in countries whose main objective is primarily to get a better understanding of the extent and characteristics of their informal economy. This first set includes notably questions such as:[1]

- What is the extent of informality of jobs, economic units and activities and how does it evolve over time?
- What is the composition of the informal economy and what are the prevalent forms of informality of jobs, economic units and activities in the country?
- Which workers and economic units are the most exposed to informality?
- What are the working conditions (and decent work deficits) in the informal economy compared to the formal economy, and what levels of productivity and which factors constrain or enhance the development and productivity of informal economic units versus formal ones?
- What is the relative situation of women compared to men?

10. A second set of questions aims explicitly at linking indicators to policy, that is to address the challenges associated with informality, thereby supporting the gradual process of transition to formality, including the reduction of decent work deficits in the informal economy as part of the process. Those additional questions are of particular relevance in countries that are willing to engage in or have already engaged in formalization processes and are interested in the following questions:

- How to define priority groups?
- What are the prevalent drivers of informality for which or for what type of economic units?
- How to move workers and economic units from lower to higher levels of formality (coverage and compliance with formal arrangements)?
- From what type and levels of protection do workers in informal employment benefit (protection/vulnerability) and how to improve protections along the process? (protection/vulnerability)?

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[1] Those questions are also the main questions raised in the quantitative component of national diagnoses of informality, as presented in Appendix and available in ILO 2021a.

- Which workers or economic units are "ready or able" to formalize in a sustainable way and which are those for whom the reduction of decent work deficits and vulnerabilities is the only possible option in the short term?
- Are formal jobs decent jobs?
- What are the drivers of informalization and how to prevent the informalization of formal jobs?
- How to support a gender-transformative transition to formality?

11. These questions are important for understanding and supporting the development of interventions, and they can apply to all or to particular categories of workers and economic units, such as young people, digital platform workers, domestic workers, home-based workers, and particular sectors or types of economic units (for example micro and small units).

2.3. Structure of the "stock of indicators": a matrix along the dimensions of informality and units of observation allowing for flexibility

12. The proposed set of indicators is organized as a matrix with **six dimensions** (see para. 13 (a) to (f) below), which are analysed across **three main reference units**: (a) persons, jobs and work activities; (b) economic units; and (c) a combination of the two, allowing the production of indicators on informal productive activities within the System of National Accounts (SNA) production boundaries. This structure links the indicators to the observation unit and the associated statistical source. It provides flexibility, so that the questions we seek to answer, the dimensions and the topics covered can develop over time. The main objective here is to illustrate the approach. The concrete operationalization of the indicator framework will consist of the development of a database of indicators and a search/selection module based on the main objectives, questions, units of reference and dimensions.

13. The indicators are organized (to date) around **six dimensions of informality** (see ILO 2023a, Appendix, para. 127):

1. **Extent of informality** – the prevalence of informality across jobs and work activities, economic units and activities. This dimension refers to the number and proportions of persons in informal employment, persons with informal work activities and economic units in the informal sector. It also refers to the contribution of the informal sector and the informal market economy to the overall economy. For jobs, this includes measuring and monitoring Sustainable Development Goal (SDG) indicator 8.3.1, "Proportion of informal employment in total employment, by sector and sex".[2] The main objectives of these indicators, beyond assessing the extent of informality at the national level, are to raise awareness and to monitor trends.

2. **Composition of informality** – the distribution of informal and formal jobs and economic units by socio-demographic, employment-related characteristics and characteristics of the economic units and socio-demographic characteristics of the owner(s). This dimension refers to the identification of categories of workers and economic units that are most represented, that is that make up the largest numbers and the largest proportions among those in informal employment and informal work activities or as part of the informal sector compared to their representation in formal employment, formal work or the formal sector. It also refers to the identification of groups for whom informality and formalization (in line with the statistical definition) have a different meaning and as a result require different policy responses (for example, the mix of the formalization of jobs and the formalization of economic units for workers in informal employment in the informal sector). This dimension refers primarily to the composition of informal employment based on the type of production unit (formal sector, informal sector and household own-use community sector) and

[2] See "United Nations, SDG Indicators: Metadata Repository", metadata for indicator 8.3.1, updated 31 March 2021.

status in employment. 3 It sheds light on some of the main characteristics of workers with informal jobs and economic units in the informal sector and can also support the definition of priority groups.

3. **Exposure to informality** – the percentage of persons with informal main jobs and of economic units in the informal sector, by socio-demographic, employment-related characteristics and characteristics of the economic units and socio-demographic characteristics of the owner(s). The objective of this dimension is to identify groups of workers and categories of economic units that are more at risk of operating informally compared to the average. Adopting a workers' perspective, this dimension includes indicators such as the share of informal employment in total employment for different groups based on their socio-demographic and employment-related features. From an economic unit perspective, it covers differences in the incidence of informality based on the characteristics of economic units (including economic performance indicators) and the socio-demographic and economic features of the owner. This dimension of indicators allows the identification of some of the drivers associated with socio-demographic and employment-related and economic unit features. It also support the definition of priority groups.

4. **Working conditions and levels of protection** for those in informal versus formal employment, productivity and factors constraining or enhancing the development and sustainability of informal economic units versus formal ones. The assessment of working conditions includes indicators related to dimensions such as income security, employment security, working time, health and safety issues, access to training and retraining and employment mobility, and levels of representation. This assessment of working conditions should be complemented with the fifth dimension on contextual vulnerabilities in order to provide a broader assessment of vulnerabilities, beyond those directly linked to individuals' own work. Indicators on working conditions for workers contribute to identifying various levels of vulnerability and/or of protection associated with informal and formal jobs. They obviously also contribute to identifying the extent of decent work deficits, including whether formal jobs mean decent jobs. As far as economic units are concerned, this dimension includes productivity and the identification of some of the main obstacles or opportunities for them to develop, create jobs, be sustainable and provide a living and decent working conditions for the owner and employees. Such indicators contribute to making a distinction between economic units that are able to transition in a sustainable way from others that require first the establishment of the conditions to make a transition possible and sustainable. They also shed light on the type of support required given the nature and extent of the current constraints, obstacles or opportunities to build on.

5. **Contextual vulnerabilities**, including poverty, income and social protection from all sources and all household members, composition of households such as households with people in formal employment or households with at least one member contributing to social security. A number of indicators under this fifth dimension refer to the household dimension in order to capture the sources of intra-household vulnerabilities or possibly protections with respect to household composition, access to social protection and income (other than individual labour income and employment-related social protection). Those indicators complement the indicators related to individuals' working conditions under dimension 4. Dimension 5 also includes indicators on the regulatory framework and its implementation in order to identify the source of the "deficit of protection" between legal and implementation gaps.4 The household perspective adds to the analysis of vulnerabilities; indicators relating to the regulatory framework contribute to the identification of different levels of informality.

6. **Other structural factors**. Dimension 6 concerns other structural factors and contributes to the identification of drivers of informality and of informalization. It focuses on factors associated with the macroeconomic context, such as the structure of employment in terms of employment status, sector and, forms of employment that are more likely to be informal. It also analyses the level and sectoral composition of growth.

14. For each of dimensions 1 to 6 (with a number of exceptions) set out in paragraph 13 above, indicators can refer to **three different units of observation and sources of data**:

1. **Persons, jobs and work activities** as units of reference for indicators related to informal and formal employment, informal and formal work activities. Household-based surveys, in particular labour force

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[3] See the discussion in section 3.1.2.2 below of indicator A.2.1 and figure 4.

[4] A good illustration of the decomposition of the source of informality between legal gaps (not covered by laws) and implementation gaps (covered legally but not in practice) is provided for domestic workers in ILO 2021c.

surveys, are the best suited sources of data. Given the proposed set of indicators, labour force surveys are likely to be the main source of information for most indicators under dimensions 1, 2, 3, 4 and 6 and part of dimension 5. The section on "jobs" in mixed surveys will also meet the same objectives. As far as income and expenditure and social protection-related indicators are concerned (with the exception of the criteria on "employer's contribution to social security" that are used to define informal wage employment), other household surveys covering related topics such as living standards, household income and expenditure, poverty and household budget are the best suited source. The use of such data sources mainly concerns the fifth dimension on contextual vulnerabilities. It is conditional on the inclusion of appropriate questions for identifying workers in informal employment. It is also conditional on the methodologies used (that is sample sizes, population coverage, unit of observation and so on) and on their ability to ensure that the estimates generated are as representative as possible of the target population, that the coverage of indicators produced is in line with objectives, and that samples are adequate to achieve the desired levels of precision (see ILO 2023a, Appendix, para. 117). Specialized household surveys such as time-use surveys will be more appropriate for the production of statistics on participation and time spent in own-use production work (in particular unpaid domestic and care work; see indicator A.1.10) and volunteer work. Specific surveys on particular groups whose total number might be too limited in usual labour force surveys samples in order to ensure representative reliable results might also be best suited, in case a more specific focus are needed (such as on migrant workers, workers with disabilities or digital platform workers). Finally, administrative records can be used as part of the indirect estimation of informal employment and possibly informal work activities, by providing estimations of formal employment and formal work activities. To this end, the number of persons covered by formal arrangements can, for example, be estimated in taxation systems, employment services and social security schemes (see ILO 2023a, Appendix, para. 125). Priority should be given to direct methods based on household surveys for more accurate estimations of informal employment, informal work activities and partly informal activities.

2. **Economic units** as unit of observation for indicators referring to the informal and formal sector. Enterprise- and establishment-based surveys, mixed surveys and economic censuses are the main data sources for the analysis of informal sector and formal sector economic units, their production and contribution to gross domestic product (GDP) and their characteristics. Due attention should be paid to ensuring that the scope of activities and type of economic units covered (in terms of size, place of work, economic activity and institutional sector) do not imply an exclusion of economic units that are likely to be informal (for example, own-account workers, economic units under a certain size threshold, economic units carrying out agriculture activities, economic units with non-fixed premises or home-based activities) (see ILO 2023a, Appendix, paras 122 and 124). Administrative records can be used as part of the indirect estimation of the informal sector by providing estimations of the formal sector (see para. 125 below). The size of the formal sector may be estimated by the use of business registers, tax registers and so on. The possibilities to do so depend on the structure and content of the country-specific administrative sources. As mentioned above, priority should be given to direct methods based on enterprise-based surveys or mixed surveys for more accurate estimations of the informal sector and beyond its characterization.

3. **Contribution of the informal sector or the informal market economy to GDP** – combinations of the previous sources related to "economic units" and "persons, jobs and work activities" are relevant in addition to indirect methods and modelling.

2.4.   Headline, main and additional indicators

15.   The indicators in the ICLS draft resolution are supported by the broader Informal Economy Indicator Framework. This framework should be considered as a dynamic, evolving indicator data bank, to be used according to needs, priorities and data availability. It will benefit from future developments and experience. The indicators included in the ICLS draft resolution are a subset of indicators related to the informal economy. Whether in the broader indicator framework or in the ICLS draft resolution, the indicators are organized based on dimensions 1 to 6 and units of observation 1 to 3, as set out in paragraphs 13 and 14 above.

16.   Indicators included in the resolution are either *headline indicators* or *main recommended indicators.* Any other indicator will be presented in this document as an "additional indicator" (part of the indicator framework but not included in the ICLS draft resolution). Not all indicators need to be produced by all countries. However, one of the main criteria for defining headline indicators is the availability of information and the ability of most countries to meet this "minimum core set of indicators". All headline indicators can be produced based on a typical labour force survey. As presented in figure 3, headline indicators refer to the analysis of informal and formal employment in terms of extent, composition of informality and exposure to informality.

Figure 2.   **Indicators mentioned in the ICLS draft resolution:[5] subset of the broader indicator framework of the informal economy**

Dynamic framework of indicators on the informal economy

Structure: dimensions covered, unit of observation

Indicators: description, interpretation templates

Link to policies

Section on indicators in the draft resolution
Headline and main recommended indicators

Figure 3.   **Indicators included in the ICLS draft resolution[6] and how they fit in the informal economy framework**

▶ **Headline indicators**: dimensions 1-3 for **persons and jobs.** The draft resolution encourages all countries to produce those headlines indicators with a regular frequency.

▶ Indicators related to other dimensions and/or to other reference units: production and dissemination depends on feasibility, national needs and priorities (every 1-5 years)
   × dimensions **4-5 for jobs**
   × dimension **1** for **work activities**
   × dimensions **1-4** for **economic units**
   × dimension **1** for **informal productive activities**

Note: Numbers in square brackets refer to corresponding (sub)paragraphs in ILO 2023a, Appendix.

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[5] See ILO 2023a, Appendix.

[6] See ILO 2023a, Appendix.

2.5. Transversal issues

2.5.1. The gender dimension

17. The indicator framework should pay particular attention to the inclusion of indicators that are able to highlight the gender dimension of informality through its six dimensions and across at least the first two units of observation.[7] Gender data mainstreaming includes the systematic disaggregation of all indicators by sex for indicators related to persons and jobs, and of all indicators by sex of the owner for enterprise-related indicators, preferably together with the size of economic units. While considering the sample size and representativeness of results, disaggregation by gender will apply to other levels of disaggregation (as suggested below or for specific indicators presented in section 3). This results in multiple levels of disaggregation (for example, by sex, status in employment, place of work and so on) in order to identify the most vulnerable groups, as well as to tackle intersectionality. In addition, indicators should include specific indicators that are able to capture the particular vulnerable situation of women or men, such as indicators related to the gender pay gap (indicator A.4.9); time spent on unpaid domestic and care work (A.1.10); and the identification of female-headed household (A.5.7). This includes also some disaggregation by sector or occupation, which allows for the identification of sectors or occupations that are obviously women- or men-dominated.

18. The broader indicator framework and notably the online database of indicators linking key questions to sets of suggested indicators and specific guidance will include specific questions on the gendered dimension of informality.

> *Gendered dimension of informality (see ILO 2023a, Appendix, para. 140)*
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> "140. When producing and analysing these indicators, particular attention should be paid to the gendered dimensions of informality. A high demand for gender data calls for the systematic disaggregation by sex of all indicators related to persons and jobs, and all enterprise-related indicators related to the owner of the economic units. Further to disaggregation, the indicator framework includes specific gender 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 or places of work. Further guidance on measuring informality from a gender perspective is available from the ILO through published guides and technical support."

2.5.2. Specific groups of workers

19. Depending on country circumstances and priorities, some countries may decide to apply (most of) the proposed indicators to particular groups of workers or categories of economic units. This may apply to workers in particular sectors or occupations or places of work (such as domestic workers, home-based workers and street vendors in economic units below a certain size threshold). It may also apply to groups whose situation is not necessarily well captured in labour force surveys, which may provide unreliable results given the small number of workers concerned within the sample. This is especially the case for digital platform workers, on-call workers, workers with disabilities and migrant workers. The treatment as "special groups" is of particular relevance when dedicated surveys are available and able to overcome some of the main challenges associated with labour force surveys.

> *See ILO 2023a, Appendix, paragraph 139*
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> "139. Indicators should be produced for the overall target population and for specific categories of workers or economic units relevant to areas of policy concern, such as persons with disabilities, migrant workers, home-based workers, digital platform workers, micro and small economic units or workers and economic units in specific sectors. The range of indicators that can be generated and degree of possible disaggregation will depend on the sample design of the data source and the statistical precision of the estimates."

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[7] Data on the contribution of women and men to GDP is not compiled by most countries; nonetheless, the need for such data should be underscored.

20. Sections 3 to 5 below provide an overview of the indicators included in the ICLS draft resolution and a first set of additional indicators, both for the purposes of illustration and as a basis for their further development. Following the structure adopted in the section on indicators in the ICLS draft resolution (see ILO 2023a, Appendix, paras 126–142), sections 3 to 5 below are organized around units of observations and dimensions of informality, as follows:

- Persons, jobs and work activities (see ICLS draft resolution, paras 128–135).
  - Informal and formal employment (see ICLS draft resolution, paras 128–133).
  - Partly informal activities (see ICLS draft resolution, para. 134).
  - Essential categories of informal work other than employment (see ICLS draft resolution, para. 135).
- Economic units: informal sector (see ICLS draft resolution, para. 136).
- Productive activities: contribution of the informal economy to GDP (ICLS draft resolution, para. 137).

3. Persons, jobs and work activities

21. This first category of indicators focuses primarily on persons with informal and formal jobs, as well as (to be developed further) on persons in formal employment carrying out partly informal activities and persons carrying out informal work activities other than employment.

22. The set of indicators referring to jobs (notably those included in ILO 2023a, Appendix, paras 128, 130, 133 and 134) should be provided with reference to the main job. Depending on national needs and objectives, the indicators can also be applied with informal and formal secondary jobs as reference (see ILO 2023a, Appendix, para. 132). By convention, the terms informal main job and formal main job may be replaced with the terms informal employment and formal employment when producing and presenting the indicators.

23. By default, all indicators apply to people aged 15 and over. However, the analysis could be extended to lower age categories in order to analyse the situation of child labour.

24. Indicators related to persons and jobs should be disaggregated by sex and other relevant socio-economic characteristics, including by age, educational level, area of residence (urban/rural) and geographic region. Indicators that are disaggregated by employment-related characteristics, including status in employment, economic activity, occupation, place of work, size of enterprise or economic unit, duration of the employment agreement and number of hours worked (hour bands), should also be produced. Where sample size and the representativeness of results allow, it is recommended to have multiple levels of disaggregation (such as sex and status in employment) in order to highlight intersectionality. The accompanying indicator framework will provide more guidance on the recommended disaggregations for each indicator.

25. Given the different policy implications of status in employment (for the distinction between dependent workers and independent workers in particular, see ILO 2018a) and the type of production unit, it is crucial to analyse, whenever possible, the respective situation of independent workers and employees, dependent contractors and contributing family workers (in the informal sector, the formal sector or in the household own-use community sector).

3.1. Informal and formal employment

26. This subsection on informal and formal employment is the most developed. It benefits from years of experience in the collection (through labour force surveys or other similar household-based surveys) and analysis of those issues by an increasing number of countries. Unlike the other sections (or subsections), some indicators listed in the subsection below will be discussed and illustrated with examples. The primary purpose of the *ICLS* draft resolution is to guide countries in the collection, measurement and analysis of data on the informal economy at the national level. However, a number of the figures provided below do present global or regional estimates. Yet, the objective is not to focus on international comparisons or to lose the link to the primary focus of the *ICLS* draft resolution: the national level. The purpose of presenting these global estimates is rather to highlight the availability of these data and the capacity of the majority of countries to produce many of the indicators proposed in the *ICLS* draft resolution, in particular to produce the vast majority of headline indicators (as listed in *ILO 2023a, Appendix,* para. 128).

3.1.1. Dimension 1. Extent of informal employment

3.1.1.1. Suggested list of indicators

Table 1. **Extent of informal employment: Proposed headline indicators and additional indicators**

No.	Indicator	Reference in the ICLS *draft resolution**
Dimension 1 – Extent of informality (informal employment)		
▶ Headline indicators included in the ICLS draft resolution		
A.1.1.	Number of persons with an informal main job and percentage of informal main jobs in relation to total employment, by economic activity and sex (SDG 8.3.1)	128(a)
▶ Additional indicators		
A.1.2.	Transitions between formal and informal employment, unemployment and outside the labour force (panel data)	

* See ILO 2023a, Appendix.

3.1.1.2. Spotlight on some indicators

27. **Headline indicator A.1.1**. Number of persons with an informal main job and percentage of informal main jobs in relation to total employment, by economic activity and sex (SDG 8.3.1). No further development is provided here as this is covered in metadata associated with SDG indicator 8.3.1, including reference to existing standards (ILO 1993 and ILO 2003a) and their revision.[8]

28. **Indicator A.1.2**: Transitions between formal and informal jobs; between jobs and "non-employment". Being or becoming formal is not a characteristic that is given for ever. Enterprise and job creation and destruction, as well as transition in both directions between the formal and the informal economy both in and out of employment determine the size of the informal economy. Informality is a dynamic process that depends on multiple factors and forms of work that evolve over time. Policies should be responsive to such evolutions. There is an increasing interest in analysing transitions to assess the impacts of crises (on job losses, risk of informalization), the sustainability of transitions to formality, the improvement (or not) of working and living conditions while transitioning from informal to formal. The proposed indicators assess transitions between formality and informality; between employment, unemployment and being outside the labour force. A deeper analysis could also assess the effects of transitions on working and living conditions. Use of panel data is the most appropriate method of assessing transitions in order to track the same sample over a period of time and determine the transitions between formal and informal employment (within or outside the informal sector) or from formal/informal employment and unemployment/outside the labour force. The main limitations concern their availability but also the periods considered, which are sometimes too short to assess some of the expected longer-term effects of transitions (especially in the context of the transition from informal to formal).

3.1.2. Dimension 2. Composition of informal and formal employment

29. The objective of this second dimension is to answer two main sets of questions:

   a. What are the prevalent forms of informality of jobs? The mapping of persons in informal employment by type of production unit (informal sector, formal sector, household own-use community sector) and status in employment9 (employees, employers, own-account workers, contributing family workers and the new category of dependent contractors) is a simple link to policies, which identifies the groups for whom formalization involves a different mix of policies.

   b. Who are the workers in informal employment? The identification of the largest groups (in numbers) but also those that are overrepresented in informal employment compared to their overall representation

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[8] See for example "United Nations, SDG Indicators: Metadata Repository", metadata for indicator 8.3.1, updated 31 March 2021; and ILO 2018c.

[9] See ILO 2003a, annex.

in total employment (or in formal employment), based on who they are (level of education, age, sex and so on), where they live and work, or in which sectors, size and type of economic units they are employed/operate, are important inputs for the understanding of the diversity of profiles and situations. Those are also meaningful inputs for the discussion of priority-setting in countries that are engaged in addressing the consequences of informality and/or supporting formalization processes or to define how best to reach workers in informal employment given their personal and employment characteristics.

30. To interpret indicators on the distribution of workers in informal employment by socio-demographic and economic features, the distribution of informal employment should be compared to the corresponding distribution among (a) workers in formal employment; and (b) all workers. Indicators on the distribution of informality (dimension 2) and its incidence (dimension 3) are complementary and should be analysed jointly.

3.1.2.1. Suggested list of indicators

Table 2. **Composition of informal and formal employment: Proposed headline indicators and additional indicators**

| No.	Indicator	Reference in the ICLS draft resolution*
Dimension 2 – Composition of informality (informal and formal employment)		
▶ Headline indicators included in the ICLS draft resolution		
A.2.1.	Number and distribution of persons with an informal main job by informal sector, formal sector, household own-use community sector and status in employment and sex	128(b)
A.2.2.	**Distribution of persons with an informal or formal main job, by sex and (a) socio-demographic characteristics:**	128(c)
A.2.3.	– age group.	
A.2.4.	– educational level.	
A.2.5.	– area of residence or area of work (urban/rural); geographic region (as relevant in the country).	
	(b) employment-related characteristics:	
A.2.6.	– status in employment (covered by indicator A.2.1).	
A.2.7.	– economic activity (International Standard Industrial Classification of All Economic Activities (ISIC)).	
A.2.8.	– occupation (International Standard Classification of Occupations (ISCO)).	
A.2.9.	– place of work.	
A.2.10.	– size of economic unit (number of workers, including business owner).	
▶ Additional indicators		
	Distribution of persons with an informal or formal main job, by sex and:	
A.2.11.	– disability status.	
A.2.12.	– migrant workers (citizenship).	
A.2.13.	Distribution of persons with an informal or formal main job, by socio-demographic and employment-related characteristics (as proposed above), within particular categories of workers (such as domestic workers, home-based workers, young people, digital platform workers, migrant workers, workers with disabilities or any other group, depending on country priorities and prevalent forms of informality).	

* See ILO 2023a, Appendix.

Note: Due attention should be paid to the sample and representativeness of results for the level of disaggregation.

3.1.2.2. Spotlight on some indicators

31. **Indicator A.2.1**. This refers to the distribution of persons with an informal main job by informal sector, formal sector, household own-use community sector and status in employment. This decomposition allows the linking of groups of workers with what the process of transition to formality may mean for them.

Figure 4. **Indicator A.2.1. [128(b)][10] Distribution of persons with an informal main job, by informal sector, formal sector, household own-use community sector and status in employment (%), 2019**
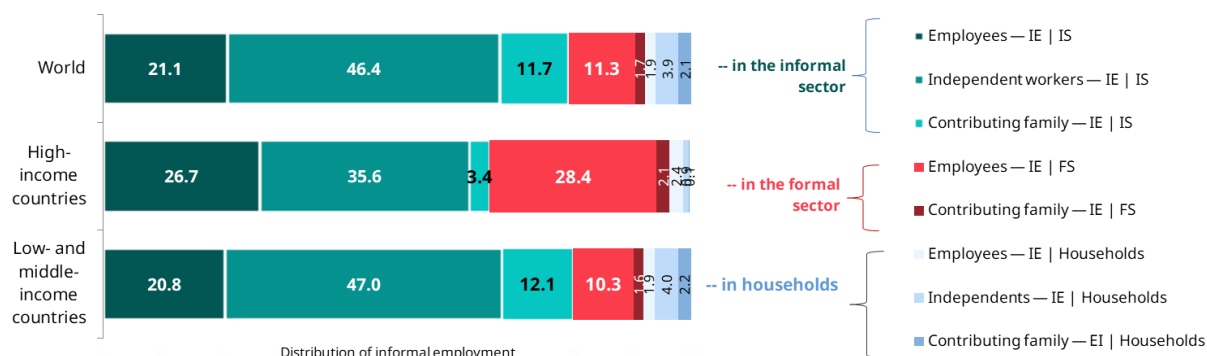
Note: IE = informal employment; IS = informal sector. For example, the category "Employees — IE/IS" refers to employees in informal employment in the informal sector.

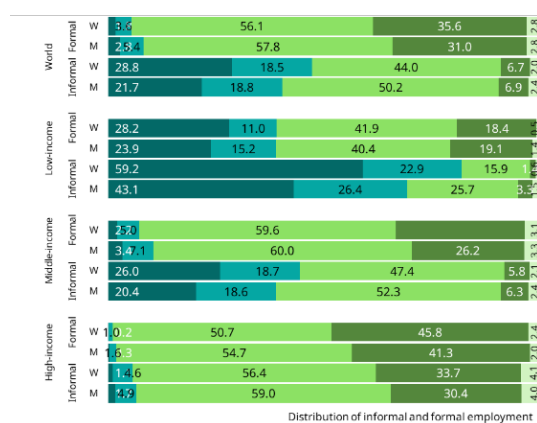Source: ILO. Women and Men in the Informal Economy: A Statistical Update, 2023.

32. As per the definition of informal employment:

  a. **The formalization of jobs for employees** refers to the formal recognition and declaration of their employment relationship and the effective access to social and labour protections attached to that relationship. Depending on the protections attached to the different forms of employment agreements (or possibly work agreements), the recognition of the employment relationship (and possibly work relationship), having a contract and thereby being declared and recognized as a worker are necessary but not always sufficient to effectively access adequate labour protection and social protection. For employees in informal employment in formal economic units, to some extent for domestic workers in households and possibly for some dependent contractors, formalization calls primarily for the recognition and the declaration of the employment relationship and ensuring that effective access to social and labour protections is associated with it. For employees in informal employment in the informal sector, the formalization of the economic unit that employs them is also a precondition for the formalization of their job. The legal identification and recognition of the economic unit is a necessary step for the employer to be in a position to declare hired employees to labour administration and to social security and to pay contributions on their behalf.

  b. **The formalization of jobs for independent workers** is a matter of formalizing economic units. This refers to policies and measures aiming at facilitating the transition of economic units to formality by reducing the cost of becoming and remaining formal and increasing the advantages associated with being formal and/or increasing the cost of being and remaining informal. However, not all of them are in position to be formalized and not all policies to support formalization processes are about "formalization" per se (being covered and complying with fiscal, social and labour obligations) but contribute to supporting this process. This includes a range of incentives (simplification of registration; access to social security for them and their employees; access to markets, including public procurement; access to financial resources; and assets and property) and deterrent measures to detect or sanction informal behaviour. It also includes a range of complementary measures to address the root causes of informality, such as measures to improve productivity to create the conditions for formalization by providing a degree of income security in terms of stability and predictability. For independent workers, for example, the extension of social security as such is not directly about formalization; however, linking the access to social security for them and their employees to the registration of their unit can represent an important incentive for the formalization of their activity, while the extension of social protection to all is in all circumstances an objective in itself.

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10   For figure 4 and subsequent figures, numbers given in **[red square brackets]** refer to paragraph number(s) in ILO 2023a, Appendix.

    c. Based on the proposed definition of formal jobs for **contributing family workers**, formalization may involve an effective access to protection[11] or a change in their status in employment (ideally a shift to employee status), with a reduction of decent work deficits in the meantime, as well as the formalization of the economic unit that they are contributing to in the case of informal sector units.

    d. As per the new category of **dependent contractors**, all options may apply: a shift to the status of employee (in cases of the recognition of previously disguised employment relationships); the formalization of economic units as a condition for the formalization of jobs, with an expanded notion of a "formal economic unit" for dependent contractors to open the possibility that the worker per se can be registered and hence constitute a formal economic unit; and the formalization of jobs that provide access to protections that reduce economic risks.[12] As for employees, being registered (either the worker or the economic unit) and as such part of the formal sector can be viewed as an important first step to be considered formal. It is the starting point for being covered by formal arrangements that are intended to reduce the economic risk related to the job. Thus, while dependent workers in the informal sector have informal jobs, dependent contractors in the formal sector can have informal jobs.

    e. A last category falling outside the scope of the new definition of employment (and of informal employment) but as part of work activities other than employment is: **own-account workers producing goods or services that are not mainly intended for the market with the purpose of generating an income or profit**. For such workers, the question is about the formalization of work other than employment, as well as in some cases the possibility of developing their activity on a commercial basis to move from work activities to employment, preferably formal employment.

33. This analysis of informal employment by type of production unit and status in employment is central from a policy perspective. However, this is only possible if both informal employment and employment in the informal sector and in the household own-use community sector can be measured for all workers (independently of employment status), avoiding unfortunate filters that restrict questions to assess the informal nature of economic units of independent workers.

34. **Indicator A.2.4**. **Distribution of informal employment, by the highest level of education**. The informal economy tends to absorb less educated people in all but developed countries. This indicator assesses the educational profile of workers in informal employment compared to workers in formal employment. The distribution of workers in informal employment (total and for specific groups: sex, status in employment and type of production unit), by the highest level of education, is informative from a policy perspective, shedding light on some of the consequences of a relatively low level of education. This is (among others) one of the drivers of low levels of productivity in the informal economy and can explain some of the obstacles that workers in informal employment may face regarding formal procedures.

Figure 5. **Indicator A.2.4. [128(c)] Distribution of formal and informal employment, by level of education and sex (%), 2019**
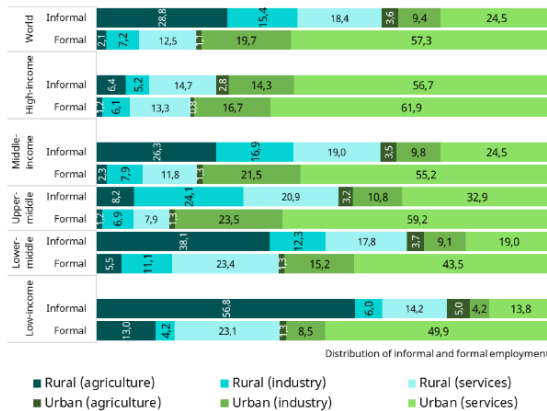

Source: ILO, *Women and Men in the Informal Economy: A Statistical Update*, 2023.

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11   See ILO, "Working Paper to Support Revision of the Standards for Statistics on Informality. Potential Changes to Measuring Contributing Family Workers in Informality Statistics",

12   See ILO 2023c.

Figure 6. **Indicator A.2.5. [128(c)] Distribution of formal and informal employment, by area of residence (%), 2019**
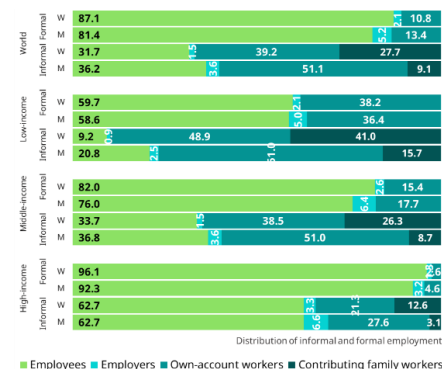

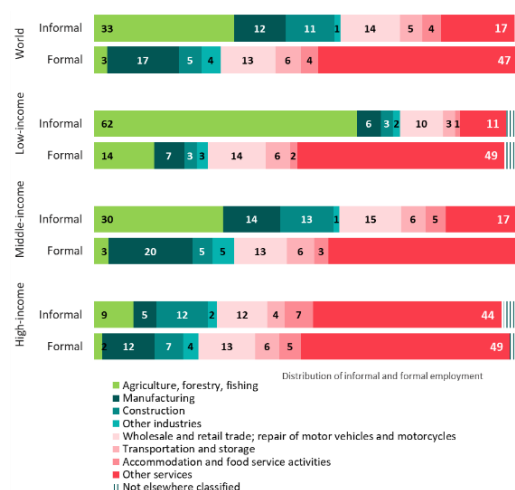Source: ILO, *Women and Men in the Informal Economy: A Statistical Update*, 2023.

35. Indicator A.2.5. Distribution of informal employment, by area of residence (urban/rural) or, as appropriate at the national level, by relevant geographical areas (regions, provinces, districts and so on). By experience, some countries decide to start the process of formalization by focusing on certain geographical areas. This indicator can provide arguments (with other indicators) to orient the selection of a particular regional focus. Indicator A.2.5 should be analysed jointly with indicator A.2.7 on the distribution of informal employment by sector in order to assess, in particular, to what extent the incidence of informality in agriculture explains the urban/rural informality divide.

36. **Indicator A.2.6. Distribution of informal employment, by employment status**. This information is already covered by indicator A.2.1. The employment statuses most represented among workers in informal employment (a) refer back to the type of formalization policies needed; and (b) should be linked with the overall structure of employment by status in employment at the national level (covered by indicators under dimension 6). First, this indicator points out the prevalent form of informality in the country. Second, countries in which own-account workers and contributing family workers make up the majority of total employment will not only be more likely to have even higher representation of those two more vulnerable employment statuses among workers in informal employment but will also be more likely to have a higher proportion of informal employment in total employment at the national level.

Figure 7. **Indicator A.2.6 [128(c)] Distribution of informal and formal employment, by status in employment and sex (%), 2019**

Source: ILO, *Women and Men in the Informal Economy: A Statistical Update*, 2023.

Figure 8. Indicator A.2.7. [128(c)] Distribution of formal and informal employment, by economic activity (%), 2019
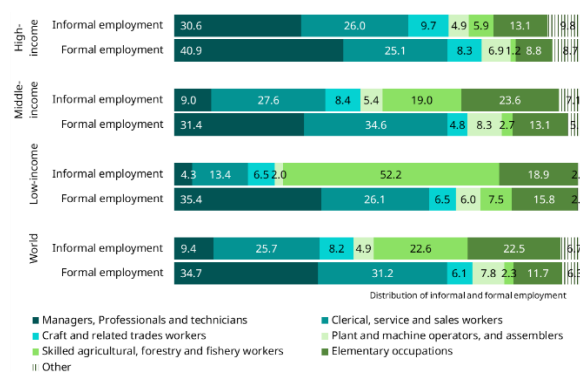

Source: ILO, *Women and Men in the Informal Economy: A Statistical Update*, 2023.

37. **Indicator A.2.7. Distribution of informal employment, by sector**. The identification of sectors most represented among workers in informal employment (together with indicator A.3.7. "Percentage of employed persons with an informal main job, by economic activity (ISIC)") provides arguments for the adoption of a sectoral approach. Many countries opt for such an approach, benefiting from structures and actors active in particular sectors as well as from existing sectoral policies. Since results are representative, using detailed disaggregation at the ISIC two-digit level or higher allows the identification of the situation of particular groups of workers, such as domestic workers, that can be meaningful at the national level (ISIC, Rev. 4, code 97).

38. **Indicator A.2.8. Distribution of informal employment, by occupation (ISCO)**. As for sectors, data on occupation can point to already well identified (in some cases organized) groups of workers. The analysis of the distribution of formal and informal employment by occupation also offers an entry point for discussing the issue of skills, which should be analysed together with indicator A.2.4, "Distribution of informal employment by the highest level of education", with respect to the educational profiles of workers in informal employment and in formal employment.

Figure 9. Indicator A.2.8. [128(c)] Distribution of informal and formal employment, by occupation in employment (%), 2019

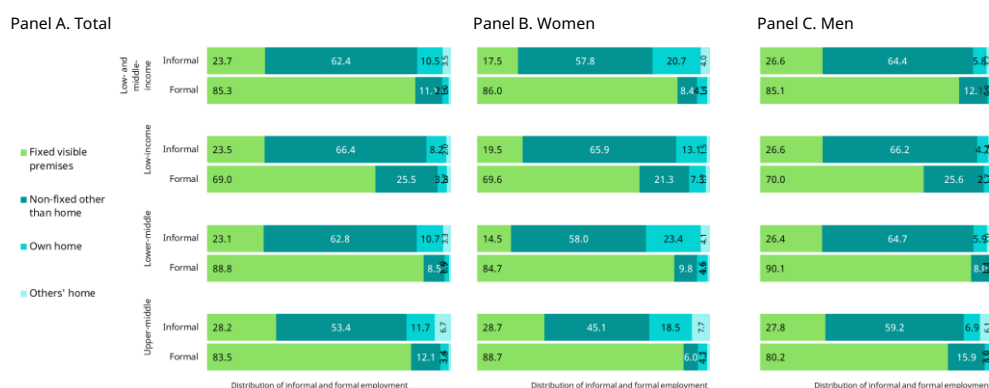Source: ILO, *Women and Men in the Informal Economy: A Statistical Update,* 2023.

39. **Indicator A.2.9. Distribution of informal and formal employment by place of work**. The categories of place of work should be based on those set out in paragraph 100 of the Resolution concerning statistics on work relationships,[13] which was adopted by the ICLS at its 20th Session. However, the answer modalities provided in that resolution may be too detailed to be used directly in the indicator framework. A proposed way forward could be to further compile them and distinguish between those carrying out work in own-home, open space places of work and others. The place of work has obvious consequences, including the visibility of workers in informal employment and the complexity to reach out to them; hazardous conditions associated with certain workplaces; implications regarding productivity; or possible legal limitations in some cases (for example, in the case of "households" considered as part of the private sphere). This indicator offers the opportunity to assess the situation of home-based workers[14] and street vendors (combined with ISCO at the four-digit level)

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[13] Work at home (own home or area outside); own household farm; no fixed place of work (water-, air- or land-based vehicle; door-to-door; street or other public space; market); at a fixed place of work outside the home (client's or employer's home; employer's workplace or site; own business premises; client's workplace or site; no single type of location); or at another type of location (see ILO 2018a).

[14] Home-based work refers to work not only in one's own dwelling but also in structures attached to or near one's own dwelling, as well as open areas adjacent to one's own dwelling (ILO 2002c; Vanek, Chen and Raveendran 2015).

as particular groups. It is proposed to cover the dimension related to the place of work through a dedicated indicator (see dimension 4, indicator A.4.13 below) and also to include the place of work as a disaggregation of most indicators (see ILO 2023a, Appendix, paras 141 and 142).

Figure 10. Indicator A.2.9. [128(c)] Distribution of informal and formal employment, by place of work, sex and country income group (low- and middle-income countries, excluding China) (%), 2019[15]

Source: ILO, *Women and Men in the Informal Economy: A Statistical Update,* 2023.

40. Indicator A.2.10. Distribution of informal employment, by size of enterprise (or economic unit). Globally, about 75 per cent of informal employment and 80 per cent of employment in the informal sector is concentrated in economic units of fewer than ten workers (ILO 2023b, figure 11). For this indicator, it is of particular importance to consider not only the distribution of informal employment by size of economic units but also the distribution of employment in the informal sector. That provides information about a possible focus (or not) on micro and small economic units (including own-account workers), with particular policy measures targeting this group. While analysing data on the informality and size of economic units based on an overview of country practices, attention should be paid to filters that may exclude from the scope of the question on size a significant number of persons in employment (for example, own-account workers or independent workers generally or employees depending on countries).

Figure 11. Indicator A.2.10. [128(c)] Distribution of total, informal and formal employment, by size of economic units and country income group (%), 2019
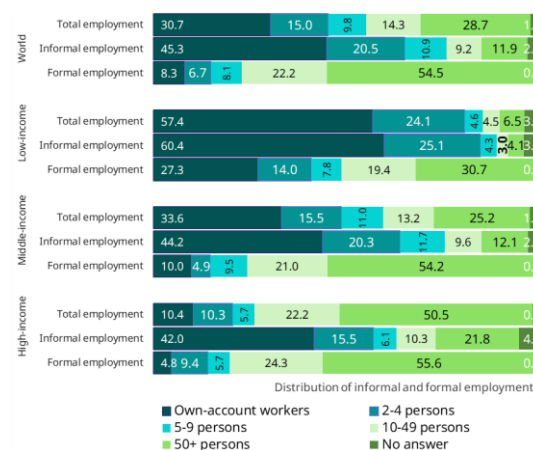
Source: ILO, Women and Men in the Informal Economy: A Statistical Update, 2023.

41. Indicator A.2.11 (and indicator A.3.15 in table 3 below). Distribution of persons with an informal or formal main job (and incidence of informal employment), by disability status. Disability is one of the variables required for disaggregating many SDG indicators and disaggregating data by disability status should become standard practice. Persons with disabilities need to be accurately identified in order to avoid underestimations of their actual numbers. In building this indicator, existing guidance and tools should be used, in particular the statistical tools developed by the Washington Group on Disability Statistics, in collaboration with partners,[16]

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[15] Similar to indicator A.4.13 (see ILO 2023a, Appendix, para. 128(b)(iv)) under dimension 4.

[16] The Washington Group on Disability Statistics, in collaboration with partners, has developed statistical tools that capture people's ability to function in everyday life and the degree of difficulty they may face in performing routine activities. This includes a variety of disability data tools, of which the Washington Group Short Set (Washington Group 2020) of six questions is recommended for use in identifying people with

and by the ILO.[17] Particular attention should be given to the situation of workers with disabilities (and of migrant workers; see para. 42 below), not only through this proposed additional dedicated indicator but also (as for migrant workers) through "specific categories" of workers whose situation would be better assessed in specific surveys, thereby ensuring the reliability of results and in-depth analysis. This would address the possible limitations of labour force surveys in providing reliable results about workers with disabilities (with reference to a design issue, sample size and sampling errors) and the need to consider specifically designed surveys (see ILO 2023a, Appendix, para. 139 concerning specific categories of workers, and para. 117 on data quality issues*).*

42. Indicator A.2.12. Distribution of persons with an informal or formal main job, by migrant and non-migrant workers*.* Issues arise for the assessment of the situation of migrant workers that are similar to the above-mentioned issues that arise for persons with disabilities related to the availability and representativeness of data if based on labour force survey data (sample size and sampling errors). Whether covered by specific additional indicators or as a special group analysed through the six different dimensions included in the Informal Economy Indicator Framework, the United Nations *Handbook on Measuring International Migration through Population Censuses* (United Nations 2022) is an important reference. This is relevant as well for indicator A.3.16 "Percentage of employed persons with an informal main job, by migrant workersworkers' status (citizenship) and sex" presented in table 3 below.

43. Indicator A.2.13 (and indicator A.3.17 in table 3 below). Distribution of persons with an informal or formal main job (and incidence of informal employment), by socio-demographic and employment-related characteristics, within particular categories of workers. Illustrations of this approach can be found for example in ILO 2021c, especially in Chapter 9 of that publication, which reviews the situation of domestic workers in terms of their exposure to informality and its consequences for their working conditions. Whenever possible, the assessment of the situation of a particular group will benefit from comparison with another reference group or with all workers, which may not be an option in the case of specific surveys that focus on one category of workers for an in-depth analysis.

3.1.3. Dimension 3. Workers most exposed to informal employment

44. Indicators that refer to the exposure to informality track the incidence of informality for different groups. The workers that are most exposed to informality do not necessarily represent the majority of workers in informal employment. For example, the percentage of domestic workers in informal employment (or the incidence of informality among domestic workers) is often one of the highest, but this is not the case for their representation in total informal employment. By contrast, workers in agriculture in low-income and many middle-income countries are not only among the most exposed to the risk of informality but also are often the largest group among workers in informal employment. However, whatever their representation among all workers in informal employment, a high level of exposure to informality — together with the fact that they are a clearly identified group in the case of domestic workers for example — may be important criteria for determining that a group should be prioritized.

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disabilities for the purpose of disaggregating the SDGs. In addition, for national sources of statistics on the employment characteristics of persons with disabilities, see ILO 2015.

[17] To explain the main drivers for the observed differences in labour market outcomes and identify the areas for improvement, the ILO, in collaboration with the Washington Group on Disability Statistics, developed an ILO module on functional difficulties and barriers to employment (see ILO, "Labour Force Survey (LFS) Resources").

3.1.3.1. Suggested indicators

Table 3. **Exposure to informal employment: Proposed headline and additional indicators**

| No.	Indicator	Reference in the ICLS *draft resolution**
Dimension 3 – Exposure to informality (informal employment)		
▶ Headline indicators included in the ICLS draft resolution		
	Percentage of employed persons with an informal main job, by sex and:	**128(d)**
	(a) socio-demographic characteristics:	
A.3.3.	– age group.	
A.3.4.	– educational level.	
A.3.5.	– area of residence or area of work (urban/rural); geographic region (as relevant in the country).	
	(b) employment-related characteristics:	
A.3.6.	– status in employment.	
A.3.7.	– economic activity (ISIC).	
A.3.8.	– occupation (ISCO).	
A.3.9.	– place of work.	
A.3.10.	– size of economic unit (number of workers, including business owner).	
A.3.11.	– type of employment agreement.	
A.3.12.	– duration of employment agreement.	
A.3.13.	– number of hours worked (hour bands).	
▶ Additional indicators		
A.3.14.	Percentage of employed persons with an informal main job, by form of remuneration or for profit (for example, daily workers, piece-rate workers, workers paid on a monthly basis, profit) and employment status.	
A.3.15.	Percentage of employed persons with an informal main job, by disability status and sex.	
A.3.16.	Percentage of employed persons with an informal main job, by migrant workers' status (citizenship) and sex.	
A.3.17.	Percentage of informal employed persons, by socio-demographic and employment-related characteristics (as proposed above) within particular categories of workers (for example, domestic workers, home-based workers, young people, digital platform workers, migrant workers, workers with disabilities or any other group, depending on country priorities and prevalent forms of informality).	

* See ILO 2023a, Appendix.
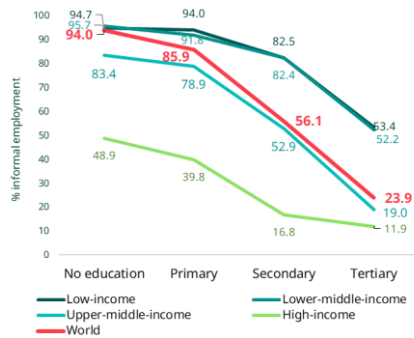
3.1.3.2. Spotlight on some indicators

45. **Indicator A.3.3 Percentage of employed persons with an informal main job, by age group**. In most countries, younger and older workers are more exposed to informality than others (ILO 2018b; ILO 2020b; ILO 2023b). For both young and senior workers, additional indicators can help to identify some of the underlying reasons for their high exposure to informality. Such reasons may include the overrepresentation for certain age groups of employment statuses that are highly exposed to informality (covered under dimension 6); income insecurity (covered under dimensions 4 and 5); or exclusion (by law) from social security and/or labour protection after reaching the statutory retirement age.

Figure 12. **Indicator A.3.3. [128(d)] Percentage of employed persons worldwide with an informal main job, by age group and employment status, 2019**
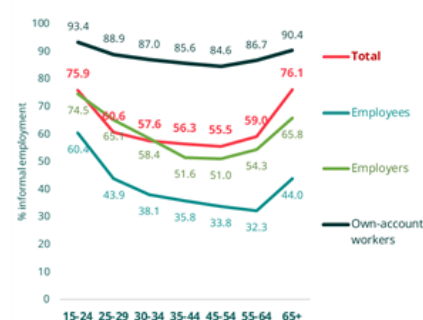
Source: ILO, *Women and Men in the Informal Economy: A Statistical Update*, 2023.

Figure 13. Indicator A.3.4. [128(d)] Percentage of employed persons with an informal main job, by level of education and country income group, 2019
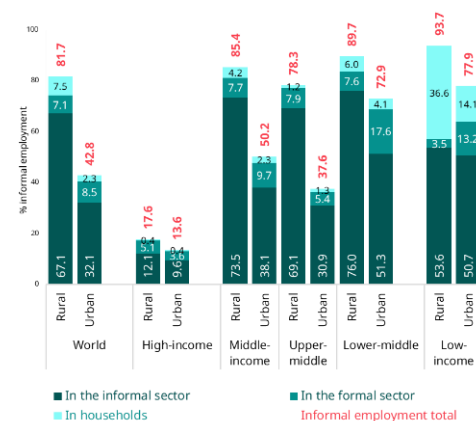

Source: ILO, *Women and Men in the Informal Economy: A Statistical Update*, 2023.

46. Indicator A.3.4. Percentage of employed persons with an informal main job, by highest level of education, employment status and sex. This indicator assesses whether a low level of education is among the factors of informality by comparing the share of informal employment based on increasing levels of education for different groups of workers. In most countries, especially low- and middle-income countries, the percentage of workers in informal employment decreases as the level of education increases. This is particularly true for employees and employers and less so for own-account workers (ILO 2018b; ILO 2023a).

47. Indicator A.3.5. **Percentage of employed persons with an informal main job, by area of residence (urban/rural).** This indicator should ideally be complemented by another indicator on geographical location (regions/provinces, as relevant in the country). With regard to the rural/urban distinction, the indicator may be analysed jointly with the indicator on informality by economic sector (indicators A.2.7 and A.3.7) to assess, as mentioned above, the extent to which the higher exposure of workers in agriculture to informality explains any urban/rural differences. Other factors may include the institutional and economic environment (for example, limited access to public infrastructure and services, and differences in quality of services and local governance); the personal and employment characteristics of the rural population (including a higher incidence of poverty, lower education levels or overrepresentation of employment statuses among those who are most at risk of informality); and other factors more difficult to quantify, such as traditions and rural actors' perceptions of laws and regulations and social norms.
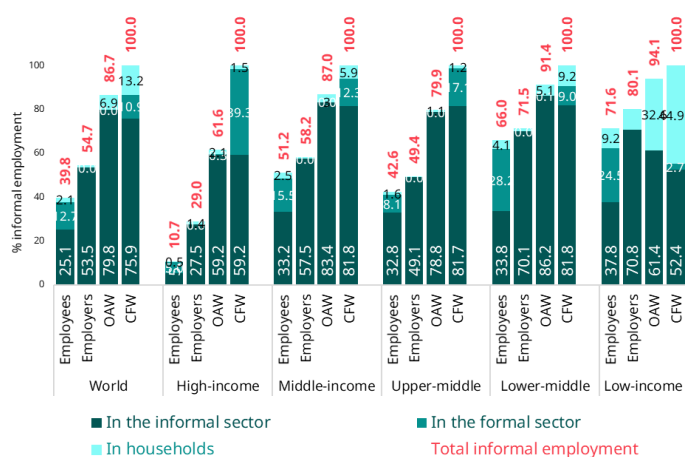
Figure 14. Indicator A.3.5 [128(d)] Percentage of employed persons with an informal main job, by urban/rural residence and type of production unit, 2019

Source: ILO, *Women and Men in the Informal Economy: A Statistical Update*, 2023.

Figure 15. Indicator A.3.6. [128(d)] Percentage of employed persons with an informal main job, by status in employment and country income group, 2019
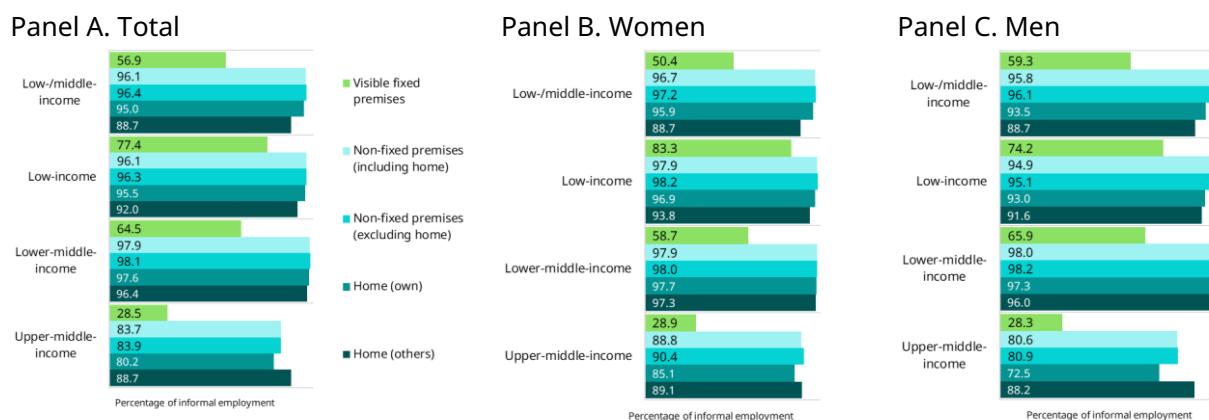

Source: ILO, *Women and Men in the Informal Economy: A Statistical Update*, 2023.

Indicator A.3.6. Percentage of employed persons with an informal main job, by status in employment. Some employment statuses are more exposed to informality than others. Contributing family workers (by definition considered in informal employment, at least until a revision), own-account workers and dependent contractors are usually more exposed to informality than employees. The different levels of exposure by status in employment and the representation of each status in employment (total or for certain sectors, occupations or groups of workers) form part of the reasons to explain the overall proportion of informal employment (total or for specific groups).
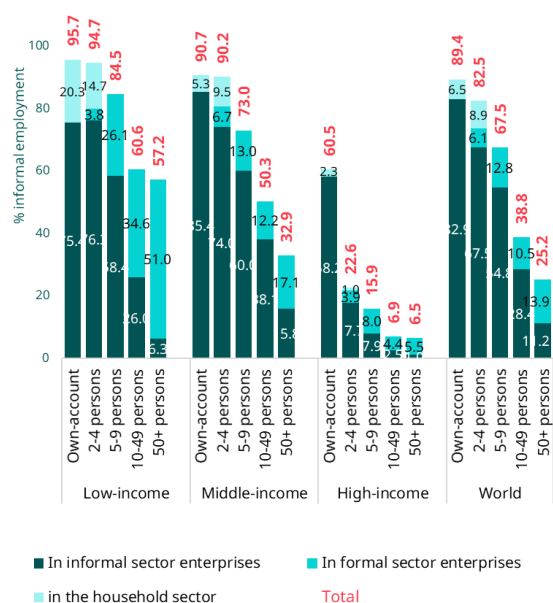
48. **Indicator A.3.9. Percentage of employed persons with an informal main job, by place of work.** To complement the information provided for indicator A.2.9, the analysis of the incidence of informality based on the place of work highlights the distinct situation of workers in fixed-visible places of work (less likely to be in informal employment) compared to all other places. This is not a surprising result, in particular because most if not all administrations and large enterprises (where informality of jobs tends to be lower) fall under this category.

Figure 16. Indicator A.3.9. [128(d)] Percentage of employed persons with an informal main job, by place of work and sex in low- and middle-income countries, 2019

Source: ILO, 2023. *Women and Men in the Informal Economy: A Statistical Update*, 2023.

Figure 17. Indicator A.3.10. [128(d)] Percentage of employed persons with an informal main job, by size of economic units and country income group, 2019
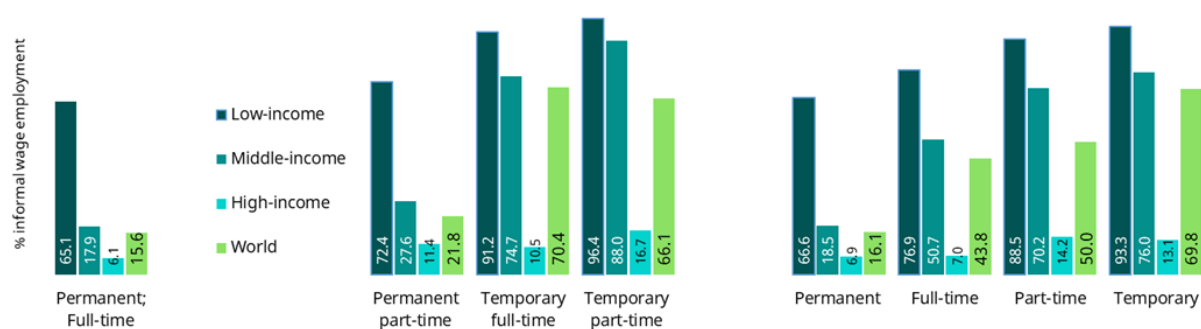

Source: ILO, Women and Men in the Informal Economy: A Statistical Update, 2023.

49. Indicator A.3.10. Percentage of employed persons with an informal main job, by size of economic unit. The comparative analysis of informal employment by size of economic unit shows that the share of total informal employment decreases as the size of the economic unit increases (ILO and OECD 2019; ILO 2023b). For this indicator in particular, the distinction between informal employment in informal sector economic units and formal economic units is important. While the share of informal employment in the informal sector tends to decrease significantly as the size of the economic unit increases, by contrast there may be a significant share of informal employment in the formal sector, including in larger enterprises. Despite the greater ability of large enterprises to cover formalization costs and more easily interact with government administrations, it is important to assess whether there is a substantial share of informal employment in large formal enterprises and to identify the underlying reasons (for example, existence of employment agreements that provide no social protection and other benefits). When analysing this indicator, one should keep in mind and possibly quantify the number of workers in informal employment with disguised employment relationships, who are subcontracted by formal enterprises but misclassified as own-account workers.

50. Indicators A.3.11 and A.3.13. Percentage of informal wage employment, by type of employment arrangement and number of hours worked per week. Certain characteristics of employment, such as the type of employment arrangement (temporary or permanent) or the number of hours worked per week (allowing for example a distinction between full-time and part-time workers), make it possible to identify categories of workers in forms of employment other than "full-time permanent employment". It should be noted that this indicator focuses on employees and aims in particular to assess the extent to which employees other than those in permanent full-time employment are more exposed to informality. A related question that helps to explain a higher risk of informality for certain groups of employees is whether the same levels of protection (labour and social protection) are attached to different types of employment arrangements and number of hours.

Figure 18. Indicators A.3.10–A.3.11. [128(d)] Percentage of informal wage employment, by type of employment arrangement and country income group, 2019

Source: ILO, Women and Men in the Informal Economy: A Statistical Update, 2023.

51. For employees, the informal nature of their main job means primarily the absence of social security coverage gained through their employment relationship. The reasons why employees under certain employment agreements are prone to informality are either (a) the fact that they are outside the scope of current laws and regulations ("legal gap" that can result from the lack or the type of employment agreement); or (b) if they are legally covered, the fact that those legal provisions are not effectively implemented in practice ("implementation gap"). In the case of a legal gap, the exclusion can be explicit for certain groups, based on their characteristics or type of employment agreement. It can also be implicit, with workers being excluded because they do not meet the qualifying thresholds in terms of criteria based for example on the length of the employment agreement, the number of hours worked or the level of earnings. Thus, the analysis and interpretation of those indicators will benefit from the review of laws and regulations to identify the source of informality (see paras 89–100 below).

3.1.4. Dimension 4. Working conditions and levels of protection for workers in informal versus formal employment[18]

52. The main objective of indicators under dimension 4 is to assess the state of working conditions and the extent of decent work deficits among workers in informal employment compared to those in formal employment. The assessment of working conditions should not be limited to workers in informal employment or in the informal sector. The analysis of the working conditions of workers in formal employment provides a reference for the relative assessment of working conditions of workers in informal employment. This comparison also makes it possible to assess whether formal jobs are associated with decent working conditions or whether the transition from informal to formal employment results not only in better working conditions but also in good working conditions (that is, a transition to a decent job).

53. Indicators under dimension 4 should be complemented with indicators under dimension 5, in particular for sources of income and social protection other than those derived from an individual's job. The combined analysis of work-related indicators as presented here together with the other sources of income and protection presented under dimension 5 supports the assessment of the various levels of protection and vulnerability faced by workers in informal or in formal employment. For those still in the informal economy, this contributes, in turn, to capturing their capacity or readiness to formalize in the short term, by taking into consideration additional dimensions that represent either obstacles to or opportunities for the improvement of working and living conditions and formalization.

54. This section includes two broad categories of indicators. The first category assesses various levels of labour and social protection (gained through employment for workers with different employment status). It aims to analyse in greater detail the situation of employees in terms of access to social and labour protection on the basis of the criteria recommended for the statistical definition of formal employment. It also aims to assess the extent to which dependent contractors, independent workers and contributing family workers contribute to social security.

55. The second category of indicators focuses on working conditions or the main dimensions of decent work (ILO 2013b):

  a. **(Labour-) income security**. This includes the level, regularity and predictability of income from labour, including job-related social protection. A broader assessment of income security, including poverty and the capacity to cover basic needs, is covered under dimension 5 to include income security from other sources (for example, non-labour-related income and non-job-related social protections) at both the individual and household levels.

  b. **Employment security**. Employment security refers to different realities, based on status in employment. For employees, it can include the existence and type (and when relevant, the duration) of the employment agreement. The meaning for other employment statuses (independent workers, dependent contractors and contributing family workers) is less clear.

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[18] See "Productivity and factors constraining or enhancing the development and sustainability of informal economic units versus formal ones" under 4.4 below.

    c. **Health and safety issues**. Health and safety covers issues such as the exposure to hazardous working conditions, the access to protective equipment, the incidence of occupational injuries, access to healthcare and financial compensation in case of injury.

    d. **Working time**. This includes the comparison of the number of actual and usual hours of work between workers in informal and formal employment in order to identify whether workers in informal employment are more likely to work outside normal hours of work.[19] Assessing the possible differences between workers operating in the informal economy and other workers in terms of working-time arrangements, including the incidence of work during weekends or night work, also contributes to assessing their relative level of exposure to risks such as health and safety, in-work poverty and work–life balance issues. This also includes the assessment of time spent on own-use production of goods and services, in particular unpaid domestic and care work.

    e. **Skills security.** Skills security is about skill enhancement. It complements the analysis of levels of education by assessing whether workers in informal employment have access to training and retraining, and if so to what type of training. By extension, this could also include the issue of the ability to progress and pursue a career.

    f. **Representation security**. This involves identifying the level and forms of organization of workers in informal and formal employment (including business owners and their economic unit).

56. The indicators proposed below should be analysed, respectively, for women and men and – where relevant – by employment status and type of production unit (formal sector, informal sector or household own-use community sector). With a few exceptions, all of them refer to the main job.

57. The available information on a number of those dimensions refers to employees. For some, it is because they are the only ones concerned. For others, this results from the lack of corresponding "widely available indicators" at the present time to enable the situation of other employment statuses or other forms of work to be captured. This is obviously an area open to future development and will be part of ongoing efforts to expand the indicator framework beyond the dedicated section on indicators proposed in the ICLS draft resolution.

58. Among the indicators presented in table 4, the ICLS draft resolution recommends 14 indicators: 5 indicators on different levels of protection and nine indicators on some dimensions of working conditions (labour income, employment security, working time and representation) (see ILO 2023a, Appendix, para. 130). Most of these indicators can be produced from a standard labour force survey; however, they are not considered to be headline indicators.

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[19] Normal hours of work typically refer to 35 to 48 hours a week for pay or profit (see ILO 2023c).

3.1.4.1. Suggested main and additional indicators

Table 4. **Working conditions and levels of protection of workers in informal versus formal employment: Proposed indicators included in the ICLS draft resolution* and additional indicators**

No.	Indicator	Reference in the ICLS *draft resolution*
Dimension 4		
✚ Levels of protection among workers with informal main jobs and formal main jobs		
▶ Main indicators		
A.4.1	Percentage of independent workers, respectively, with an informal or a formal main job, who contribute on a voluntary or mandatory basis to job-related statutory social security insurance.	130(a)(i)
A.4.2	Percentage of contributing family workers, respectively, with an informal or a formal main job, who contribute on a voluntary or mandatory basis to job-related statutory social security insurance.	130(a)(ii)
A.4.3	Percentage of dependent contractors, respectively, with an informal or a formal main job, who contribute on a voluntary or mandatory basis to job-related statutory social security insurance.	130(a)(iii)
A.4.4	Percentage of employees with a formal main job who have effective access to employment benefits, such as paid annual leave and paid sick leave or other relevant national employment benefits.	130(a)(iv)
A.4.5	Percentage of employees with an informal main job who have effective access to some employment benefits, such as paid annual leave or paid sick leave or other relevant national employment benefits.	130(a)(v)
▶ Additional indicators		
A.4.6	Percentage of workers, with multiple jobs and with an informal or a formal main job, who contribute on a voluntary or mandatory basis to job-related statutory social security insurance in an additional job.	
✚ Working conditions among workers with informal main jobs and formal main jobs		
▶ **Income security**		
▶ Main indicators		
A.4.7,	Monthly and hourly average employment income among workers with informal main jobs and formal main jobs, by status in employment.	130 (b)(i)
A.4.8.	Percentage of persons with informal main jobs and formal main jobs earning less than the defined benchmarks (for example, the minimum wage or 50 per cent of the median wage), by status in employment.	130(b)(ii)
▶ Additional indicators		
A.4.9.	Gender pay gap among workers in informal employment and formal employment (whenever possible, beyond wages and thus by employment status).	
A.4.10.	Distribution of workers in informal and formal employment by form of remuneration (for example, daily workers, piece-rate workers, paid on a monthly basis, profit) by employment status and sex.	
▶ **Employment security**		
▶ Main indicators		
A.4.11.	Distribution of employees with informal and formal main jobs, by type and duration of employment agreement.	130(b)(iii)
▶ Additional indicators		
A.4.12.	Distribution of workers with informal and formal main jobs, by type and duration of employment, commercial or work agreement and status in employment.	

▶ **Place of work**[20]

   ▶ Main indicators

A.4.13.	Distribution of persons with informal and formal main jobs, by place of work and status in employment.	130(b)(iv)

▶ **Working time**

   ▶ Main indicators

A.4.14.	Distribution of persons with informal and formal main jobs, by actual hours worked (hour bands) in main job per week and status in employment.	130(b)(v)
A.4.15.	Average number of actual hours of work per week in main job, by persons with informal and formal main jobs and status in employment.	130(b)(vi)
A.4.16.	Time-related underemployment among workers working less than a set number of hours in informal and formal main jobs, by status in employment.	130(b)(vii)

   ▶ Additional indicators

A.4.17.	Percentage of persons with informal main jobs and formal main jobs who work in shifts.
A.4.18.	Percentage of persons with informal main jobs and formal main jobs who work usually, sometimes or never (a) in the evenings; (b) at night; (c) on Saturdays; or (d) on Sundays.

▶ **Representation**

   ▶ Main indicators

A.4.19.	Percentage of persons with informal and formal main jobs affiliated with a union, a professional organization, a workers' association or a member-based organization of workers, by status in employment.	130(b)(viii)
A.4.20.	Percentage of employees with informal and formal main jobs covered by one or more collective agreements.	130(b)(ix)

   ▶ Additional indicators

A.4.21.	Percentage of persons with informal and formal main jobs with a trade union at their workplace, by status in employment.

▶ **Skills: access to training and retraining and career development**

   ▶ Additional indicators

A.4.22.	Proportion of workers in informal employment (compared to those in formal employment) who benefited from training/ retraining for work, by type of training (for example Informal training on the job; apprenticeship; courses in school/training institution; Government retraining programme; etc.), by employment status.

▶ **Occupational safety and health**

   ▶ Additional indicators

A.4.23.	Exposure to hazardous conditions of work of workers in informal employment compared to workers in formal employment (by economic sector and type of production unit).
A.4.24.	Proportion of workers in informal employment (compared to workers in formal employment) with access to and using protective equipment, by sector, occupation and place of work.
A.4.25.	Incidence of occupational injuries and diseases (assess the ability of having access to reliable data, especially for workers in informal employment), by sector, occupation and place of work.
A.4.26.	Social protection in case of occupational injury and disease (health and employment injury insurance and access to healthcare).

* See ILO 2023a, Appendix.

Note: Due attention should be paid to the sample, sampling errors and representativeness of results.

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[20] See indicator A.2.9 and figure 10.

3.1.4.2. Spotlight on some of the indicators

▶ Levels of protection

59. Indicators A.4.1. to A.4.3 concern contributory social security coverage at the individual level. The distinction between voluntary and compulsory membership (the self-employed being generally more likely to be members on a voluntary basis) and the reference to specific contingencies (such as pension[21] or health) reinforce the significance of these two indicators.

60. The focus is on categories of workers for whom the contribution to employed-related social security is not a recommended statistical criterion to define job formality but an issue of extension of social security, improved income security or at least reduced income insecurity. **Indicator A.4.1. Percentage of independent workers (formal and informal) contributing to social security.** Contribution to social security does not make a job "formal" for independent workers but provides protection and increases the level of income security. This indicator contributes to identifying, among independent workers, different groups based on levels of protection, irrespective of the formal nature of their job. Indicators A.4.1 to A.4.3 apply primarily to the main job. It may be of interest in the context of identifying sources of protection to assess affiliation with job-related social security in the context of additional jobs (see additional indicator A.4.6. "Percentage of workers with multiple jobs and with an informal or a formal main job, who contribute on a voluntary or mandatory basis to job-related statutory social security insurance in an additional job").
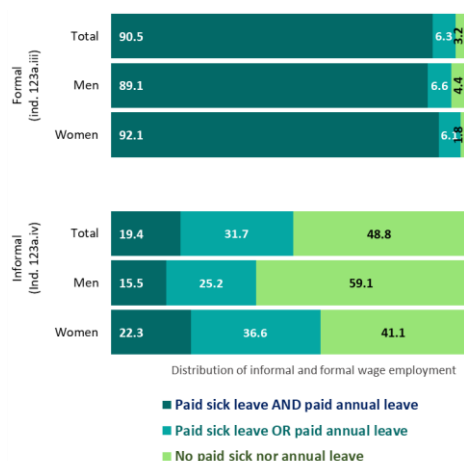
Figure 19. Indicator A.4.1. [130(a)(i)] Uruguay: Percentage of independent workers, respectively, with an informal or a formal main job, who contribute on a voluntary or mandatory basis to job-related statutory social security insurance, 2019
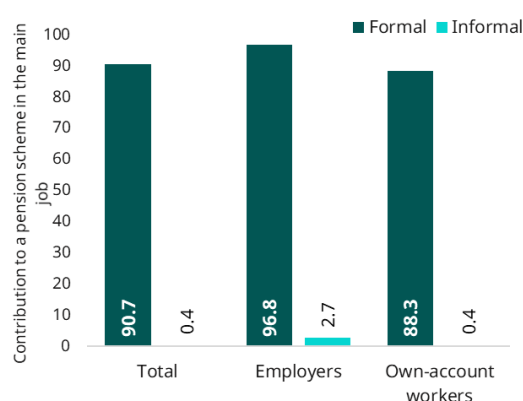
Source: Uruguay, Encuesta Continua de Hogares, 2019.

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[21] If one contingency should be prioritized, it should be pensions, for at least two reasons: (a) the fact that pension schemes (including old-age, invalidity and survivors' pensions) exist in the majority of countries for at least some groups of workers, which is not the case for unemployment benefits, which still do not exist in many countries; and (b) more than any other branch of social security, pension benefits are provided mainly or largely through contributory schemes (at least for some groups) and involve the employer's contribution. This is not the case for other types of benefit, such as family or health benefits, which are often provided through tax-financed mechanisms or are highly subsidized.

Figure 20. Indicator A.4.3-A.4.4. [130(a)(iv)–(v)] Dominican Republic: Percentage of employees with a formal or an informal main job with effective access to labour protection (employment benefits), 2019
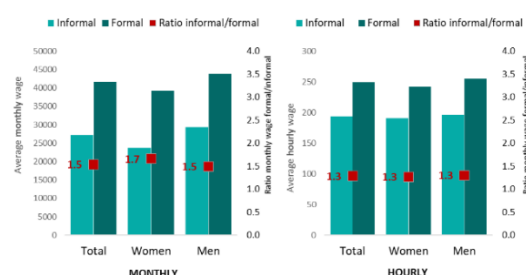

Source: Dominican Republic, Encuesta Nacional de Fuerza de Trabajo, 2019.

61. Indicators A.4.4–A.4.5. Percentage of employees with a formal main job (A.4.4) or an informal main job (A.4.5) that have effective access to employment benefits such as paid annual leave and paid sick leave or other relevant national employment benefits. The indicator on the percentage of employees with or without access to labour protection (in addition to contributions to social security for those in formal employment; or without such contributions for those in informal employment) aims to categorize employees based on various levels of protection and vulnerabilities. For employees in informal employment, it acknowledges that some levels of protection exist (including coverage by some formal arrangements) that reduce vulnerability, at least for some. For employees in formal employment, indicator A.4.4 highlights the fact that the measure of formal employment does not necessarily mean access to the full range of labour protections.

▶ Labour income security

62. The analysis of indicators on labour income security should ideally be complemented by the analysis of income-related indicators, as covered under dimension 5, in order to take into account all sources of income (property income, income from the production of household services for own consumption and current transfers received; for more details, see ILO 2003b) and income from all household members or household-based workers.

63. Income security covers issues related to the level of income and the regularity and predictability of income. Information on the forms and frequency of remuneration (on a piece-rate basis or daily, weekly, monthly and so on), either separately or combined with information on employment security, can contribute to assessing the regularity and predictability of income. These indicators on the level, regularity and predictability of income from labour also help to assess the extent to which the level and regularity of income of workers in informal employment are compatible with the modalities laid down by law. For example, they can help to assess whether levels of labour income are sufficient in relation to the cost of formalization, or whether the regularity of income is compatible with the periodicity required to pay social security contributions.

64. Indicators A.4.7–A.4.9. Level of individual income from labour: Monthly and hourly average employment income among workers with informal main jobs and formal main jobs, by status in employment (A.4.7); Percentage of persons with informal main jobs and formal main jobs earning less than the defined benchmarks (A.4.8); and Gender pay gap among workers in informal employment and formal employment (A.4.9)). Those three indicators should ideally apply to all workers, beyond wages of employees, acknowledging the difficulties to assess labour income other than wages. The issues that should be taken into consideration include the time reference (monthly, hourly); the indicator used (median, mean and ranges of values); and how best to cover all workers (including independent workers and dependent contractors).

Figure 21. Indicator A.4.6. [130(b)(i)] Serbia: Monthly and hourly average employment income among workers with informal main jobs and formal main jobs, by sex, with a focus on wages (employees)

Source: Serbia, Labour Force Survey, 2019.

65. Ratios of labour earnings can be informative indicators to compare the relative situation of different groups, taking another "typical worker" as a reference. Figure 22 provides an illustration of the comparison between monthly wages of employees in informal employment compared to their formal counterparts.

66. For indicator A.4.9 on the gender pay gap, the ILO's *Global Wage Report* series provides information, including on methodologies.[22]

Figure 22. Comparison of average monthly wages of men and women in informal employment versus those in formal employment, 2019
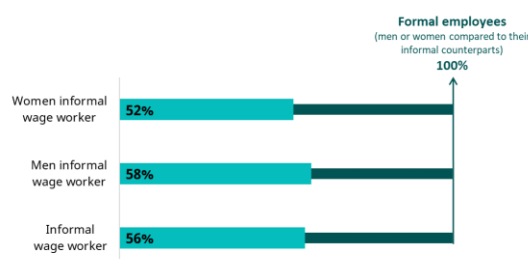
Source: ILO, *Women and Men In The Informal Economy: A Statistical Update*, 2023.

67. Indicators A.4.10a/A.4.10b. Forms of remuneration and informal and formal employment. Forms of remuneration can be used not only as an indicator of stability and predictability of income but also to identify particular groups of workers (piece-rate workers, daily workers and so on) for an analysis of their relative exposure to informality compared to other workers. Forms of remuneration should include the categories indicated in the ICLS Resolution concerning statistics on work relationships, paragraph 95.[23] They should ideally cover all people in employment, with indicators disaggregated by employment status. In addition, while not common in typical labour force surveys, some questions that directly assess the regularity and predictability of income could be used as a complement.[24]

68. Combined with the analysis of social security legislation, in particular with respect to affiliation modalities and eligibility criteria for benefits, these indicators on the level and regularity of labour income of workers in informal employment are extremely useful. They can help to distinguish between workers in informal employment who might meet some or all of these conditions and those whose level of earnings or the instability or seasonality of their earnings would require revision of those modalities set out in the law to improve their implementation in practice (such as simplification and the flexibility to take account of the level and irregularity of earnings among workers in informal employment).[25] The analysis of legislation may also highlight certain sources of informality associated with minimum income thresholds that may lead to the exclusion of a significant number of (informal) employed workers who fall below this threshold.

▶ Employment security

69. Employment security can be understood as protection against loss of labour income. The available and most common indicators tend to restrict the analysis to employees. Further work is needed to assess how employment security translates to other employment statuses and beyond those to other forms of work (such as unpaid trainees or unpaid care work). For independent workers and some dependent contractors, for example, should protection against business failure and loss of profit be considered? Indicators could be developed based on the duration and type of commercial agreements.

[22] See in particular ILO, *Global Wage Report 2018/19: What Lies behind Gender Pay Gaps*, 2018.

[23] The categories include (at a minimum): (a) time worked with a distinction between monthly, weekly and daily; (b) by the piece; (c) commission; (d) fee for services; (e) determined by profit or loss; (f) tips from clients; (g) other (see ILO 2018a, para. 95).

[24] For example, people security surveys include questions covering either household or individual income, such as: "*Regularity of income*: Over the past 12 months, has your monthly income been fairly regular, fluctuating or very irregular? (1. Regular   2. Fluctuating   3. Very irregular); *Expectations about future income*: In 12 months from now, do you expect your (a) household income (b) personal income to be higher, lower or about the same as compared to now? (1. Higher in real terms 2. About the same in real terms 3. Lower in real terms).

[25] In line with the irregular and unpredictable income that characterizes most workers in informal employment, the majority of informal workers from six sub-Saharan countries expressed their strong preference for payments of social health insurance contributions once or twice a year, in particular in rural areas, which confirms the need for the flexibility of legal arrangements compared with the monthly payments that are usually applied to formal regular employees (Friedrich Ebert Stiftung, ILO and IDOS 2022).

70. Indicator A.4.11. Distribution of employees with informal and formal main jobs, by type and duration of employment agreement. As formulated in the ICLS draft resolution, this indicator applies to employees and concerns employment agreements. The additional indicator A.4.12 extends the scope to other employment statuses by considering commercial agreements (for independent workers and dependent contractors) and work agreements (that may apply, for example, to unpaid trainees or volunteers). It is unlikely that any information is yet available in many countries for workers other than employees. Regarding the duration of job or work, it is recommended to follow the categories indicated in paragraph 83 of the ICLS Resolution concerning statistics on work relationships,[26] which allow for a distinction to be made between agreements without a stated limit of time and temporary (or time-bound) agreements (according to various durations).

Figure 23. Indicator A.4.10. [130(b)(iii)]. Distribution of employees with informal and formal main jobs, by type of employment agreement and sex and income group of countries (%), 2019
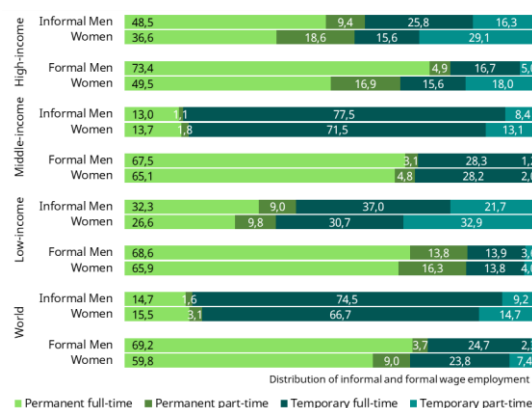
Source: ILO, Women and Men in the Informal Economy: A Statistical Update, 2023.

71. Going further, one can analyse the indicators on the type and duration of employment agreements in the light of information on the legal and regulatory framework related to social security and some dimensions of labour protection. The review of social security insurance benefits and labour protection associated with the different types of employment agreements (and possibly work agreements) that exist in the country is an important step in interpreting and complementing employment security indicators.

▶ Working time and informality

72. Since they are outside the scope of labour laws or their implementation, people in informal employment tend to be overrepresented outside "normal hours of work" (ILO 2018; ILO 2022). The main objective of indicators on working time is to assess whether workers in informal employment (depending on employment status) are more likely to work very short hours, part-time or long or very long hours.[27] Each of those situations may be – but are not always – associated with specific risks. Working very short hours and to some extent working part-time is associated with the risk of (working) poverty and is also associated, depending on national labour legislation, with exclusion from certain benefits as a result of minimum thresholds (such as social security). Long hours and very long hours can expose workers to health and safety risks and work–life balance issues without the necessary due compensation. Systematic disaggregation by sex applies to all indicators and is of particular importance in the case of working time for pay or profit and for hours spent on other forms of work, in particular on unpaid care work (see indicator A.1.10 in table 8).

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[26] ILO 2018a, paragraph 83, provides the following recommended categories to describe the duration of the job or work activity: less than one month; one to less than three months; three to less than six months; six to less than 12 months; 12 to less than 18 months; 18 to less than 24 months; 24 to less than 36 months; three years or more; without stated limit of time".

[27] The definition of very short hours, part-time hours, long hours and very long hours may differ among countries. The recommended practice to define those categories would be as follows: very short hours: less than 20 hours per week; part-time hours: less than 35 hours per week; long hours: more than 48 hours per week; very long hours: more than 60 hours per week. For additional information, see ILO 2022.

Figure 24. Indicator A.4.14. [130(b)(v)] Distribution of persons with informal and formal main jobs, by actual hours worked (hour bands) in main job per week, 2019 (%)
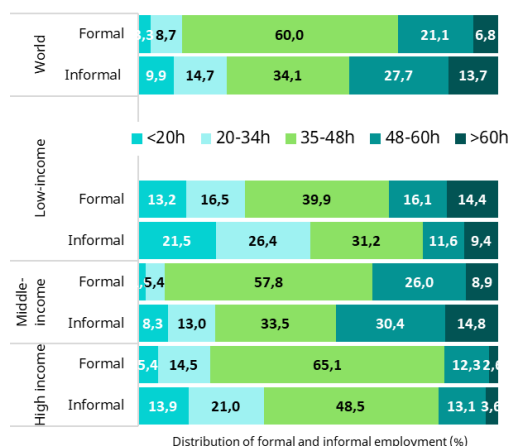
Source: ILO, *Women and Men in the Informal Economy: A Statistical Update,* 2023, figures 18 (for the respective distribution of formal and informal employment for women and men) and 19 (for an analysis by status in employment).

73. Indicator A.4.14. Distribution of persons with informal and formal main jobs, by actual hours worked (hour bands) per week and status in employment. Indicators on working time should preferably refer to actual working hours in the main job and, whenever possible, in all jobs (additional indicators). In line with existing Conventions on working time, the recommended ranges of hours for indicator A.4.14 are: (a) less than 15 hours or less than 20 hours per week (marginal or very short hours); 20 to 34 hours (with less than 35 hours considered to be part-time); 35–39 hours; 40–48 hours; 49–54 hours; 55–60 hours; and more than 60 hours.[28] When available, indicators covering the reasons for working very short hours or long/very long hours could also be considered. In this respect, the analysis of time-related underemployment (see indicator A.4.16; and ILO 2023a, Appendix, para. 130 (b) (vii)) may complete the analysis to identify involuntary part-time work. Additional indicators may also provide some information on working time arrangements (see table 4, additional indicators A.4.17 and A.4.18), including for work done in shifts, at night or on Saturdays and Sundays.

Indicator A.4.15. Average number of actual hours of work per week, by persons with informal and formal main jobs and status in employment. The average number of actual hours of work per week provides a simple single value for a particular group of workers. The comparison of the average number of hours of work per week in the main job for workers in informal and formal employment leads to the surprising conclusion that there is a convergence towards a little more than 44 hours per week for both groups at the global level (ILO 2022; ILO 2023b). This average number of hours of work per week, however, conceals major differences in working-time patterns between formal and informal workers and should be complemented by the analysis of distribution under indicator A.4.14.

Figure 25. Indicator A.4.15. [130b(vi)] Average number of actual hours of work per week, by persons with informal and formal main jobs, sex and country income group (hours), 2019
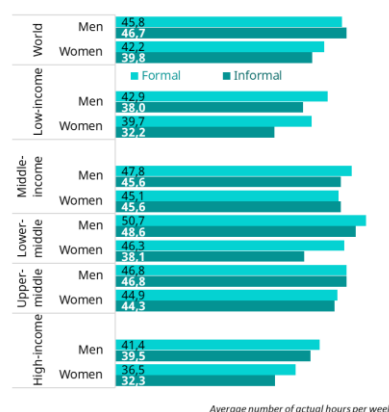
Source: ILO, *Women and Men In The Informal Economy: A Statistical* Update, 2023 figures 17 (by income group of countries) and 46 (by region).

74. As for the type of employment agreements, the number of hours of work may have an impact on the entitlement of employees to certain benefits. Informality is the highest among workers with very short hours of work and the lowest among workers, especially employees, who work in the range of "normal hours of work" (ILO 2023b, figure 20). For those employees whose number of hours of work does not allow them to meet minimum thresholds for either the number of hours of work or the amount of earnings to make them eligible for social security benefits, this limited number of hours is the source of their informality. The

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[28] For reference, see Hours of Work (Industry) Convention, 1919 (No.1) and Hours of Work (Commerce and Offices) Convention, 1930 (No. 30) , which set the general standard at 48 regular hours of work per week, with a maximum of eight hours per day; and the Forty-Hour Week Convention, 1935 (No. 47); see also ILO 2022.

assessment of social security and labour laws should ideally complement quantitative indicators on working time.

▶ Representation in the informal economy

75. The main objective is to assess the level and type of representation among workers in informal employment, including business owners of informal sector units. Another related question is how employers' and workers' organizations can reach out to informal workers (extension of membership and services) and, associated with this question, how to determine the knowledge and perceptions of workers in informal employment about employers' and workers' organizations, as well as their needs for support and services and expectations.

76. Indicator A.4.19. Percentage of persons with informal and formal main jobs affiliated with a union, a professional organization, a workers' association or a member-based organization of workers, by status in employment. When focusing on the representation of workers and some of the common indicators (such as trade union membership and employers' organizations membership), administrative registers may be a potential source but are not suitable when the objective is to compare the situation of workers in informal and formal employment (ILO 2020a). In labour force surveys, the usual question covers affiliation with unions and less frequently covers the presence of a union at the workplace. Those questions are often asked only (and unfortunately) to employees. This is useful but tends to miss the most widespread forms of representation in the informal economy, in particular among independent workers in the informal sector. When labour force surveys collect data on trade unions for all employed persons, the indicator(s) should make a distinction between different statuses in employment.

Figure 26. Indicator A.4.19. [130(b)(viii)] Uganda: Percentage of persons with informal and formal main jobs affiliated with a union, a professional organization, a workers' association or a member-based organization of workers, by status in employment and sex
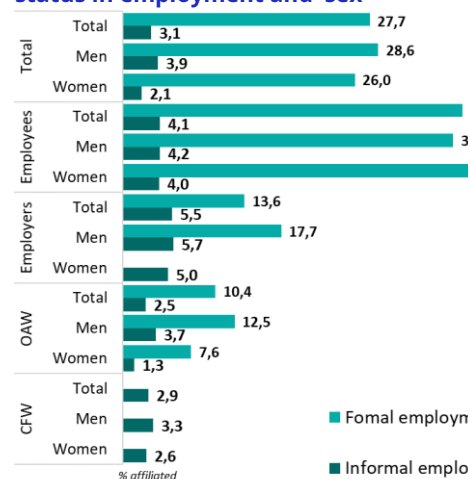
Source: Uganda, Labour Force Survey, 2017.

77. Membership in other forms of professional organizations/groups of workers or units, including cooperatives (that could serve as a bridge to be included in traditional employers' and workers' organizations), is sometimes included in enterprise surveys and censuses,[29] which focus in particular professional organizations or associations. Finally, in a number of countries, dedicated surveys that target either informal sector economic units or all workers in informal employment have been developed to identify the level of organization and types of organizations existing in the informal economy, workers' knowledge and perception of trade unions and employers' organizations, and their needs for services and willingness to join such unions or organizations.[30]

78. Indicator A.4.20. Percentage of employees with informal and formal main jobs covered by one or more collective agreements. This indicator on collective bargaining contributes to assess the extent of social dialogue. At present, a limited number of countries allow, through their labour force surveys, the joint analysis of informality and coverage by collective agreements.[31]

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[29] For example, in Senegal, Recensement Général des Entreprises, 2016, is the unit affiliated with an employers' or professional organization?

[30] Friedrich-Ebert-Stiftung in cooperation with the ILO and the German Development Institute, recently initiated a project entitled "Informal Employment, Social Protection and Political Trust" in sub-Saharan Africa. It includes a survey that include sections on the forms of organization of workers in informal employment, their perceptions of trade unions and their needs. Surveys have been implemented to date in Kenya (October 2018), Benin (December 2019), Senegal (June 2019) and Zambia (September 2019). For additional information, see Friedrich Ebert Stiftung, ILO and IDOS 2022.

[31] For more information on this indicator, see the dedicated ILOSTAT web page entitled "Industrial Relations Data (IRdata)".

▶ Skill security and informality

79. Indicator A.4.22. Proportion of workers in informal employment (compared to those in formal employment) who benefited from training/retraining for work, by type of training and employment status. Skill security may consider opportunities for training, apprenticeship and education to acquire and refine knowledge and competencies (ILO 2004). It includes access to basic education or vocational training and further access to work-related training and retraining. The indicators to be developed here complement the indicators on the level of education, such as indicator A.2.4, which compares the educational profiles of workers in informal and in formal employment. In addition to indicator A.4.22, which assesses the opportunities of workers in informal (and in formal) employment to access training and retraining by type of training and depending on available information, it may be of interest to include indicators on training needs; the types of training available and accessible for informal economy workers (institutions–workplace, in terms of content) and any need for their further development (in what domains and according to what modalities); and the recognition/certification of apprenticeships and competencies.

Figure 27. Indicator A.4.22. Proportion or workers in informal employment (compared to workers in formal employment) who received any further training (reskilling) since they started this job, by sex, selected African countries (%), multiple years
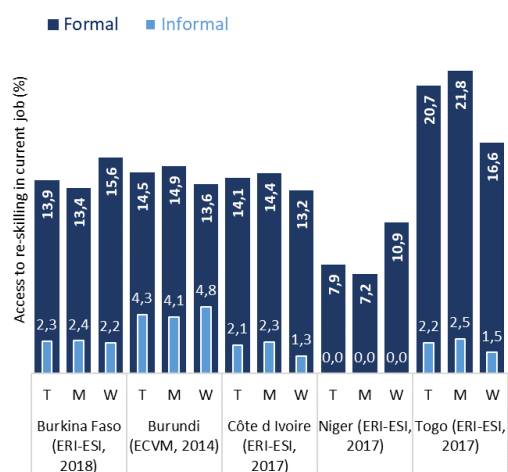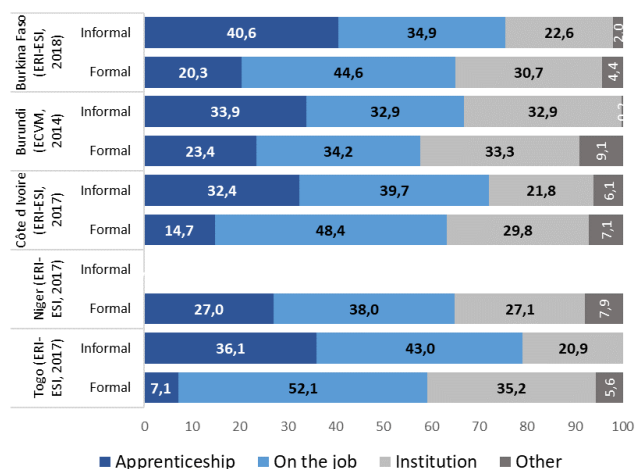
Figure 28. If yes, type of training

Source: ILO calculations, based on national household survey data: Burkina Faso, Côte d'Ivoire, Niger and Togo (Enquête régionale intégrée sur l'emploi et le secteur informel, 2017–2018) ; Burundi (Enquête sur les conditions de vie des ménages, 2014).

▶ Health and safety and informality

80. Indicators A.4.23–A.4.26. Indicators on health and safety in the workplace refer to preventive measures (such as access to protective equipment and other preventive measures in the workplace; exposure to health and safety risks; incidence of occupational injuries; and access to healthcare and financial protection in case of occupational injury and disease). Indicators related to health safety should take into account differences among sectors and possibly among occupations and types of workplace.

81. Concerning indicator A.4.25 on occupational injuries in particular, labour force survey data are probably not the most appropriate source for providing reliable data and it may be questioned whether or not to retain this indicator. At this stage, only a limited number of indicators are suggested, all of them as additional indicators (and therefore not included in the ICLS draft resolution). If these additional indicators are considered, the guidance provided in ILO 1998 and ILO 2008 may be a useful reference.

▶ **Specific indicators in relation to informal second job**

As proposed in paragraph 132 of the ICLS draft resolution, specific indicators may be produced for all workers on informal second jobs or on some specific types of activities that are likely to be carried out as secondary activities (such as activities carried out on digital platforms). Depending on feasibility and national needs, indicators such as the following may be produced, provided that questions to identify persons with informal or formal second jobs are part of the questionnaire:

(a)   percentage of persons with informal second jobs by status in employment; and

(b)   percentage of persons with informal main job and formal main job with informal second jobs.

3.1.5. Dimension 5. Contextual vulnerabilities

82.   Contextual vulnerabilities to date include two main blocks of indicators: indicators that refer to the household dimension and indicators that refer to the scope of the legal framework and enforcement.

3.1.5.1. The household dimension

83.   The household dimension contributes to enhancing the understanding of the situation of workers in the informal economy; workers within households; and — beyond workers — people who depend on the informal economy (households members, including children and elders). It allows a broader assessment at the household level of intra-household security or insecurity, as well as vulnerabilities and opportunities, in order to complement the assessment at the individual level of personal and job-related features and vulnerabilities. It considers risks and factors beyond the world of work and beyond decent work deficits. Addressing those factors is part of the reduction of vulnerabilities in the informal economy, which is for many the first step towards a possible transition to formality.

84.   The household perspective complements the assessment of individual labour income and contributory social security under dimension 4 and covers:

a.   vulnerabilities associated with the composition of households regarding their employment situation, including the number of financial dependants and household members in informal employment, as well as the identification of female-headed households;

b.   income (and expenditure) from all sources and from all household members and the analysis of poverty, the composition of income and expenditure, and the ability to meet basic needs; and

c.   non-job-related individual social protection (whether contributory or not), household-based social protection benefits, and social health financial protection (directly or indirectly through other household members).

85.   The household perspective allows the assessment of protections (social protection, assets, incomes and so on) gained through other household members. It covers all types of social protection benefits, whether they are provided by contributory or non-contributory schemes and whether they are individual-based or household-based (for example child and family benefits and household-based social assistance). This also allows for the analysis of indirect affiliation if at least one household member contributes to contributory social protection, which typically concerns health insurance. More generally, indicators could aim to assess whether workers in informal employment live in households that receive at least one contributory or non-contributory cash benefit, or actively contribute to at least one social security scheme.

86.   In terms of the unit of observation, the indicators included in the ICLS draft resolution refer to persons and jobs living in defined types of households. Some of those indicators can be produced from typical labour force surveys. Detailed information on household income and expenditure, poverty and social protection benefits other than contributory job-based social security is more likely to be found in household income and expenditure surveys or similar household surveys.

3.1.5.2. Mapping workers according to regulation scope and enforcement

87. Several references were made above, in particular in section 3.1.4. on working conditions, to the legal and regulatory framework. The mapping of workers (and economic units) according to their coverage by existing social security, labour and possibly fiscal laws and regulations points to some of the sources of informality in terms of "legal gaps" versus "implementation gaps" in order to further inform policy interventions.

88. The Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) refers to the informal economy as: "all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements" (Para. 2). Informality is inherently linked to the existence and scope of regulations and their effective implementation. The definitions of informal employment and informal economic units (informal sector) include references to a number of distinct regulations, in particular labour regulation, social security, tax law, business regulation and other branches of private law.

89. The words "not covered or insufficiently covered by formal arrangements" point to three main sources of informality or deficits of coverage and compliance that result in a deficit of job-related protection (explicitly for employees; and implicitly and to be defined for other employment statuses): (a) a lack of legal coverage; (b) a level of protection/benefits provided according to the law that is too low or inadequate to ensure protection or an incentive to comply; and (c) the non-application of the law in practice (either voluntarily or involuntarily).

90. For analytic purposes, this document focuses on (a) legal coverage and (b) the non-application of the law in practice (either voluntarily or not). For a given regulation or set of regulations, three main groups (and five distinct detailed groups) may therefore be identified,[32] as shown in table 5.

Table 5.   **Sources of informality, based on the scope and enforcement of regulations**

			(1) Coverage of workers and economic units by laws and regulations: Legal coverage			
			Yes		No	
(2) Application of laws in practice : Compliance	Yes		Formal within the scope of the law and complying [group A]		Informal due to characteristics [group C1]	Informal "intentionally" after adjusting behaviour to be outside the scope of the law [group C2]
	No	By choice	Informal within the scope of the law but voluntarily not complying [group B1]			
		Not by choice	Informal within the scope of the law but not effectively covered and/or complying [group B2]			

91. Of the groups defined in table 5, only economic units and jobs in group A are formal.

92. In group B, workers and economic units fall in the scope of formal arrangements but are in informal employment (or in the informal sector for economic units) because formal arrangements, including laws and regulations, are not or are not sufficiently applied. Considering existing regulations and their mode of enforcement, non-compliance can be deliberate (economic units or workers who decide not to comply), although in general the non-application of laws and regulation is due to multiple causes, including low productivity or low incomes that do not allow the costs of compliance to be met; a lack of awareness; or a lack of effective or perceived "advantages" (benefits) associated with compliance. Supporting the transition to formality for this group of workers calls for a set of measures to be developed on several fronts, including at the legal level (adjusting the modalities defined by law to enhance effective compliance); improvements to enforcement mechanisms; and measures to improve transparency and confidence in the system, including actions by institutions to improve the type and quality of support, the benefits provided and their capacity to deliver.

93. In group C, workers and economic units are in informal employment because they fall outside the scope of formal arrangements (they are either explicitly or implicitly excluded, or they choose to exit).

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[32] See also Kanbur (2009).

    a. Some workers and economic units are excluded because of their characteristics (group C1). The characteristics determining whether regulations apply are varied and may include occupation or sector (for example , the agricultural sector is typically less regulated or subject to different regulations, while domestic work does not fall under labour regulation or social security laws in a number of countries); status in employment (own-account workers, contributing family workers and dependent contractors are often more likely to be excluded from the scope of formal arrangements); migrant status; contractual arrangements/employment agreements (short or zero hours contracts, on-call work and so on); and establishment size (in terms of employment and/or revenue). Here, this is primarily an issue of extending legal coverage (reforming existing laws or adopting new laws) to categories that are not yet covered.

    b. The last group (group C.2) refers to workers (including business owners) that "choose to exit" from the scope of regulation because it is in their interest to do so (from the point of view of cost–benefit analysis). A typical example could be an economic unit that would profitably employ ten or more workers but decides to employ only nine workers in order to remain outside the scope of employment protection legislation. For this last group, measures can be rather similar to those applying to group B, with a mix of incentives (increasing advantages associated with being formal) and enforcement measures (including sanctions).

94. This framework highlights the different sources of informality in terms of compliance (group A versus group B) and the reach or scope of regulations (group B versus group C). The framework also serves to illustrate that for one subset of the workers in informal employment/units in the informal sector (group C2), informality results from a decision to remain outside the scope of regulation, while for other workers and economic units (group C1), informality results from the limited scope of regulation or from its inapplicability.

95. The development of the above-mentioned indicators follows a two-step process that is part of national diagnoses of informality (see Appendix, step 5):

    a. a review of labour and social security laws, and possibly of fiscal and business laws (in the case of economic units), in order to collect and code information on:

      ○ groups of workers (and economic units) that are legally covered and groups that are excluded from the scope of laws based on eligibility criteria and qualifying conditions; and

      ○ the level of legal protection (such as the level and duration of benefits) and the categories of workers whose level of legal protection is lower than for other workers generally; and

    d. the quantification of the extent of legal coverage (and by contrast, legal coverage gaps), based on available statistical information quantifying the number of persons concerned (legally covered or legally excluded) at the national level.

96. In terms of possible indicators, the suggestion is to focus on the "formal arrangements" used to define the formality of jobs and economic units, namely:

    a. for persons and jobs: statutory job-related social security (in this particular context extended to all workers and not only employees) and labour protection such as paid annual leave, paid sick leave possibly extended to working time, minimum wage, collective bargaining and occupational safety and health; and

    b. for economic units: fiscal, labour and social security regulations (including registration and payment of taxes).

97. Thus, indicators about the legal framework and enforcement to date include:

    a. the identification of persons who have been excluded from the scope of legal protection for a given contingency in the case of social protection (with a focus on job-related contributory social protection), including paid annual leave and paid sick leave (still open to other dimensions included under labour protection); indicators A.5.14 and A.5.16 provide information (by demonstrating differences in coverage) on the extent of the legal coverage gap (see table 5, indicator group C);

    b. the identification of the extent of implementation gaps, or of workers falling under the scope of formal arrangements in law but not in practice; the percentage of workers in informal employment (or of economic units in the informal sector) because of "implementation gaps" can be calculated by estimating

the difference between the percentage of workers in informal employment (indicator A.1.1) or units in the informal sector (indicator B.1.1) and the percentage of workers (or economic units) that fall outside the scope of laws (legal coverage gaps); and

    c. whether the same level of legal protection is provided to different groups of workers (compared to other workers generally or a typical employee in full-time permanent employment).

98. The main sources of information for the quantification of groups identified as legally covered (extent of legal coverage) or otherwise excluded (extent of legal coverage gap) are national fiscal, labour and social security laws and regulations, as well as labour force survey data.

3.1.5.3. Suggested indicators

Table 6.   **Contextual vulnerabilities: Proposed indicators included in the ICLS draft resolution* and additional indicators**

No.	Indicator	Reference in the ICLS *draft resolution*
Dimension 5 – Contextual vulnerabilities of workers in informal employment and in formal employment		
✚ The household dimension of informality		
▶ Main indicators		
A.5.1.	Percentage of persons with informal main jobs who are living in households with at least one household member in formal employment.	133(a)
A.5.2.	Percentage of persons with informal main jobs who are living in households with at least one household member contributing to social security.	133(b)
A.5.3 .	Percentage of persons living in households below the national poverty line with informal main jobs and formal main jobs.	133(c)
A.5.4.	Percentage of persons with informal main jobs, living in poor households and non-poor households.	133(d)
▶ Additional indicators (household informality and composition		
A.5.5.	Proportion of people (all children, elderly) living in: (a) fully informal households, (b) mainly informal households; (c) mainly formal households; and (d) fully formal households.	
A.5.6.	Distribution of workers in formal and in informal employment, by proportion of financial dependants [categorized] [reference: persons].	
A.5.7.	Proportion of workers in informal employment in female-headed households compared to the proportion of such workers in male-headed households.	
A.5.8.	Percentage of workers in informal and formal employment contributing to social insurance or benefiting from social protection cash benefits (whether contributory or not contributory) [individual basis].	
A.5.9.	Percentage of workers in informal employment (and formal employment) living in households receiving at least one contributory or non-contributory cash benefit, or actively contributing to at least one social security scheme.	
A.5.10.	Access to healthcare and health financial protection: Percentage of workers in informal employment and in formal employment whose healthcare expenditure are mainly covered by: (a) social health insurance; (b) microinsurance; (c) government; (d) employer; (e) out of pocket payments; and (f) other source.	
A.5.11.	Level and composition of household income. Possible additional indicators may include: – Level of household income (given reference period; all sources) – Composition of household income, by main sources (employment; social protection/transfers; property), among workers in informal employment compared to workers in formal employment.	
A.5.12.	Composition of household expenditure, by main sources, among workers in informal employment compared to workers in formal employment.	
A.5.13.	Percentage of informal workers/formal workers in food-secure households (operationally defined as households that have spent less than or equal to 50 per cent of total household expenditure on food items (ILO and OECD 2019).	

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✚ Mapping workers based on the scope and enforcement of regulations
► Additional indicators

Extent and level of legal social security coverage

A.5.14. Extent of legal coverage (and extent of legal coverage gap). Among workers in informal employment, the estimated percentage of workers legally covered by job-related contributory social security for (a) old-age pension (periodic benefit); and (b) health insurance

A.5.15. Are the same levels of protection provided (or not) by law for (a) independent workers; (b) dependent contractors; and (c) other specific categories of workers (to be specified) compared to an employee in permanent full-time employment?

Extent and level of coverage by labour laws

A.5.16. Estimated proportion of workers in informal employment legally entitled to(a) paid annual leave: (b) paid sick leave; and (c) for women: paid maternity leave and maternity cash benefits

A.4.17 Are the same levels of protection provided (or not) by law for (a) independent workers; (b) dependent contractors; (c) other specific categories of workers (to be specified) compared to an employee in permanent full-time employment?

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* See ILO 2023a, Appendix.

3.1.5.4. Spotlight on some of the indicators

99. Indicator A.5.1. Percentage of persons with informal main jobs who are living in households with at least one household member in formal employment. This indicator refers to levels of informality within households. An alternative indicator can categorize households according to the proportion of working household members in informal employment in order to define fully informal, mixed households and fully informal households (see figure 29).[33] Indicator A.5.1, as proposed in paragraph 133(a) of the ICLS draft resolution, does not refer to households as units of observation but rather refers to workers in formal or informal employment living in those households. Similarly, it is also possible, on the basis of this categorization of households based on the level of formality (of employed household members), to analyse the situation of other categories of individuals (children, elderly) or the population as a whole (see additional indicator A.5.5). The status of employment of working household members also matters. This is not included here but could be part of possible developments by countries that are willing to further explore the household perspective. Derived from one of the main recommended criteria to define the formal or informal nature of jobs among employed household members (employees), the degree of informality of households can thus be assessed on the basis of labour force survey data.

Figure 29. Indicator A.5.1. [133a] Distribution of informal and formal employment, by type of household, sex and country income group (%), 2019

Panel A. Total   Panel B. Women   Panel C. Men
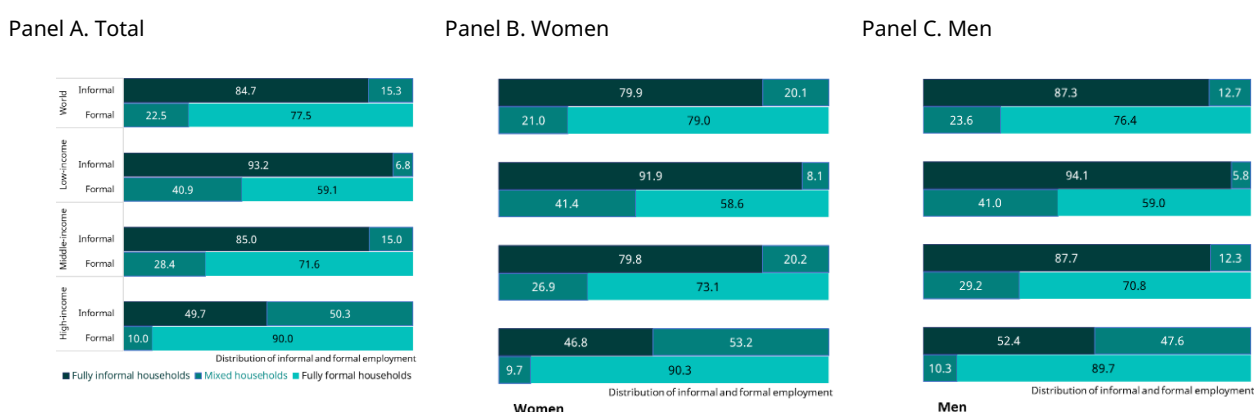
Source: ILO, Women and Men in the Informal Economy: A Statistical Update, 2023.

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[33] See ILO and OECD 2019; and OECD, "Key Indicators of Informality Based on Individual and their Households".

100. Indicator A.5.2. Percentage of persons with informal main jobs who are living in households with at least one household member contributing to social security. This indicator, which is included in the ICLS draft resolution, goes beyond direct coverage and assesses the possibility of indirect coverage by contributory social security. This indicator is primarily derived from the main recommended criteria to identify formal jobs for employees (that is, related to the contribution to social security). It is complemented by a series of additional indicators related to social protection, which aim to identify various levels of protections from which workers in informal employment can benefit within their households.

101. **Indicators A.5.3–A.5.4. Informality and poverty.** Poverty can be seen both as a cause (the poor being more likely to be in informal employment; indicator A.5.4)[34] and as a consequence of informality (higher percentages of informal workers than formal workers live in poor households; indicator A.5.3[35]). However, it raises a series of issues, in particular relating to:

    a. the interpretation of poverty (household-based concept) and how best to complement it with other indicators following a household perspective, in particular indicator A.5.6 on the household composition with regard to financial dependants: poverty is indeed a household-based measure that is strongly affected by household size and composition, as workers who live in poor households are not necessarily in "working poverty" but earn (on a per capita or equivalent scale basis) less than the poverty line because they share this labour income with many dependants;

    b. the recommended reference to assess poverty (relative versus absolute): as far as the national level is concerned, national poverty lines should be given priority; and

    c. the inclusion of appropriate questions to assess informality in household surveys that are used as a basis to assess poverty.

Figure 30. Indicator A.5.3. [133(c)] Percentage of persons with informal main jobs and formal main jobs living in households below the relative poverty line of 60 per cent of median household income, by country income group (%), 2019
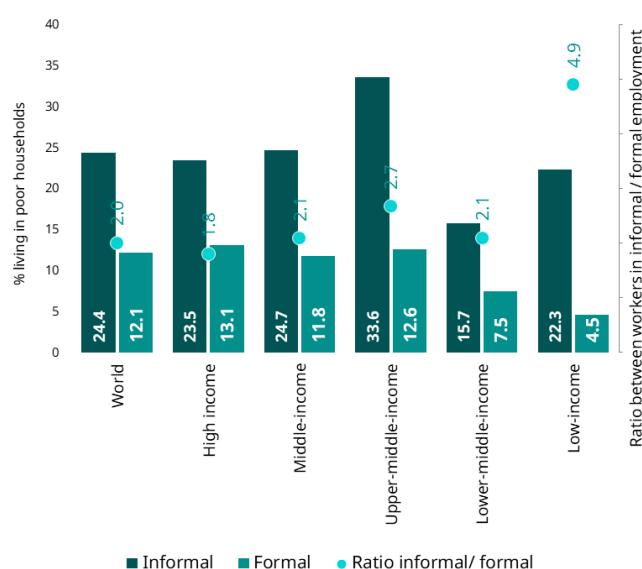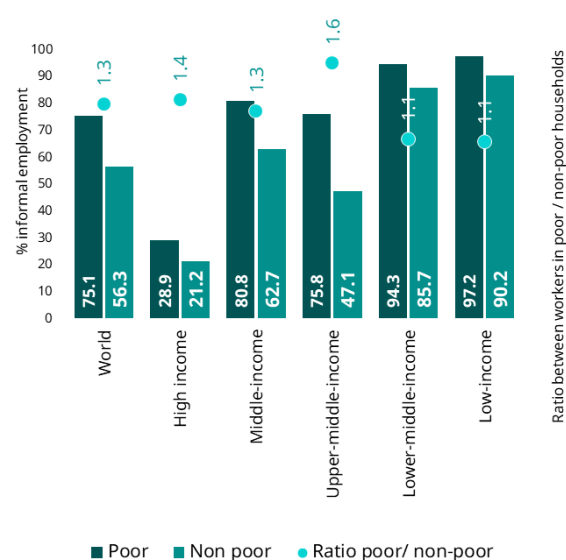
Figure 31. Indicator A.5.4. [133(d)] Percentage of persons with informal main jobs living in poor households and non-poor households, by country income group (%), 2019

Source: ILO calculations, based on national survey data from 92 countries representing 73 per cent of global employment.

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[34] See for example ILO 2018b, figure 22.

[35] See for example ILO 2018b, figure 23.

102. Using the relative poverty line of 60 per cent of the median household income, at the global level, workers in informal employment are two times more likely to live in poor households compared to workers in formal employment (figure 30). Figure 31 shows that workers in living in poor households are more exposed to the risk of working in the informal economy, especially in upper-middle-income countries. The uncertainty associated with poverty and the need to focus on meeting immediate day-to-day needs is a serious constraint on the development of constructive forward-looking strategies rather than short-term coping mechanisms.

103. A set of proposed additional indicators, which is not included in the ICLS draft resolution but should be considered in the broader Informal Economy Indicator Framework, complements the assessment of levels of protection and vulnerabilities within households. Some indicators refer to the composition of households, including in terms of financial dependants (A.5.6) or whether households are female-headed households (indicator A.5.7), while others complement the assessment of social protection coverage, including access to healthcare (indicators A.5.8–A.5.10) or the composition of household income and expenditure and the capacity to meet basic needs (indicators A.5.11–A.5.13).

104. The proposed additional indicator A.5.6 categorizes households according to the proportion of financial dependants (children, older persons, people of working age outside of the labour force, including people who are unable to work) out of the total number of household members. This indicator should be analysed given the national context regarding the age structure of the population and the size of households.

105. Additional indicators A.5.8 to A.5.10 aim to complement the indicators on contributory social security. They provide a more comprehensive assessment of social protection coverage (direct and indirect coverage; individually based or household-based benefits; contributory and non-contributory benefits) and allow the identification of various levels of protection, including among workers in informal employment. The mapping of social protection schemes and benefits (see box 2) highlights the diversity of schemes (contributory and non-contributory schemes, public or private schemes) and benefits (in cash or in kind; periodic or ad hoc) that target individuals or households).

    a. Indicator A.5.8. Percentage of workers in informal and formal employment contributing to social insurance or benefiting from social protection cash benefits. This indicator aims to capture the social protection coverage of workers in informal employment, as contributors or as beneficiaries, with a focus on cash benefits based on the different dimensions of coverage: (a) contributing to (assuming that this provides some guarantee of access to benefits when needed) or (b) benefiting from any social protection cash benefits. This includes all cash benefits for any contingency, with the exception of access to healthcare and financial health protection (covered separately by indicator A.5.10).

    b. Indicator A.5.9. Percentage of workers in informal employment (and in formal employment) living in households receiving at least one contributory or non-contributory cash benefit, or actively contributing to at least one social security scheme. This indicator includes, in addition to direct social protection of the worker, the broader assessment of social protection gained through the household that may benefit indirectly to all other household members.

    c. **Indicator A.5.10 refers to healthcare** and focuses on the vulnerabilities associated with the cost of healthcare and the lack of financial health protection.

▶ **Mapping social national protection systems**

The mapping of social protection schemes and benefits (figure 32) allows the identification of what type of social protection benefits formalization is directly associated with (that is, the criteria to define formal employment for employees), as well as the range of social protection benefits that are not associated with formalization but contribute to improving working and living conditions. Those indicators shed light on different levels of protections among workers in informal employment (and their families).

The notion of social protection (or social security) covers all measures providing benefits, whether in cash or in kind, to secure protection, inter alia, from: (a) lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age or death of a family member; (b) lack of (affordable) access to healthcare; (c) insufficient family support, particularly for child and adult dependants; (d) general poverty and social exclusion (ILO 2021c). Social security thus has two main (functional) dimensions, namely "income security" and "availability of medical care". Social protection systems address all these policy areas by a mix of contributory schemes (social insurance) and non-contributory tax-financed benefits, including social assistance.

National social protection systems are composed of different types of schemes (contributory and non-contributory) that provide social security benefits (in cash or in kind, one-off or periodic), which can be individual-based or household-based benefits to cover the different risks or contingencies (mentioned above).

Figure 32. A mapping of social protection schemes and benefits

A mapping of schemes & benefits

* Typically household-based benefits.
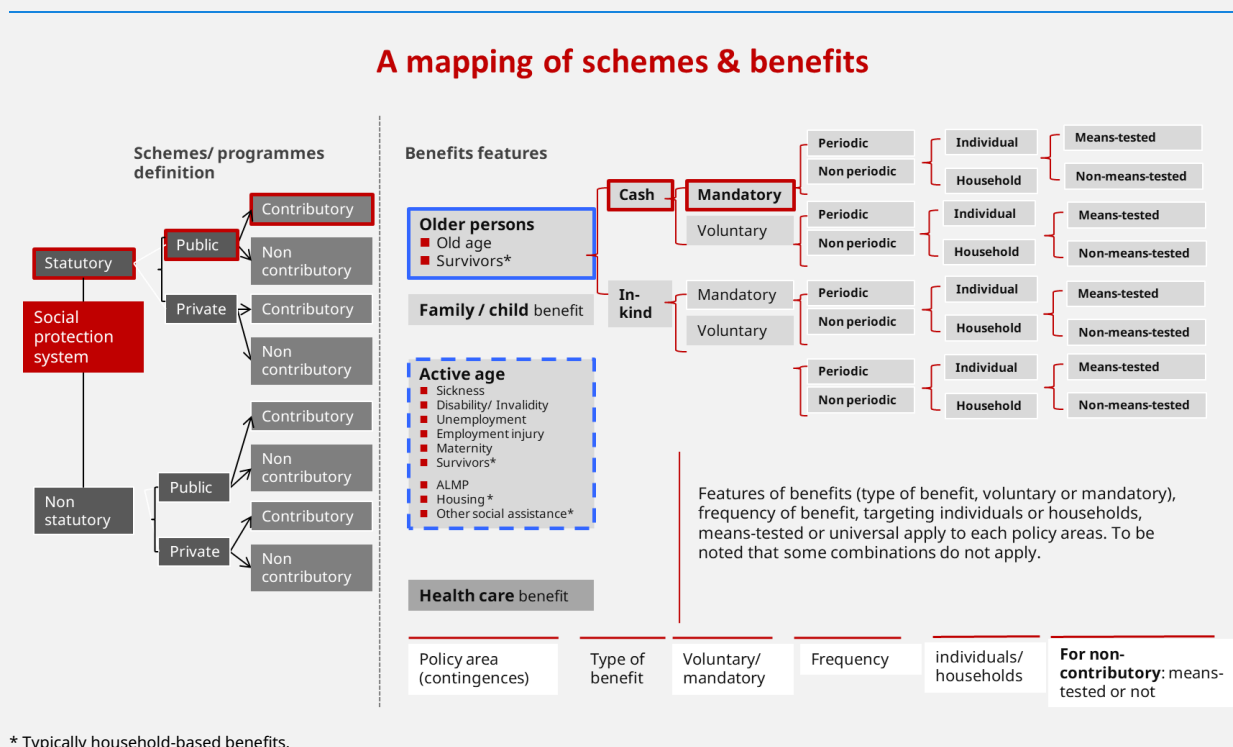
Note: As part of the overall social protection system, what is usually assessed to define whether a job is formal for an employees is indicated in **£** for the type of **schemes** and in **£** for the type of **benefits:** the contribution of the employer to a statutory scheme (legally based), usually public (in some cases private if mandatory – - dashes), considering, when a particular reference to a given contingency is part of the questionnaire, pensions rather other social security contingencies.

In addition, indicators on social protection include two main sets of indicators: (a) indicators on coverage: (i) persons legally protected (de jure),[36] as assessed by proposed additional indicators A.5.14 and A.5.15; (ii) persons effectively protected (de facto) and (iii) actual beneficiaries (de facto); and (b) indicators on levels of benefits. With the exception of indicators A.5.14 and A.5.15, most of the indicators on social protection coverage proposed here focus on de facto coverage, which includes:

a. Persons effectively protected: insured persons (active contributors or persons affiliated indirectly when considering contributory schemes) or persons who are eligible for a given benefit (in particular for non-contributory benefits). Protected persons have guaranteed benefits but are not necessarily currently recipients of such benefits (a pension is a typical example). The criteria used to define formal employment among employees and indicators A.4.1 to A.4.3 and A.5.2 fall into this category. The first two channels through which workers in informal employment can be protected by contributory benefits are: (a) mandatory contributions in the context of other jobs for employees and

of any job for non-employees; and (b) voluntary contributions in the context of the main or other jobs. The households' perspective brings in a third channel, which is indirect affiliation with a scheme through another household member contributing to such a scheme.

b. Actual beneficiaries: People (or household) who receive a benefit at a given point in time or during a period of reference (to be defined). Usually this is collected by a social security contingency type of benefit (cash/in kind) and with a similar frequency (regular/irregular). In the context of assessing whether workers in informal employment receive some form of protection, all types of benefits may be considered, but as far as possible a distinction should be retained between the type (cash versus in kind) and frequency of benefits, as an indication of the level of protection (depending on the regularity and predictability of benefits). It will be important to consider both individual benefits received by the worker as well as other benefits received as part of the household.

All social protection-related indicators refer primarily to statutory social protection schemes. An extended understanding of social protection may include non-statutory schemes, benefits received from private institutions, inter-household transfers including remittances and possibly other forms of social protection. Complementary indicators may be envisaged to capture those as well.

With regard to sources, most labour force surveys focus on the criteria used to define informal wage employment (that is, on protected persons and the main job). In rare cases, a distinction is made between voluntary and mandatory affiliation and the information is almost never collected for other jobs. The ILO, however, started to elaborate proposals for key questions (ad hoc module) to be included occasionally in labour force surveys (or household surveys), and some countries have experience in this area that could be used to develop a generic module. As part of other sources, in addition to administrative sources (a common source for social security data, which is, however, not appropriate where workers in informal employment are concerned), more detailed data on the different components of social protection are mainly collected through household income and expenditure or similar surveys.

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106. Indicators A.5.11–A.5.13 on the composition of household income and expenditure and the percentage of informal workers/formal workers in food-secure households. These indicators complement the indicators on individual labour income and poverty. All those indicators rely on household income and expenditure surveys with certain limitations (such as with regard to the inclusion of criteria allowing for the identification of informality of jobs, as well as representativeness).

107. With regard to the assessment of coverage by laws and regulations, two sets of additional indicators are proposed to assess both the extent and level of (a) legal social security coverage and (b) legal labour protection.

108. Indicators A.5.14 and A.5.16 on the extent of legal coverage aim at identifying the persons legally protected (or extent of statutory coverage) for a given social security contingency (A.5.14) or specific dimensions of labour protection (A.5.16). Indicator A.5.14 focuses on legal coverage by contributory schemes. Estimates of the extent of legal coverage use both information on the groups covered by statutory contributory schemes for a given social security contingency in national legislation (pensions and health in the present case, but it can be extended to other contingencies) and the available statistical information quantifying the number of persons concerned at the national level.[37] The objective is to identify the source of informality between "legal gaps" and "implementation gaps". This directly contributes to the definition of various levels of vulnerability or even informality (if the focus in on job-related protections), assuming that being outside the scope of laws requires one additional step (extension of legal coverage) before facing implementation and compliance issues to finally access effective protection. Whenever possible, the distinction between mandatory and voluntary legal coverage should be quantified as well.

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[36] This refers to the scope and extent of legal coverage, which is covered under indicators A.5.14-A.5-17 on mapping enterprises and workers based on the scope and enforcement of regulations.

[37] A population group can be identified as legally covered in a specific social security area (for example old age, unemployment protection, maternity protection) if the existing legislation provides that this group is covered by social insurance, or that it will be entitled to specific non-contributory benefits under certain circumstances – for example, to an old-age state pension on reaching the age of 65 or to income support if income falls below a specified threshold. A legal coverage ratio for a given branch of social security (contingency) is the ratio between the estimated number of people legally covered and the number of persons concerned at the national level (in this case, workers in informal employment or subgroups).

109. Indicators A.4.15 and A.4.17 refer to the level of legal protection. Their objective   is to assess the "relative" level of protection of certain groups of workers (such as independent workers, dependent contractors, workers in specific sectors or workers under particular employment agreements) compared to, for example, the level of legal protection enjoyed by employees in permanent full-time employment. This could be a categorical indicator with a limited number of answers, such as: (a) Legally covered, higher level; (b) legally covered, same level; (c) legally covered, lower level; and (d) not legally covered.[38]

Figure 33. Indicator A.4.17. Percentage of domestic workers with entitlements related to key working conditions, compared to other workers (%), 2020
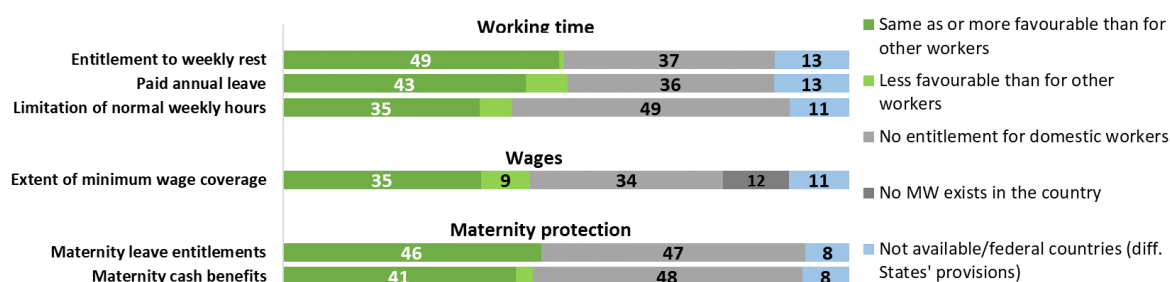
Source: Based on ILO, *Making Decent Work A Reality for Domestic Workers: Progress and Prospects Ten Years after the Adoption of the Domestic Workers Convention, 2011 (No. 189)*, 2021.

110. As for persons and jobs, some economic units are excluded from the scope of fiscal, social and labour laws, based in particular on the criteria of size and sector. Workers working in those units are also excluded de jure.

3.1.6. Dimension 6. Other structural factors

111. The main purpose of this last dimension is to identify some of the structural drivers associated with the structure of the labour market at large and the level and sectoral composition of economic growth. This refers to the first set of drivers given in step 5 of the diagnoses of informality set out in the Appendix (see figure A.1). The main sources of data are labour force surveys and the system of national accounts.

112. Concerning the structural factors associated with the labour market, the indicators to be considered include:

a. most of the recommended indicators included in the section "Indicators" in ILO, Resolution concerning statistics of work, employment and labour underutilization, which was adopted by the 19th ICLS in 2013; and

b. indicators on the employment structure in terms of employment statuses; the economic sector of activities; occupations; forms of work, including type of employment and work agreements; and working-time patterns to identify the prevalence of the statuses, sectors or forms of work that are more exposed than others to informality.

113. With regard to the level and sectoral composition of growth, the indicators include the level of GDP per capita, GDP growth and the sectoral composition of GDP.

3.2. Partly informal productive activities

114. As presented in paragraphs 92 to 96 of the ICLS draft resolution, the concept of "partly informal productive activities" is proposed as a complementary concept to the core concepts of informal employment and the informal sector and refers to persons with a formal job. "Partly informal productive activities in relation to

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38   See ILO 2021c, Part II, in particular Chs 4 to 6 and figure 5.2.

formal jobs would include situations where a person has a formal job in which parts of the work performed by the worker are covered by formal arrangements while other parts are not". The examples provided below were first presented in the ICLS draft resolution. In the case of independent workers, they could include, for example, a situation in which the owner-operator of a formal enterprise carries out work to produce goods or to provide services, whereby some of the activities are declared while others are undeclared. For employees, it could be a situation in which the employee is formally hired to work ten paid hours per week for a formal enterprise but has a tacit agreement to work ten additional paid undeclared hours, for which no social contributions are made or in case of sickness no compensation is provided.

115. A limited number of indicators are proposed in the ICLS draft resolution in order to pave the way for the development of complementary indicators. These indicators are particularly relevant to the analysis of undeclared work, which is an area of particular concern in high-income and even middle-income countries, notably in Europe.

3.2.1.   Suggested indicators

Table 7.   Partly informal productive activities: Proposed indicators included in the ICLS draft resolution* and additional indicators

No.	Indicator	Reference in the ICLS *draft resolution*
Dimension 1 – Extent of partly informal productive activities		
▶ Main indicators		
A.1.3.	Percentage of employees in a formal main job where a part of the paid hours and earnings is not declared for taxation or mandatory job-related social security contributions.	134(a)
A.1.4.	Volume or value of partly informal paid hours from employees in a formal main job.	134(b)
A.1.5.	Percentage, respectively, of independent workers and dependent contractors in a formal main job where part of their income is not declared for taxation.	134(c)
A.1.6.	Value of partly informal productive activities carried out by independent workers and dependent contractors in relation to formal main jobs.	134(d)

* See ILO 2023a, Appendix.

3.2.2. Spotlight on some of the indicators

116. The proposed indicators are of two types: first, indicators on the number and the proportion of persons with formal jobs carrying out partly informal productive activities (such as people in formal employment concerned by underdeclaration of hours worked and therefore of income) ; and second, indicators on the volume of undeclared hours or the value of partly informal productive activities carried out. The example from the Republic of Moldova given in figure 34 illustrate the first category of indicators.

117. Indicator A.1.3. Percentage of employees in a formal main job where a part of the paid hours and earnings is not declared for taxation or mandatory job-related social security contributions. Available questions on those issues exist in a limited number of countries that assess whether part of the salary is paid unofficially (envelope wages), in some cases followed by a question related to the share of the salary received unofficially. This is certainly an area to be developed further in the near future.

Figure 34. **Indicator A.1.3 [134a] Republic of Moldova: Percentage of employees in a formal main job where a part of the paid hours and earnings is not declared for taxation or mandatory job-related social security contributions, by sex, 2022**

Source: Republic of Moldova, Labour Force Survey, 2022.

3.3. Informal work activities

118. A limited set of indicators related to essential categories of informal work are included in paragraph 135 of the ICLS draft resolution. They refer to dimension 1, which focuses on categories that are considered to be essential. This category of indicators will be developed further as part of the supporting indicator framework.

3.3.1. Suggested indicators

Table 8. **Essential categories of informal work other than employment: Proposed indicators included in the ICLS draft resolution* and additional indicators**

No.	Indicator	Reference in the ICLS draft resolution
Dimension 1 – Extent of informality of forms of work other than employment		
▶ Main indicators		
A.1.7.	Number of informal subsistence foodstuff producers and percentages in relation to: (a) the sum of informal employment and subsistence foodstuff producers; and (b) total employment and subsistence foodstuff producers	135(a)(i) and (ii)
A.1.8	Number of informal unpaid trainees and percentage in relation to total unpaid trainees	135(b)
A.1.9.	Number of informal trainees, paid and unpaid, and percentage in relation to total trainees, paid and unpaid.	135(c)
Dimension 4 – Time spent on unpaid work		
▶ Additional indicators		
A.1.10.	Number of hours and proportion of hours spent on own-use production work (with a distinction between production of goods and provision of services), in particular unpaid domestic and care work, by sex (for workers in informal and formal employment, respectively; should allow the derivation of SDG indicator 5.4.1 on the proportion of time spent on unpaid domestic and care work).	

* See ILO 2023a, Appendix.

3.3.2. Spotlight on some of the indicators

119. Indicator A.1.7. Number of informal subsistence foodstuff producers and percentages in relation to (a) the sum of informal employment and subsistence foodstuff producers; and (b) the total number of employment and subsistence foodstuff producers. This indicator (actually divided into two indicators) is of primary importance in countries in which subsistence foodstuff producers represent a significant number. Under the previous definition of employment (and informal employment), they used to be included in informal employment, in some cases representing a major part of it.

Figure 35. Indicator A.1.7. [135(a)(ii)] Uganda: Informal subsistence foodstuff producers – percentage in relation to total employment and subsistence foodstuff producers, by sex, 2017

	Food-stuff producers	Informal employment	Formal employment
Total	37.2	56.0	6.7
Men	29.6	61.9	8.5
Women	45.1	50.0	4.9

Distribution of informal and formal employment

Source: Uganda, Labour Force Survey, 2017.

Producing this indicator and ensuring that it can still be produced will not only ensure a certain level of comparability of statistics on informal employment and informal work overtime but will also allow the assessment of the situation of an important proportion of the active-age population in low- and lower-middle-income countries. The main obvious limitation that occurs already is the inability (due to filters) to produce most of the indicators, other than the extent of this essential category of informal work other than employment, in particular the inability to assess their conditions of work.

120. Additional indicator A.1.10. Number of hours and proportion of hours spent on own-use production work, in particular unpaid domestic and care work by sex. The ICLS Resolution concerning statistics of work, employment and labour underutilization (see in particular its paras 9 and 22–23) suggests measuring working time for all forms of work. Measuring the time spent on own-use production work (see ILO 2013a, para. 22), in particular on domestic and care work, is useful in order to complement and interpret the data on differences by sex observed through the headline indicators on working time with a focus on employment (indicators A.4.14-A.4.18).[39] Indicator A.1.10 refers primarily to the estimated number of hours. Shorter time units (minutes) might be relevant (see ILO 2013a, para. 23). Time-use surveys are the main source of statistics on participation and time spent in own-use production work and volunteer work. They are a potentially useful source for developing estimates of total working time that cover the different forms of work.

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[39] See "United Nations, SDG Indicators: Metadata Repository", metadata for indicator 5.4.1, updated 31 March 2021 ".

4. Economic units: the informal sector

121. The indicators that refer to the informal sector are organized around the reference units of economic units (see para. 12 above). The indicators that are included in the ICLS draft resolution and are recommended to be produced reflect the extent and the composition of informal household unincorporated market enterprises, as well as their exposure to informality and productivity (see ILO 2023a, Appendix, para. 136).

122. The indicators related to economic units should at least 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 of value added per worker, level of profits and place of work. Additional disaggregation includes the socio-demographic characteristics of the owner(s), including sex, age, educational level, area of residence (urban/rural) and geographic region, as relevant in the country (see ILO 2023a, Appendix, para. 142).

123. Depending on country priorities, the set of enterprise-related indicators can be applied to all economic units or to a subset, such as micro and small economic units or economic units in a given sector or supply chain.

124. The issue of the formalization of economic units should not hide the role of formal enterprises as providers of decent jobs, in particular the issues of the formalization of jobs in the formal sector and the prevention of informalization of both economic units and jobs. More generally, the assessment of the capacity of businesses to grow in a manner that secures workers' rights and respects the values and principles of decent work, human dignity and environmental sustainability concerns all economic units, including formal ones. This has obvious implications when designing or adjusting surveys.

4.1. Dimension 1. Extent of informality of economic units

4.1.1. Suggested indicators

Table 9. **Extent of informality of economic units: Proposed indicators included in the ICLS draft resolution* and additional indicators**

No.	Indicator	Reference in the ICLS *draft resolution*
Dimension 1 – Extent of informality of economic units (informal sector)		
▶ Main indicators included in the ICLS draft resolution		
B.1.1.	Number and percentage of informal household unincorporated market enterprises in relation to the total number of economic units in the informal and formal sector, by economic activity.	136(a)
▶ Additional indicators		
B.1.2.	Distribution of informal sector units by "level of informality" (exploratory and specific to each country).	
B.1.3.	Transitions of economic units between the formal and informal sectors (same economic unit or destruction/creation of a new one)/closure.	

* See ILO 2023a, Appendix.

4.1.2. Spotlight on some of the indicators

125. Indicator B.1.1. Number and percentage of informal household unincorporated market enterprises in relation to the total number of economic units in the informal and formal sectors, by economic activity. The main obstacle is the availability of enterprise-based data. In the majority of countries, informal sector units cover most workers in informal employment (see indicator A.2.10 and figure 11). In addition, whether in the formal or informal sector, the formalization of informal wage employment requires — for an effective extension of employment-related protection — the development of measures that target employers. The understanding of economic units (as a unit of reference) is crucial for the informality of both jobs and economic units and activities. Even if not widely available, the inclusion of enterprise-based indicators as part of the ICLS draft resolution and the broader indicator framework will hopefully contribute to enhance the availability of such data.

Figure 36. Indicator B.1.1. [136(a)] Senegal: Percentage of informal household unincorporated market enterprises in relation to the total number of economic units in the informal and formal sectors, by economic activity, 2016
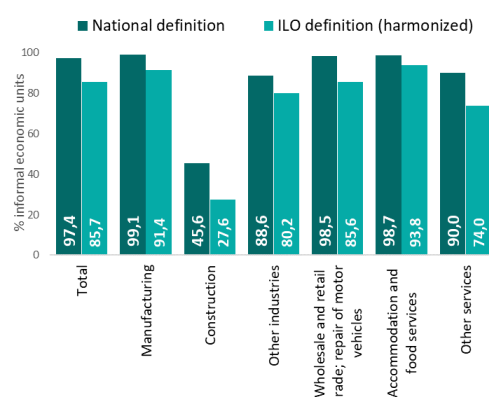
Source: Senegal, Recensement Général des Entreprises , 2016.

4.2. Dimension 2. Composition of the informal and formal sector

126. The main objective of dimension 2 is to describe and obtain an understanding of the type of economic units (and business owners as a complement to the analysis derived from labour force surveys) that prevail in the informal sector, as well as to what extent they differ from formal economic units. To interpret the indicators on the distribution of economic units in the informal sector based on their characteristics and economic performance or the characteristics of their owner(s), it is important to compare them with the corresponding distribution among (a) economic units in the formal sector and (b) all economic units. This comparison is unfortunately not possible when surveys target only the informal sector. Indicators on the distribution of informal (and formal) economic units (dimension 2) and on the incidence of informality of economic units (dimension 3) are complementary and should be analysed jointly.

Table 10. Composition of the informal and formal sector: Proposed indicators included in the ICLS draft resolution* and additional indicators

No.	Indicator	Reference in the ICLS *draft resolution*
Dimension 2 – Composition of informality (informal and formal sector)		
▶ Main indicators included in the ICLS draft resolution		
B.2.	**Distribution of informal household unincorporated market enterprises and formal economic units, by:**	136(b)
	(1) economic unit characteristics:	
B.2.1.	– sector of economic activity (ISIC).	
B.2.2.	– size of enterprise (number of employees and business owner).	
B.2.3.	– level of output or sales.	
B.2.4.	– level of profits.	
B.2.5.	– level of output or of value added per worker.	
B.2.6 .	– place of work.	
B.2.7.	– level of social capital or assets.	
B.2.8.	– number of years in operation (age of enterprise).	

(2) socio-demographic characteristics of owner(s):	136(b)
B.2.9. – sex.	
B.2.10. – age.	
B.2.11. – level of education.	
B.2.12. – area of residence.	
▶ Additional indicators	
B.2.13. Distribution of informal and formal sector economic units as proposed above within particular categories of units (for example, own-account workers or micro units; sector, place of work; or any other category, based on country priorities and prevalent forms of informality).	

* See ILO 2023a, Appendix.

127. Indicator B.2. Distribution of informal household unincorporated market enterprises and formal economic units, by economic unit characteristics and socio-demographic characteristics of the owner or owners. The set of figures presented below based on data from Senegal illustrates some of these main indicators.

Figure 37. Indicator B.2.6. [136(b)] Senegal: Distribution of informal household unincorporated market enterprises and formal economic units, by place of work, 2016
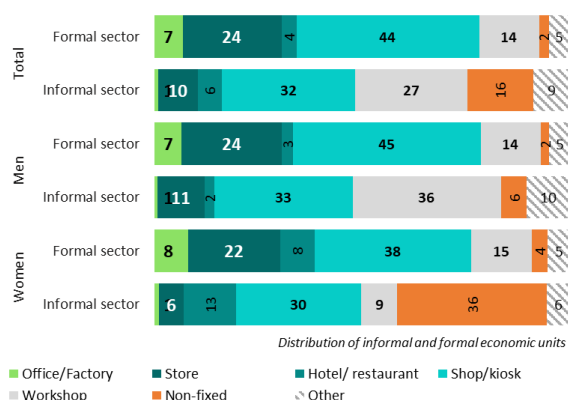
Figure 38. Indicator B.2.7. [136(b)] Senegal: Distribution of informal household unincorporated market enterprises and formal economic units, by level of social capital, 2016
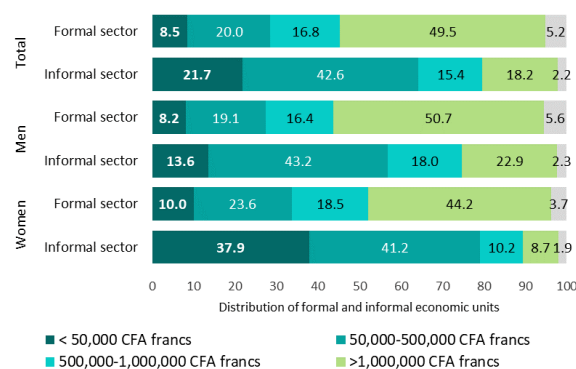

Figure 39. Indicator B.2.9. [136(b)] Senegal: Distribution of informal household market enterprises and formal economic units, by sex of the owner, 2016
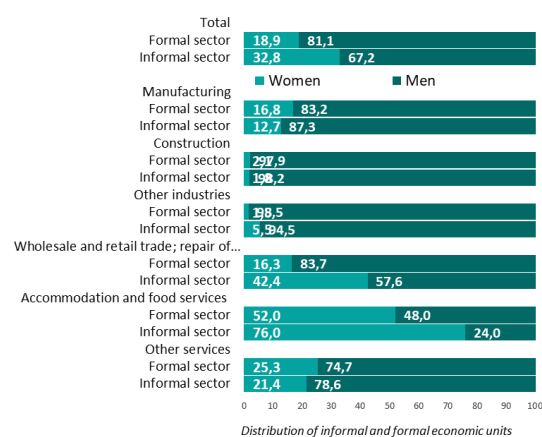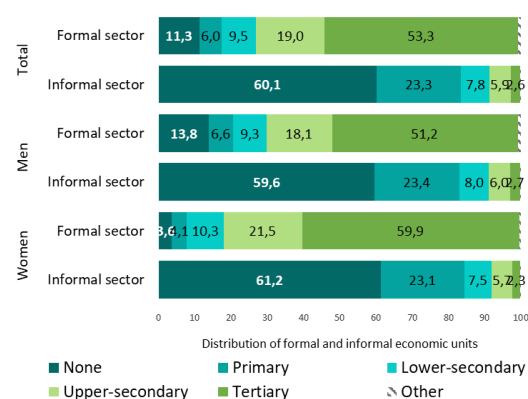

Figure 40. Indicator B.2.11. [136(b)] Senegal: Distribution of informal household market enterprises and formal economic units, by highest level of education of the owner, 2016

Source: Senegal, Recensement Général des Entreprises, 2016.

4.3. Dimension 3. Exposure to informality of economic units

128. The indicators suggested below refer to the incidence of informality for different categories of economic units or the types of economic units (or business owners) that are the most at risk of operating in the informal sector. These indicators contribute to highlighting some of the drivers of the informality of economic units that are associated with their features (size, economic performance) and/or the characteristics of their owners.

Table 11.   Exposure to informality of economic units: Suggested indicators

No.	Indicator	Reference in the ICLS draft resolution
Dimension 3 – Exposure to informality of economic units		
▶ Main indicators included in the ICLS draft resolution		
B.3.	**Percentage of informal household unincorporated market enterprises in relation to economic unit characteristics:**	136(c)
B.3.1.	– sector of economic activity (ISIC).	
B.3.2.	– size of enterprise (number of employees and business owner).	
B.3.3.	– level of output or sales.	
B.3.4.	– level of profits.	
B.3.5.	– level of output or of value added per worker.	
B.3.6.	– place of work.	
B.3.7.	– level of capital or assets.	
B.3.8.	– number of years in operation (age of the enterprise).	
	or socio-demographic characteristics of the owner(s):	136(c)
B.3.9.	– sex.	
B.3.10.	– age.	
B.3.11.	– level of education.	
B.3.12.	– area of residence (or of work).	
▶ Additional indicators		
B.3.13.	Percentage of informal sector economic units based on features as proposed above within particular categories of units (for example, own-account workers or micro units; sector, place of work or any other category, depending on country priorities and prevalent forms of informality).	

* See ILO 2023a, Appendix.

129. Indicator B.3. Percentage of informal household unincorporated market enterprises in relation to economic unit characteristics and by socio-demographic characteristics of the owner or owners. As for the series of indicators under indicator B.2., the selected figures set out below (based on data from Senegal) illustrate some of the indicators that refer to enterprises under dimension 3.

Figure 41. Indicator B.3.6. [136(c)] Senegal: Percentage of informal household unincorporated market enterprises, by place of work, 2016
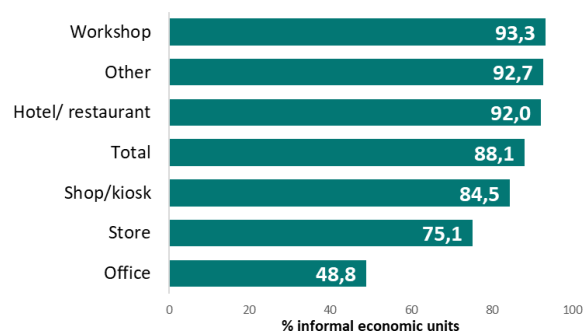

Figure 42. Indicator B.3.7. [136(c)] Senegal: Percentage of informal household unincorporated market enterprises, by level of social capital, 2016
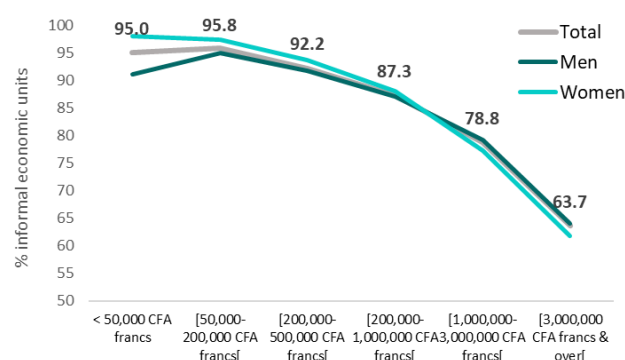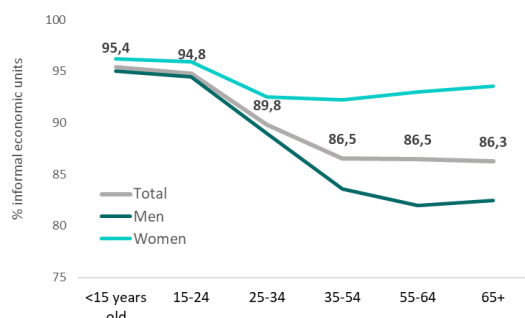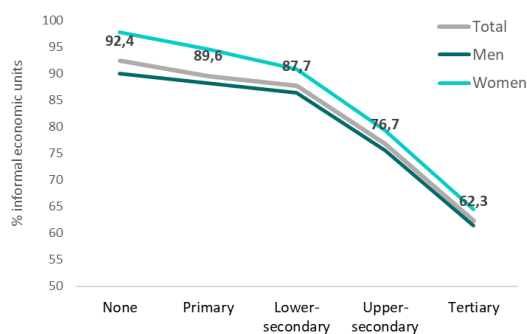
Figure 43. Indicators B.3.9–B.3.10. [136(c)] Senegal: Percentage of informal household market enterprises, by age and sex of the owner, 2016

Figure 44. Indicator B.3.11. [136(c)] Senegal: Percentage of informal household market enterprises, by highest level of education of the owner, 2016

Source: Senegal, Recensement Général des Entreprises, 2016.

4.4. Dimension 4. Productivity, obstacles and opportunities for the development and sustainability of economic units

Table 12. Performance indicators and productivity: Obstacles and opportunities for the development and sustainability of economic units – Suggested indicators

No.	Indicator	Reference in the ICLS draft resolution
Dimension 4		
Obstacles and opportunities for the development and sustainability of economic units		
▶ Main indicators included in the ICLS draft resolution		
B.4.1.	Value added and output in informal household unincorporated market enterprises compared to formal economic units per worker, by economic activity.	136 (d)
▶ Additional indicators		
B.4.2.	**Alternative measures of labour productivity**, such as value added/output per number of hours worked in informal household unincorporated market enterprises compared to formal economic units, by economic activity	
B.4.3.	**Alternative measures of productivity beyond labour productivity** (yet to be developed).	
B.4.4.	**Labour-related factors:** Composition of employment within informal and formal economic units, by socio-demographic and socio-economic features of workers.	
B.4.5.	**Production-related factors:** Distribution of informal sector and formal sector economic units, by:[40] – main sources of financing. – use of ICT. – access to machine/equipment (relevance depending on sectors). – main production-related challenges and needs.	
B.4.6.	**Business environment (customers, suppliers, competitors):** Distribution of informal sector and formal sector units, by: – main customers (assess linkages between formal and informal sectors). – main suppliers (assess linkages between formal and informal sectors). – main competitors (markets). – main challenges/needs in the business environment.	

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[40] Complementary indicators appear under dimensions 2 and 3 related to the level of sales, profit, capital/assets, size of enterprises (in terms of number of workers).

| No.	Indicator	*Reference in the* ICLS *draft resolution*
B.4.7.	**Administrative factors:** Distribution of informal sector and formal sector economic units, by: – awareness of main institutions in charge of formal arrangements or providing support services. – interactions with main institutions in charge of formal arrangements or providing support services. –perception vis-à-vis main institutions in charge of formal arrangements or providing support services. –main challenges associated with administrative procedures (complexity, cost, lack of awareness, lack of transparency, lack of real benefits associated with compliance with obligation, etc.).	
B.4.8.	**Trajectories, motivations and trends:** Distribution of informal sector and formal sector units, by: – situation before being an independent worker (employed or not, status in employment, formal or informal employment). –motivation to create the economic unit. – past trends (decreasing/increasing; regularity/ irregularity/seasonality) in the number of workers and the volume of sales and output. – expected trends in the number of workers and the volume of sales and output.	
B.4.9.	**Willingness to formalize (including past experience of formalization):** –for informal economic units' owners (independent workers), willingness to formalize and perceived advantages of and obstacles to: (a) the formalization of economic units. (b) the formalization of jobs within economic units – past experience of "formalization".	

* See ILO 2023a, Appendix.

130. Indicators related to dimension 4 on economic units and their owners provide insights into the main obstacles to and opportunities for their development, sustainability and ability to provide a living and decent working conditions for the owner and employees, as well as for informal economic units, their ability and the willingness of business owners to transition to formality. The indicators presented in table 12 complement the indicators on working conditions of business owners that can be derived from table 4, for all indicators for which the information is available for all status in employment and thus can be applied to independent workers.

131. The indicators proposed to date include one main indicator on (labour) productivity, as well as several additional indicators on factors that impact not only the level of productivity but also the development and sustainability of economic units more generally. As formulated, indicator B.4.1 refers to labour productivity that represents the total volume of output (measured in terms of value added at the enterprise level) produced per unit of labour (measured in terms of the number of employed persons) during a given time reference period. The indicator allows a comparison of the value added to labour input in informal sector economic units with the value added to labour input in formal ones. Among the possible alternatives, the denominator could be the total number of hours worked (indicator B.4.2).

Figure 45. Indicator B.4.1. [136(d)] West African Economic and Monetary Union (WAEMU): Value added per worker in informal household unincorporated market enterprises, 2017–2018
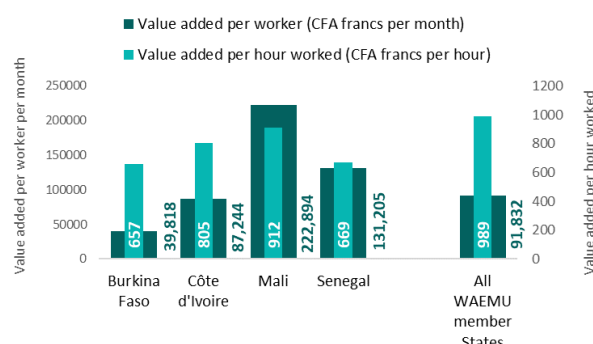
Note: Focus on informal sector units (in phase 2), with no comparison possible with formal sector units.

Source: WAEMU, Integrated Regional Survey on Employment and the Informal Sector, 2017–2018.

132. Indicators on productivity to be included in the indicator framework on the informal economy require further work, in particular building on existing handbooks, guidance and databases[41] and practical experiences of countries. As part of the objectives, it will be important to compare the relative situation of formal and informal economic units, acknowledging for example the current limitations associated with surveys that focus on the informal sector (such as mixed surveys such as those referred to in figure 45).

133. **Indicators B.4.4 to B.4.7** contribute to identifying some of the factors that can be considered either as obstacles or enabling factors with respect to the development of economic units, their ability to ensure decent living and working conditions for the owner and employees and their engagement in the sustainable formalization of both the economic unit and the jobs with the unit. As a first attempt, suggested indicators cover the following factors.

    a. Labour-related factors at the enterprise level relate to the composition of employment within economic units in terms of socio-demographic and employment-related features. This includes the type of employment agreement and other employment characteristics typically used to define formal wage employment (contribution to social security and effective access to labour protection). Labour-related factors may also include indicators related to the challenges perceived by entrepreneurs in terms of staffing such as hiring and keeping skilled workers;

    b. Production-related factors complement the indicators under B.2 that relate to the characteristics of informal economic units, such as the level of profit, sales or outputs or the place of work. They refer to issues such as the main sources of financing, the use of ICT and the access to machines/equipment. They also include indicators aiming at capturing some of the challenges perceived by independent workers or faced by economic units that affect the process, level and quality of production (such as difficulties in obtaining a loan and indebtedness; lack of space or lack of adapted premises; and lack of machines or equipment).

    c. Factors associated with the business environment (customers, suppliers and competitors) allow in particular for the identification of existing linkages (if any) between informal sector units and formal ones.

    d. Administrative factors include indicators related to the level of awareness and also the perceived administrative burden (complexity of government regulations, such as social security and labour laws, taxation, etc.).

134. **Motivation and perceptions**. This includes indicators that assess the initial motivation to create the activity[42] or continue it. It also includes a set of indicators on the perceptions of independent workers who own or operate informal sector economic units with regard to the obstacles to and advantages of formalization and the motivation to formalize, including what would be perceived as good incentives to formalize (access to markets, finances, social security and so on); the awareness and perception of entrepreneurs vis-à-vis the administrations in charge of formalization and procedures; and possibly the formalization dynamics of the economic unit at its creation).[43]

135. The last set of proposed indicators under this dimension refer to past and expected trends in terms of number of workers, level of profit and output or sales. These indicators complement the indicators proposed under indicator B.2., "Distribution of informal household unincorporated market enterprises and formal economic units, by economic unit characteristics and socio-demographic characteristics of the owner(s)".

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41   See OECD 2001; ILO 2020c; and ILO, *World Employment and Social Outlook: Trends 2023*, Appendix E.

42   A set of questions has been tested by the ILO with independent workers in order to help distinguish between those who are independent workers by default and/or necessity and entrepreneurs who are willing to develop an activity that brings independence, flexibility and economic opportunities to be further expanded; for further details, see ILO forthcoming.

43   A number of questions on the perceived advantages of and obstacles to formalization, as well as on awareness of existing programmes and incentives, interactions and perceptions of institutions, have already been tested in a number of countries.

4.5. Dimensions 5 and 6. Regulatory framework and structural factors

136. Indicators on the regulatory framework are still to be developed. They would typically aim at identifying categories of economic units that are not covered by business regulations, fiscal, social security and labour laws. This can impact the economic units (in terms of not only obligations but also advantages), but it is also likely to impact the effective access to protections of workers employed within those economic units. There are still a significant number of countries for example that condition the full application of labour laws and social security laws to economic units above a given size. The approach is similar to the one presented under section 3.1.5 above on legal coverage indicators. in particular section 3.1.5.2. The objective is notably to identify and possibly quantify the proportion of economic units facing legal coverage gaps that can result from their characteristics (such as from their size or the economic sector in which they operate).

137. Under dimension 6, the objective is to assess the prevalence of the economic units that are most exposed to informality among all economic units. Indicators refer for example to the distribution of all economic units, by size, sector or level of productivity.

5.   Contribution of the informal economy to GDP

138. The types of indicators covering the contribution of the informal economy to GDP are organized around the reference units of economic units and productive activities of persons (see paras 12 to 14 above). They reflect the extent of informal production in the informal sector, in the household own-use community sector within the SNA and in the formal sector (by informally employed employees and formally employed employees carrying out partly informal productive activities).

Table 13.   Contribution of the informal economy to GDP: Suggested indicators

No.	Indicator	*Reference in the* ICLS *draft resolution*
Dimension 1 **Contribution of the informal economy to GDP**		
▶ Main indicators included in the ICLS draft resolution		
C.1.1.	Contribution of the informal economy to GDP, by economic activity.	137(a)
C.1.2.	Contribution of informal production in the household own-use community sector within the SNA production boundary to GDP.	137(b)
C.1.3.	Contribution by informal employees, formal employees carrying out partly informal productive activities and persons carrying out informal work other than employment to production by economic units in the formal sector.	137(c)
Dimension 4 **Productivity**		
▶ Additional indicators		
C.4.1.	GDP/output of the informal economy within the SNA production boundary per worker, by economic activity.	
C.4.2.	GDP/output in informal sector economic units compared to formal sector economic units per worker, by sector.	

* See ILO 2023a, Appendix.

6. The supporting Informal Economy Indicator Framework: From questions to indicators

139. The Informal Economy Indicator Framework aims to cover multiple needs and multiple objectives that vary according to the situation and priorities of countries. These objectives differ according to the situation in a given country in terms of understanding the informal economy and whether or not the country is willing to or already engaged in developing strategies, programmes and interventions that target workers and economic units in the informal economy, including to support their transition to formality or to prevent the informalization of formal jobs and economic units. They may also vary according to national priorities in terms of sectors, groups of workers, categories of enterprises or forms of informality. These different objectives can be translated into questions, while indicators can contribute to providing answers to those questions.

140. The aim of this section is to illustrate what will be the broader Informal Economy Indicator Framework and how it could be used. To do so, section 6 presents some examples of questions and their links to indicators (among those presented in tables 1 to 13 above). The questions, the dimensions covered and the number of indicators that are developed can and will evolve as countries gain experience in collecting and analysing data on informality and developing policies in this area. The main purpose at this stage is to illustrate the approach. A concrete operationalization is the development of a database of "indicators" (the "toolbox") and a search/selection module based on main objectives and questions.

6.1. Describing the extent and structure of the informal economy, highlighting decent work deficits

141. As mentioned in section 2, examples of questions to describe the informal and formal economy include:

    a. What is the extent of informality and how does it evolve over time?

    b. What is the composition of the informal economy and what are the prevalent forms of informality of jobs, economic units and activities in the country?

    c. Which workers and economic units are the most exposed to (the most at risk of) informality?

    d. What are the working conditions (and decent work deficits) in the informal economy compared to the formal economy, and what levels of productivity and which factors constrain or enhance the development and productivity of informal economic units versus formal ones?

142. Many other questions could contribute to describing and understanding the situation of informal economy workers and economic units, starting with more specific questions, targeting for example particular groups (such as the situation of women compared to men and of young people compared to others) or forms of informality.

143. Although the objective with this first set of questions involves "describing and understanding", most if not all of these questions and associated indicators can already serve the second objective, which is to support the development, implementation and monitoring of policies. In order to illustrate how these descriptive indicators can serve the formulation of policies, a "Policy" row is included in table 14 below.

Table 14. **Describing the extent and structure of the informal economy and assessing working conditions among workers in informal employment compared to workers in formal employment: From questions to indicators (some examples)**

Questions	Indicators	Reference in the ICLS draft resolution*
What is the extent of informality?	× **A.1.1.** Number of persons with an informal employment and percentage of informal main jobs in relation to total employment, by economic activity and sex (SDG 8.3.1). × **A.1.3.** Percentage of employees in a formal main job where a part of the paid hours and earnings is not declared for taxation or mandatory job-related social security contributions. × **A.1.5**. Percentage, respectively, of independent workers and dependent contractors in a formal main job where part of their income is not declared for taxation. × **B.1.1.** Number and percentage of informal household unincorporated market enterprises in relation to the total number of economic units in the informal and formal sectors, by economic activity. × **C.1.1.** Contribution of the informal sector to GDP, by economic activity. × **C.1.2.** Contribution of informal production in the household own-use community sector within the SNA production boundary to GDP. × **C.1.3.** The contribution by informal employees, formal employees carrying out partly informal productive activities and persons carrying out informal work other than employment to the production by economic units in the formal sector. *Contribution to policy development (covered further with the second set of questions under section 6.2 below)*: Awareness-raising; monitoring trends; joint analysis with other dimensions (for example as part of the identification of drivers of informality and formalization).	• 128(a) • 134(a) • 134(c) • 136(a) • 137(a), 137(b), 137(c)
What are the prevalent forms of informality?	× **A.2.1.** Distribution of persons with an informal main job, by informal sector, formal sector, household own-use community sector, status in employment and sex. This is obviously a starting point, requiring subsequent specification of each of the groups identified by this indicator: who they are, where they work and their working and living conditions. *Policy*: What formalization means for those different groups.	• 128(b)
Which workers are the most represented in the informal economy?	× Indicators under dimension 2 (see table 2, indicators A.2.2–A.2.10). × Indicators under dimension 4 (see for example table 4, indicators A.4.11–A.4.12 and A.4.14); these assess the representation of workers in temporary employment, part-time employment or working very short hours in the informal economy compared to their representation in the formal economy. × Indicators under dimension 5 (see for example table 5, indicator A.5.3); these assess poverty rates among workers with informal jobs compared to workers with formal jobs.	• 128(c) • 130(b)(iii), 130(b)(v) • 133(c)
Which economic units are the most represented in the informal sector?	× Indicators under dimension 2 (see table 10, indicators B.2.1–B.2.12). × Indicators under dimension 4, starting with productivity (indicator B.4.1). *Policy*: Support the identification of priority groups (workers and economic units) and the identification of particular needs or adequate modalities of intervention adapted to the main socio-demographic and employment-related features of workers (including business owners) or economic features of economic units.	• 136(b) • 136(d)
Which workers are the most at risk of	× Indicators under dimension 3 on the incidence of informality for different groups of workers based on their socio-demographic or	• 128(d) • 136(c)

Questions	Indicators	Reference in the ICLS draft resolution*
being in informal employment? Which economic units (and business owners) are most likely to operate in the informal sector?	employment-related features (indicators A.3.3–A.3.12) and on different categories of economic units (indicators B.3.1–B.3.13). × Indicators under dimension 5, such as on the incidence of informality among people living in poor households compared to other households (indicator A.5.4) or indicators related to the composition of the household (for example, financial dependants, female-headed households).	• 133(d)
	Policy: Identification of priority groups and drivers associated with the characteristics of workers and economic units.	
What are the working conditions in the informal economy and the extent of decent work deficits?	• Indicators under dimension 4 on productivity: indicators A.4.1–A.4.26 for workers (including own-account workers and employers) to assess the situation of business owners) and indicators B.4.1 to B.4.8. on productivity and main factors of development and sustainability of economic units.	• 130 and 136
What are the living conditions of workers in the informal economy?	• Indicators under dimension 5 on poverty, capacity to meet basic needs	• 133(c)–(d)
	Policy: Contributes to the identification of various levels of vulnerabilities (see second set of questions).	

* See *ILO 2023a, Appendix*.

6.2. Supporting the development of policies, measures and interventions

144. The second set of questions concerns primarily the countries that are willing to engage or have already engaged in addressing the challenges associated with informality or supporting formalization processes (see box 3).

145. Examples of questions to further inform and support the development of policies include:

    a. What are the prevalent drivers of informality? For which workers or what type of economic unit?

    b. Do formalization and formality mean protection against personal and economic risks? Are formal jobs decent jobs?

    c. From what types and levels of protection (do workers in informal employment benefit?

    d. Which workers or economic units are "ready or able" to formalize in a sustainable way and which are those for whom the reduction of decent work deficits and vulnerabilities is the only possible option in the short term?

    e. How to assess and prevent the risk of informalization (among workers in formal employment and economic units in the informal sector)? What factors — in the environment and/or associated with workers and economic units — increase the risks of informalization or prevent against such risks?

> ▶ **Formalization and formalization processes**

✖ **Focusing on people and outcomes: formalization as a means to an end**

Formalization is not an objective in itself but a necessary precondition for reaching very important objectives. The focus should be on people, economic units and societies: helping people to access decent working and living conditions, with increased capabilities, higher access to opportunities and better working conditions. Without formalization, access to decent work will remain an illusion. Formalization reduces poverty and leads to greater equality among people. The formalization of economic units, including through increased productivity and better market access, contributes to their sustainability and fosters fair competition in national and international markets. The formalization of economic units is also a condition for the adequate labour and social protection of the workers they employ. More broadly, formalization benefits society as a whole, because it enhances the government's scope of action, in particular by allowing increased public revenues and strengthening the rule of law. It also contributes to fairer societies by more equitably distributing rights and obligations among its members.

✖ **What does formalization mean?**

For economic units, formalization means bringing them under the regulation with the advantages and obligations this entails. It includes the extension of the scope of fiscal, labour and social security regulations to all economic units, without exception, with regard to size, sector or other criteria; the legal recognition and registration of economic units; and compliance with legal requirements. For independent workers, whether or not their economic units belong to the formal economy determines whether or not they themselves are in the informal economy. For employees, the transition to formality means being provided with adequate labour and social protection. Depending on the situation, this means realizing one or several of the following actions: (a) extending legal coverage to those currently excluded or insufficiently covered; (b) providing an adequate level of legal protection; and (3) ensuring effective compliance with laws and regulations. Bringing activities from the informal to the formal economy means that they should be fully declared, covered by legislation and result in effective protection.

✖ **What do formalization processes refer to?**

Formalization can be pursued through three complementary channels, which are the objectives of Recommendation No. 204, namely: (a) creating decent jobs and sustainable economic units in the formal economy, (b) transitioning workers and economic units from the informal to the formal economy and (c) preventing the informalization of jobs.

Reducing decent work deficits in the informal economy is one of the results of formalization but is at the same time an enabling condition that facilitates the transition to formality, and as such it can be considered to be a part of the formalization process. Some workers and enterprises have the potential to formalize in the short term, while for others this is not yet a realistic possibility. For many, addressing decent work deficits and reducing vulnerabilities is the primary objective of increasing the capacity of workers and enterprises to enter into the formal economy in a sustainable way (ILO 2021b).

6.2.1. What are the prevalent drivers of informality?

146. Drivers of informality can be divided into three main groups (see Appendix, step 5):

a. The first category includes factors associated with characteristics of workers or economic units that can make it difficult for them to transition to formality, such as a low level of education; discrimination; poverty; a lack of voice and representation; the small size of economic units; and limited access to credit, services or markets. Indicators under dimension 3 seek to identify the workers and economic units that are the most exposed to informality and contribute to the identification of some of the drivers in this category (for persons and jobs, see table 3, indicator A.3; and for economic units, see table 11, indicator B.3). Indicators under dimension 4 (such as a low level of representation or a low level of labour earnings for workers or a low level of productivity for enterprises) or dimension 5 (such as poverty or food insecurity or more generally income insecurity) will help to identify drivers in this first category.

b. The second category refers to drivers associated with the legal and regulatory framework and its application, or how the existing framework limits or enhances the transition to formality or the improvement of working conditions, including for those in the informal economy. Many of those drivers cannot by quantified. However, the indicators that have been proposed to identify and quantify the legal and implementation gaps under dimensions 5 (see in table 6, indicators A.5.14–A.5.17) fall into this category. Similarly, the indicators that have been proposed under dimension 4 for identifying obstacles and opportunities for the development and sustainability of economic units (see table 12) can provide

information on the perceived capacity of institutions to deliver, which may also enter into this second category of drivers.

  c. The third category includes drivers in the economic and social environment, such as the inability of the economy to create sufficient formal jobs; the composition of the economy and of employment; economic fluctuations; and shocks that negatively affect the world of work. Some of those drivers associated with the structure of the labour market and the level and composition of growth are covered under dimension 6.

147. A number of major determinants of informality are beyond the world of work and in this respect the indicators under dimension 5 make an important contribution. Finally, some drivers are transversal while others are specific to certain categories of workers and economic units. The indicators that have been proposed to focus on specific groups can contribute to the identification of those specific drivers. For example, indicators A.2.11, A.2.13, A.3.13 and A.3.15 focus on persons with disabilities, migrant workers or other specific categories such as platform workers, home-based workers or domestic workers. Importantly, paragraph 139 of the ICLS draft resolution encourages the application of the indicator framework to specific categories of workers or economic unit as relevant given national priorities.

6.2.2. Do formality and formalization mean higher levels of protection against personal and economic risks?

148. This question and the following question in section 6.2.3 refer to groups defined on the basis of the two following dimensions: (a) formal/informal jobs; and (b) protection against the economic and personal risks associated with the job, so that, as illustrated in figure 46, if some workers are either in the bottom left (informal, no protection) or top right (formal, protection) quadrant, others are along a continuum of situations between those two extremes.

Figure 46. Informality–formality and levels of protection against economic and personal risks
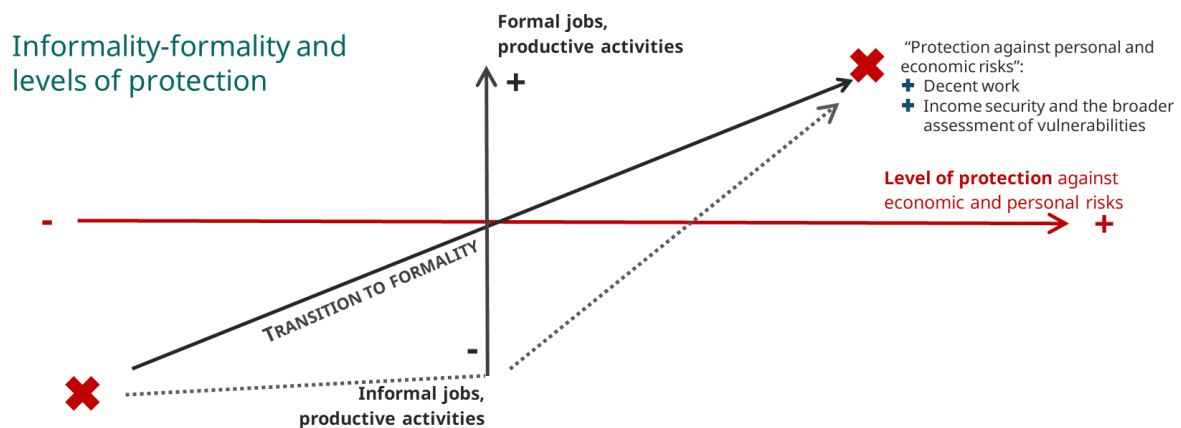

149. The objective of the first question is to assess whether formal employment means decent working conditions or whether owning and operating a formal economic unit results in higher productivity, higher performance or opportunities for development, in particular thanks to effective access to resources, markets and support for enterprise development. Whether formalization is associated with real benefits and advantages is one of the important factors that motivate the decision to formalize or not or to remain formal or not.

150. Figure 47 provides an overview of the dimensions to consider within the indicator framework in order to start answering the first question (top-left quadrant): are formal jobs decent jobs? Assessing whether formality is associated with protections can be done through the analysis of levels of protection (ILO 2023a, Appendix, para. 130(a)) and working conditions (ILO 2023a, Appendix, para. 130(b)) among workers in formal employment (whether employees, independent workers or dependent contractors) in comparison to the situation of those in informal employment, as presented in table 4. The different dimensions of labour security/insecurity can be completed with a broader assessment of income security or "living conditions" among workers in formal and informal employment (including poverty-related indicators and the capacity to

meet basic needs, as presented in table 6). For economic units, the indicators of economic performance set out in tables 10 (levels of sales, profit, capital) and 12 (trends) apply to both formal and informal economic units.

Figure 47.   Informality–formality and levels of protection: Does formalization mean protection against personal and economic risks?
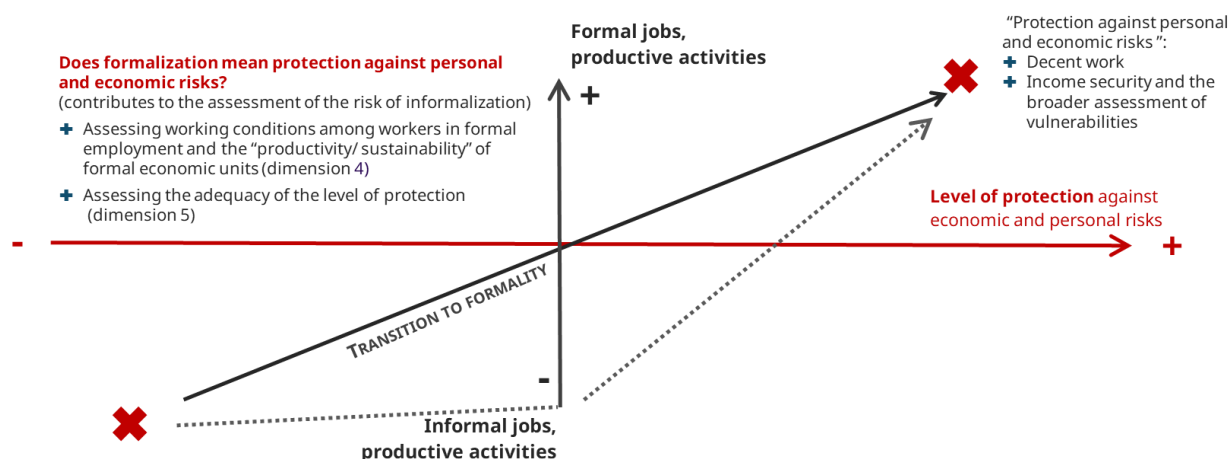
151. An additional dimension relates to the adequacy of the level of protection. As part of the current indicator framework, the focus is on the level of legal protection (in relative terms), that is in indicators A.4.15 (social security) and A.4.17 (labour protection).

Table 15.   Does formalization mean protection against personal and economic risks? Are formal jobs decent jobs? Are formal enterprises more productive and sustainable?

Questions	Dimensions/indicators	Reference in the ICLS draft resolution
1. Are formal jobs decent jobs?	**Dimension 4** **Comparing the working conditions of workers with formal and informal jobs (see table 4)**	
	– Levels of protection (indicators A.4.1–A.4.5).	130(a)(i)–(v)
	– Working conditions (indicators A.4.7–A.4.26).	130(b)(i)–(ix)
	– Income security (indicator A.4.7–A.4.10).	130(b)(i)–(ii)
	– Employment security (indicators A.4.11–A.4.12).	130(b)(iii)
	– Working time (indicator A.4.14–A.4.18).	130(b)(v)–(vii)
	–Representation of independent workers (indicators A.4.19–A.4.20).	130(b)(viii)-(ix)
	– Access to training and retraining (indicator A.4.22). – Exposure to occupational and health risks, access to protective equipment, incidence of occupational injuries and diseases, and access to social protection when needed (indicator A.4.23–A.4.26). **Dimension 5** **Adequacy of the level of legal protection** This can be assessed in particular in relative terms for specific groups of workers compared to a group of reference (typically full-time permanent employees). Level of legal protection (labour protection and social security) (see table 6, indicators A.5.15–A.5.17).	
2. Are formal enterprises more productive and sustainable than informal ones?	**Dimension 2** Performance of formal sector economic units compared to informal ones (see table 10, for example indicators B.2.3 and B.2.4–B.2.5 on level of output, profit and value added).	136(b)
	Dimension 4 **Productivity and factors that enhance or constrain the development, sustainability of enterprises and their capacity to formalize (see table 12).**	

Questions	Dimensions/indicators	Reference in the ICLS draft resolution
	– Productivity (indicators B.4.1–B.4.2). – Factors enabling or constraining the development and sustainability of enterprises (indicators B.4.3–B.4.7).	136(d)
	Dimension 4 **Working conditions of independent workers (such as owners and operators of economic units).** Same indicators as those presented under question above, with a focus on the situation of own-account workers and employers and assessing whether owners of formal economic units enjoy more favourable working conditions than informal business owners.	

6.2.3. From what protections (including social protection) do workers in informal employment benefit?

152. An overview of dimensions and indicators that could contribute to answer this question is presented in figure 48 (bottom right quadrant) and table 16.

Figure 48. Informality–formality and levels of protection: From what forms and levels of protection do workers in informal employment benefit?
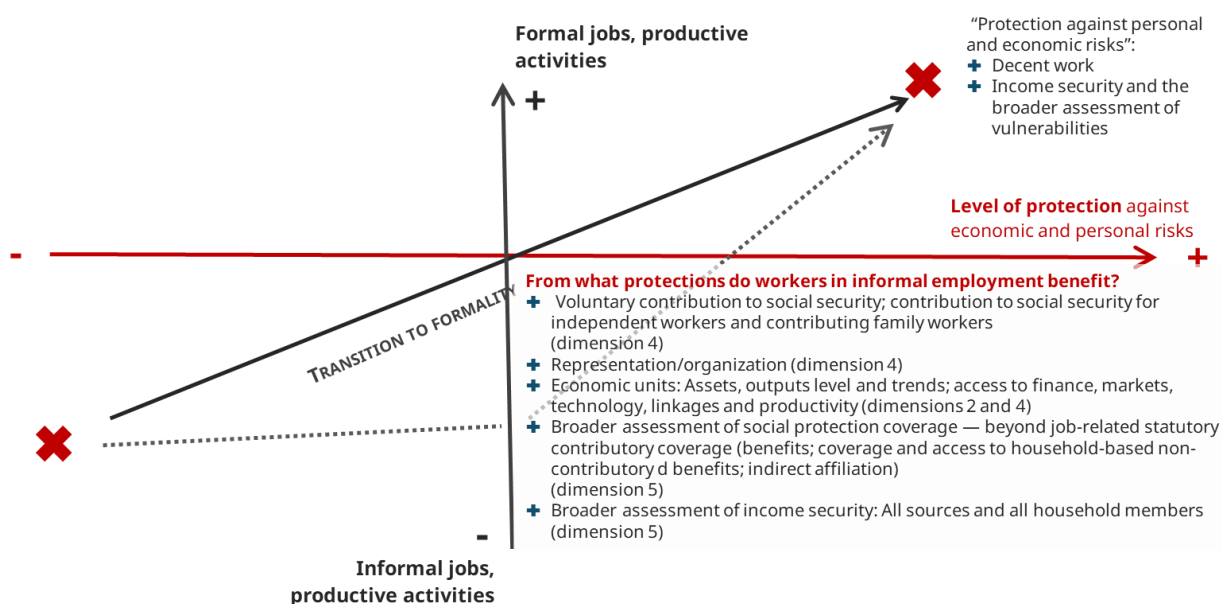
Table 16. **From what protections (including social protection) do workers in informal employment benefit?**

Questions	Dimensions/indicators	Reference in the resolution
1.Levels of protection of workers in informal employment	**1.1. Coverage by contributory social security schemes** **Dimension 4** **Working conditions, levels of protection and productivity** (see table 4) – Levels of protection (indicators A.4.1–A.4.5) to assess voluntary affiliation to statutory social security schemes (for those not legally covered on a mandatory basis) and social security, in particular by contributory social security schemes of independent workers, dependent contractors and contributing family workers. – Working conditions. – Access to social protection in case of employment injury or disease (indicator A.4.26). **Dimension 5** **Social security coverage other than "individual contributory"** – At least one household member contributing to social security (see table 6, indicator A.5.2).	130(a)(i)–(v) 133(b)
	1.2. Coverage by non-contributory social protection scheme **Dimension 5** **Social security coverage other than "individual contributory"** – Coverage by contributory scheme and/or receiving non-contributory benefits (see table 6, indicators A.5.8–A5.10).	
2. Factors that reduce vulnerabilities and enhance the capacity to engage in constructive strategies	**2.1 Working conditions (informal workers): Factors favourable to the reduction of decent work deficits and vulnerabilities** (see table 4): – Labour income security (indicators A.4.7–A.4.10) to assess various levels of income security (including level, regularity and predictability of income). – Employment security (indicators A.4.11–A.4.12) to gain some insight on the duration of the employment relationship. – Representation of both employees and independent workers (indicators A.4.19– A.4.20). – Access to training and retraining (indicator A.4.22) to get a sense of the degree of employability and mobility, including to seize opportunities to access formal jobs**.**	130(b)(i)–(ii) 130(b)(iii) 130(b)(viii)-(ix)
	2.2 Protection at the household level: Income security **Dimension 5** **Income level and predictability at the household level (see table 6)** – At least one household member in formal employment (indicator A.5.1). – Poverty rates among workers in informal employment (indicator A.5.3). – Proportion of financial dependants (indicator A.5.6). – Food-secure households (indicator A.5.13).	 133(a) 133(c)
3. Economic units: Assets and economic performance – factors that impact their development and sustainability (see table 14, proposed indicators on economic units with a focus on informal economic units)	**Dimension 2** – Performance of formal sector economic units compared to informal ones (see table 10, for example indicators B.2.3–B.2.5 on level of output, profit and value added).	136(b)
	Dimension 4 **Productivity and factors that enhance or constrain the development and sustainability of enterprises and their capacity to formalize** (see table 12) – Productivity (indicators B.4.1–B.4.2). – Factors enabling or constraining the development and sustainability of enterprises (indicators B.4.3–B.4.7).	136(d)
	Dimension 4 **Working conditions of independent workers in the informal sector (as owners and operators of informal economic units)** Same indicators as those presented in table 15, question 1, with a focus on the situation of own-account workers and employers in the informal sector and assessing whether some owners of informal economic units enjoy more favourable working conditions than others.	

6.2.4. How to identify groups of workers and economic units based on their ability/capacity or potential to formalize in the short term and those for whom the priority should be on reducing decent work deficits and vulnerabilities

153. Not everyone is in a position to formalize now and in the near future and to take advantage of formalization. The identification of various groups of workers (and economic units) along a "scale of readiness for formalization" could be based on the combination of indicators related to (a) "formal arrangements" (legal coverage and compliance with formal arrangements); (b) the various levels of protection or by contrast of vulnerabilities within the informal economy (see indicators presented in section 6.2.3 above). These two categories of indicators allow the consideration of indicators that refer to workers and economic units and are therefore "world of work related", as well as indicators that extend beyond the world of work and the "individual" level to capture some of the multiple sources of vulnerabilities. Based on the levels of (a) formality/informality and (b) levels of protection versus vulnerabilities, one can develop a mapping of workers and economic units along what can be considered as "pathways to formality". The various groups can then be qualified in terms of socio-demographic and socio-economic features (such as age, sex, status in employment, occupation, sector or size of enterprise).

154. Thus, some initial elements of the answer to the question "How to identify workers and economic units based on their readiness to formalize" should come from the indicators presented in section 6.2.3 above on levels and forms of protection versus vulnerabilities within the informal economy; they should be complemented with a set of indicators related to levels of formality/informality. This second category of indicators on the coverage by and compliance with a number of formal arrangements should acknowledge in particular the fact that some workers may benefit from some formal arrangements without necessarily being considered as formal workers (see for example indicators A.4.1 and A.4.3–A.4.5). This second category of indicators can also build on two other dimensions that contribute to define "different levels of formality", as follows.

   a. **Type of production unit (or whether in the formal sector, informal sector or household own-use and community sector).** For employees and contributing family workers, the fact of being employed in the formal sector rather than outside the formal sector (informal sector and households) places them one step ahead of those employed in the informal sector, for whom the formalization of the economic unit that employs them is a precondition for the formalization of their job.

   b. **Legal gaps versus implementation gaps**. All workers who are included under the scope of labour, social security and fiscal laws (see table 6, indicators A.5.14–A.5.16) are one step ahead on the pathway to formality compared to workers who are still outside the scope of such laws and regulations. By contrast, if the reason for the absence of coverage by formal arrangements is the exclusion of workers from the scope of laws and regulations, then closing the legal gap through the extension of laws to workers and economic units that are not yet covered is required for compliance (or implementation in practice) to become an option.

Figure 49. Transition to formality: Formalization versus reduction of decent work deficits
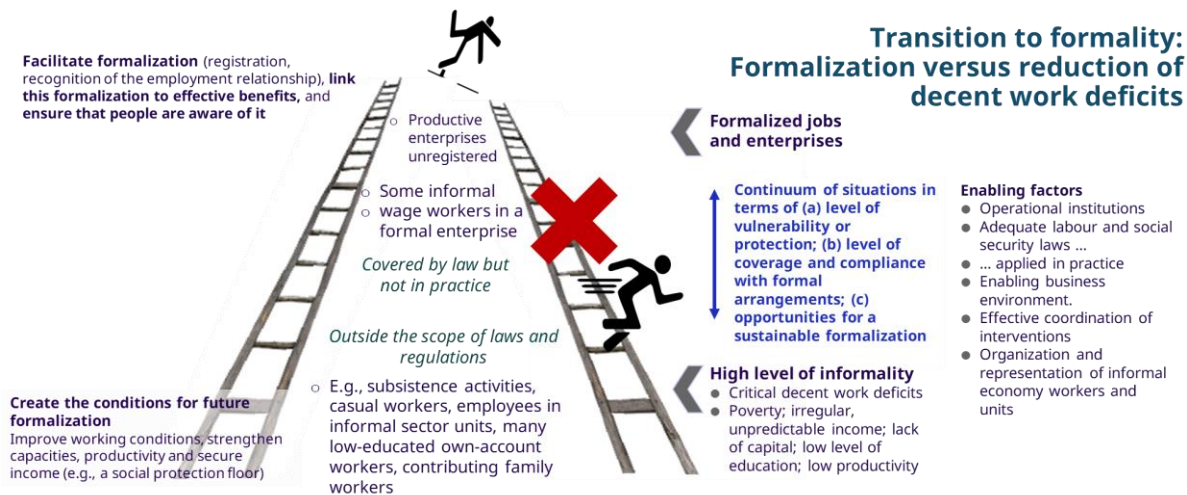
6.2.5. Assessing the risk of informalization/preventing informalization

155. Recommendation No. 204 includes, as one of the three main objectives of formalization, the prevention of the informalization of formal economy jobs. This objective underlines the fact that being or becoming formal is not guaranteed for ever. Informality and formality are dynamic processes that depend on multiple factors and forms of work that evolve over time. While a lot of attention is given to the transition from the informal to the formal economy, much less attention is given to the transition from the formal to the informal economy. This issue is not yet covered – or not yet adequately covered – in the current version of the Informal Economy Indicator Framework. One additional indicator refers specifically to transitions[44] and some indicators under dimension 6 provide some information on the prevalence of groups of workers that may be at higher risk of informalization (such as workers in temporary employment or in short-hours contracts, home-based workers and digital platform workers). This question of the risk of informalization tends to gain importance in particular in times of crisis, or more generally with the shift from standard forms of employment towards diverse forms of work arrangements or towards the organization of work that is potentially more likely to be informal. This is evidently an issue that will be developed further as part of the dynamic Informal Economy Indicator Framework.

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[44] Indicator A.1.2 (see table 1 and para. 28 above) refers to transitions between formal, informal, unemployment and out of the labour force.

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8. Appendix. Diagnoses of informality: An overview[45]

1. In June 2015, ILO Member States and the social partners reaffirmed their commitment to address the challenges of informality through their collective adoption of the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204). This new labour standard invites Members to design coherent and integrated strategies to facilitate the transition from the informal to the formal economy, and it recognizes the need for tailored approaches in order to respond to the diversity of situations and the specificity of national circumstances. To inform the design and implementation of laws and regulations, policies and other measures that aim to facilitate the transition to the formal economy, Recommendation No. 204 calls on Members to "**undertake a proper assessment and diagnostics of factors, characteristics, causes and circumstances of informality in the national context**" (Para. 8). The Recommendation provides in subsequent sections the range of issues to be covered in order to inform the design of coherent and coordinated interventions as part of integrated strategies and an explicit reference to "Data collection and monitoring" (Section VIII).

In Section VIII, "Data collection and monitoring", Recommendation No. 204 calls on Members, in consultation with employers' and workers' organizations, to "(a) where possible and as appropriate, collect, analyse and disseminate, statistics disaggregated by sex, age, workplace, and other specific socio-economic characteristics on the size and composition of the informal employment and the informal sector, including the number of informal economic units, the number of workers employed and their sectors; and (b) monitor and evaluate the progress towards formalization." The Recommendation also notes that in doing so, Members "should take into consideration relevant guidance provided by the International Labour Organization, in particular and as appropriate, the guidelines concerning a statistical definition of informal employment adopted by the 17th International Conference of Labour Statisticians in 2003 and their subsequent updates".

The ILO developed a diagnostic tool that has been applied since 2016 in more than 40 countries.[46] The main objectives of national diagnostics are to gain a better understanding of the informal economy (its extent, diversity, causes and consequences) and of its context; to build a wide domestic consensus about the situation, through a transparent and participative process, in order to be in the best possible position to discuss and agree on priorities and responsibilities and define an action plan and a road map for facilitating the transition to formality. The diagnostic also sets the baseline for the monitoring of formalization progress, including for the monitoring and evaluation of policy measures.

The objective of undertaking national diagnostics is to support formalization processes, including the reduction of decent work deficits in the informal economy. The aim is to reduce gradually and in a sustainable way the proportion of informal economic units in the informal sector and the proportion of workers holding informal jobs. In particular:

    a. Formalization should be considered as a means rather than an end in itself. Formalization is a necessary condition for reaching important objectives, with a focus on people, enterprises and societies, thereby helping people to access decent working and living conditions. As a result, informality and formality indicators should also be linked to the ultimate objectives of decent work, and should also assess to what extent formality effectively results in better working and living conditions, including better income security and lower levels of vulnerabilities.

    b. Formalization should be pursued through the three complementary channels that are the objectives of Recommendation No. 204, namely: (i) creating decent jobs and sustainable enterprises in the formal economy, (ii) transitioning workers and economic units from the informal to the formal economy and (iii) preventing the informalization of jobs.

    c. Decent work deficits should be reduced in the informal economy as one of the results of formalization, but at the same time reducing decent work deficits is an enabling condition that facilitates the

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[45] For further details, see ILO 2021a.

[46] With differences in scope: either comprehensive and focused on the entire informal economy or focused on specific forms of informality, sectors, groups of workers or types of economic units.

transition to formality and as such should be considered as part of the formalization process. Some workers and enterprises have the potential to formalize in the short term, while for others this is not yet a realistic possibility. Addressing decent work deficits progressively reduces vulnerabilities and increases the capacity of workers and enterprises to enter the formal economy in a sustainable way. For example, providing workers with basic social protection constitutes an enabling factor for their transition to formality by reducing their exposure to poverty, enhancing their access to healthcare and enabling them to seize economic opportunities.

Facilitating the transition to formality should start with a recognition of the diversity of needs, motivations and working conditions that characterize workers and economic units in the informal and formal economies. The most salient drivers of informality also vary from one group of workers or economic units to the other. The diagnostic's main objective is to provide the necessary facts and evidence to allow national actors to progress as far as possible towards a common understanding of the situation of workers and economic units in the informal economy and of the constraints and gaps that need to be addressed. This should enhance the capacity of national actors to reach an agreement on initial priorities and guide them in formulating policies that are tailored to the specific constraints, needs and capacities of particular groups. At the same time, it is only by establishing clear and credible facts and evidence that the diagnostic will be in a position to build a common and shared vision of the informal economy. Part of the groundwork for ensuring agreement on the necessary outcomes and the priorities and actions that are needed to achieve them is to build a common and agreed understanding of what informality and formalization mean. This ideally starts with an agreement on definitions and concepts at the national level. The national statistical office has a central role to play, in consultation with the main actors involved in addressing the challenges associated with informality. The national diagnostic on informality is an opportunity for assessing whether there are national agreed statistical definitions of informal employment, the informal sector and employment in the informal sector, as well as whether these definitions are in line with international standards. It is also an opportunity to identify and assess whether data on informal employment and the informal sector are collected, analysed and used for policy purposes on a regular basis and to identify gaps that need to be addressed.

This Appendix presents the typical sequence of steps and components of a national diagnostic of informality, while recognizing that both the scope and the sequence may vary from country to country. A national diagnostic may apply, as appropriate, to either the whole economy or to specific sectors, groups of workers or economic units. It can focus on specific types of informality (such as undeclared work) or on particular policy areas (such as the extension of social security and the formalization of enterprises). In this ten-step process, data and statistics play an important role but are placed within the larger process of information collection and analysis.

1. Overview of the main steps of a national diagnostic of informality

A national diagnostic is composed of several steps of collecting, analysing, sharing and discussing quantitative and qualitative information that is related to the informal economy, in order to create the conditions for reaching a consensus about the situation and the agreed priorities for action.

Figure A.1 presents the ten steps of a typical or "generic" diagnostic of informality, which are divided into three phases: the preliminary steps (steps 1–3), the core components of the diagnostic (steps 4-7) and the priorities and policies (8-10) that draw on the main results of the diagnostic. The ten steps are complementary in nature, meaning that the information collected in one step contributes to the interpretation of other steps and is analysed in view of the results and information collected in other parts of the diagnostic.

Figure A. 1. Main steps of national diagnoses

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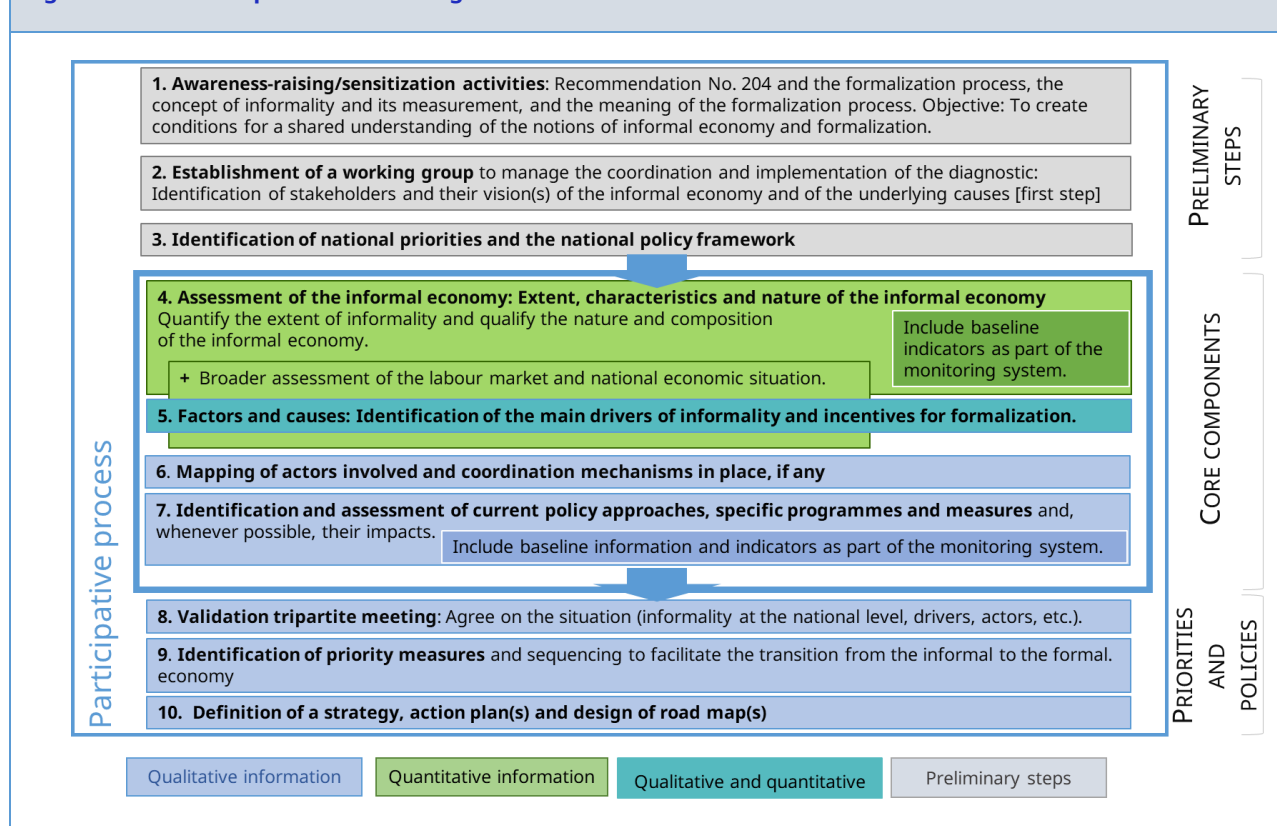
2. Preliminary steps: Steps 1–3

The main goals of these first three steps are to bring together stakeholders involved in the assessment f the informal economy and the development of policies, measures and interventions, including the national statistical office. This is the opportunity to start mapping actors, assessing the respective views and understanding of informality and formalization, and providing guidance and directions — based on international standards[47] — to bring people, as far as possible, to a common understanding of what is meant by informality and formalization. Meanwhile, the first analysis of main national priorities and ongoing or planned policies can influence the adoption of a particular focus for the formalization process. This first assessment of national priorities will ultimately be completed in step 7 (mapping and assessment of the current policies and general policy approach).

This is also the time to assess the situation at the country level regarding data definition, data collection and data analysis, as well as to identify gaps, including:

a. the existence of national definitions of informal employment, informal sector and whether they are in line with statistical standards;

b. the existence of surveys, issues covered, scope, periodicity; and

c. the capacity and practice in terms of the analysis, dissemination and use of main results on the informal economy, in particular for policy purposes, in order to support the formalization process.

These first steps include a series of sensitization/awareness-raising activities on Recommendation No. 204 and informality, including concepts, measurements and realities. This is often conducted through a national

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[47] We refer so far in particular to Recommendation No. 204 and, in the statistical domain, to ILO 1993 and ILO 2003a.

workshop that brings together the actors[48] that will be active contributors to the diagnostic and above all will be the main actors of the formalization process.

3. Core components of the diagnostic: Steps 4–7

The core components of the diagnostics (steps 4 to 7) may vary in scope and depth, depending on the selection (or not) of priority sectors, groups of workers or economic units before or at the end of the preliminary stage of the diagnostic.

Step 4: Quantify the extent, nature and composition of the informal economy

The objective of step 4 of the diagnostic is to establish a profile of informal economy workers and economic units, taking into account a gender perspective. This step is primarily quantitative in nature, with an important role to be given to national statistical offices.[49] The Informal Economy Indicator Framework presented in the main document above typically supports step 4.

The issues to be covered by main indicators that focus on informality can be framed within the six dimensions presented in para. 13 in the main document above and the associated questions to describe the informal economy (jobs, economic units and activities). The aim is notably to be able to answer the following questions, which have a direct link with policies:

a. Who, how many/what proportion of workers (and economic units) call for:

(i) the formal recognition of the employment relationship and employment (or even work) agreements that are linked to effective social and labour protections (this concerns employees and some dependent contractors in informal employment in the formal sector or in households, as well as unpaid trainees and volunteers doing informal work in the formal sector)?

(ii) the formalization of economic units, bringing them into compliance with regulations, with the advantages and obligations that this entails, including the extension to all enterprises without exception of the scope of fiscal, labour and social security regulations on size, sectors or other criteria, the legal recognition and registration of enterprises and compliance with legal requirements (this concerns independent workers and some dependent contractors in the informal sector)?

(iii) the formalization of both economic units and jobs (this concerns employees and some dependent contractors in informal employment in the informal sector)?

(iv) a reduction in decent work deficits and a move to another status in employment in the case of contributing family workers?

b. Do workers in informal employment benefit from a certain level of protection (at the individual and household level)? By contrast, is formality attached to adequate levels of protection?

c. Which workers and units have the potential to formalize in the short term, and by contrast which are the workers (and units) for which formalization is realistically not the best option in the short term but require measures to be taken to create enabling conditions for (sustainable) their formalization in the longer term?

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[48] Actors include representatives of the ministries responsible for labour, social protection, vocational training, economy, finance, small and medium-sized enterprises, and agriculture; the national statistical office; national enforcement bodies; representatives of employers' and workers' and organizations dealing with the informal economy; representatives of representative organizations of informal economic units and workers; and representatives of multilateral and bilateral organizations and academics.

[49] Step 4 often requires the analysis of microdata from the national labour survey, ideally collected by the national statistical office, with the support of the ILO when necessary (which can involve specific training sessions to accompany the process and build capacities to ensure the regular monitoring of the formalization process).

d. What is the risk of informalization of formal jobs, who are the categories the most exposed and how to prevent this risk? This question refers primarily to formal workers and units but is also of importance when supporting a sustainable transition to formality. It relates as well to the capacity of the economy to create and retain formal jobs and economic units.

The assessment should provide information disaggregated by sex, age and rural/urban location, as well as any other factor of particular relevance at the national level, and should cover the latest available year and trends.

Under step 4 and also as a contribution to step 5 on the drivers of formalization, a broader quantitative assessment of the context should include indicators related to the economic context and structural features of the labour market.

Finally, this phase of the diagnosis should be used to set the baseline for a subset of selected indicators that will be assessed on a regular basis to monitor the progress of formalization. To this end, the diagnostic offers the opportunity to assess the national capacity to produce such statistics on a regular basis.

## Step 5: Identify the main drivers of informality and formalization

The drivers of informality are multiple and transcend the world of work (see figure A2), and not all of them can be quantified. They include drivers within the economic and social environment, such as the inability of the economy to create sufficient formal jobs; economic fluctuations and shocks that negatively affect the world of work; an inadequate regulatory framework; a weak enforcement system; and a lack of transparency and accountability (see figure A.2, panel at bottom left). They also include factors associated with some characteristics of workers and units (see figure A.2, right-hand side).

The drivers of informality can be transversal or specific. The transversal drivers of informality relate to all (or a wide set) of the manifestations of informality. A number of major determinants of informality beyond the world of work fall into this category, such as the capacity of the economy to generate sufficient good quality, productive jobs and the functioning and incidence of labour market institutions. By contrast, specific drivers[50] of informality relate to particular and identifiable groups of workers or economic units, often translating into specific manifestations of informality. Domestic workers, for example, face specific issues associated with the fact that they work in private homes that are not necessarily considered to be a "real workplace".[51] As part of the diagnostic, the main objective is to identify, at the country level, the most prevalent drivers of informality, whether transversal or specific to certain groups of workers or types of enterprise.

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[50] Explicit exclusion of domestic workers or agricultural workers from labour and social security law is an example. Specific regulations or exclusions from regulations for specific occupational groups, professions, sectors or types of enterprises fall into this group.

[51] For ample examples of the specific drivers of informality for domestic workers, see ILO 2016. These include some cultural and common beliefs that what happens in the household is a private matter and is not subject to state regulation, and that the privacy of the household is sacrosanct and off-limits to labour inspectors, while domestic workers are not considered to be employees but rather "members of the family".

Figure A.2. Main drivers of informality
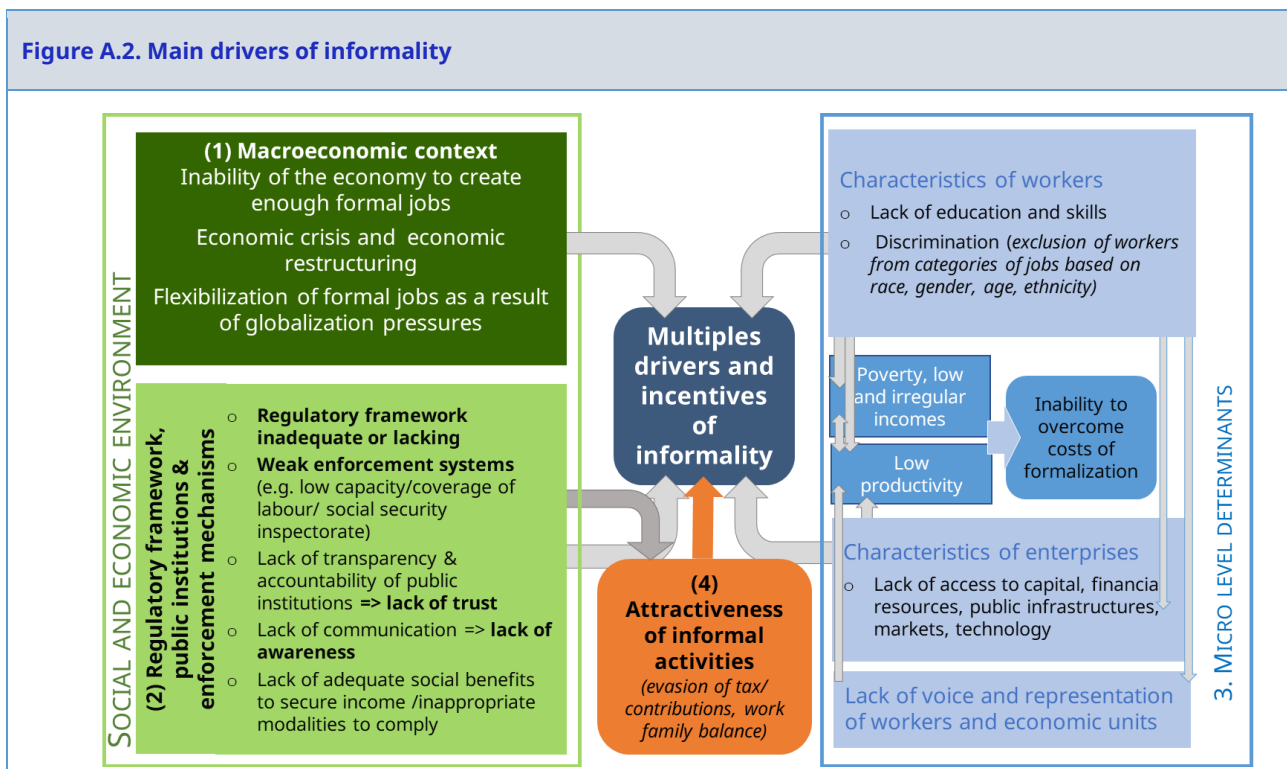
The analysis of drivers may be divided into three parts, as detailed below.

a. The analysis of the effect of the economic environment, as mentioned above.

b. A review of the legal and regulatory framework and its application. This aims at collecting information on how the existing framework limits or enhances the transition to formality. As part of the objectives, this review should seek for the identification of the sources of the deficit of protection (for workers and economic units). This is further developed in section 3.1.5.2 where a simplified framework is proposed.

c. The third part concerns the analysis of the microlevel determinants of informality or the factors associated with some characteristics of workers or units, which can make it difficult for them to access formality (formal employment or formal sector). This includes factors such as a low level of education; discrimination; poverty; the lack of voice and representation; and the lack of access to credit, services or markets. Some of those microlevel determinants can be quantified and provided under step 4.

The review of the legal and regulatory framework and its application includes for example (a) an inventory of what is in place and what are the gaps in the existing legal framework; (b) the assessment of legal provisions and the adequacy of the regulatory framework; (c) the assessment of enforcement systems, including labour, social security and tax inspections and the effective implementation of legal provisions; (d) the degree of transparency and accountability of public institutions and the associated level of trust among workers and entrepreneurs; and (e) the assessment of the level of protection, including the ability of social transfers to secure the income or the adequacy of compliance modalities.

The main objective is therefore to identify the major gaps in the legislation and the workers and economic units that are most affected; the issues in terms of the (legal) levels of protection provided; the strengths and weaknesses of existing compliance mechanisms; and the governance issues on the institutional side and awareness and perceptions on the workers' and enterprises' side. Some of this information may be used to understand and interpret some of the indicators in step 4 (in particular on working conditions).

Step 6: Mapping of actors and coordination mechanism(s) in place, if any

This step contributes directly to step 7, which deals with the identification and assessment of policies and policy approaches. In order to ensure a participatory, inclusive process in line with Recommendation No. 204, the mapping of actors should be comprehensive and should include members active in the formalization process from:

a. the government, including the ministries, institutions and agencies involved, directly or indirectly, in formalization issues at the national, regional or local levels;

b. The social partners, that is employers' and workers' organizations, the main organizations of the informal economy (representatives of economic units, workers, specific occupations or sectors), professional organizations and so on; and

c. non-governmental actors, both international and national.

The mapping of actors should in particular include some information on:

a. the type(s) of informality dimensions covered (such as fiscal issues, social security and labour law, and effective implementation), as well as formalization versus the reduction of decent work deficits;

b. the main target group(s), such as small and medium-sized enterprises, self-employed persons or employees and specific sectors;

c. the main realizations and programmes: past, current and planned (linked to step 7);

d. their visions on informality and their interest in the formalization process;

e. their role in the formulation process and the implementation of policies and programmes related to the informal economy, the reduction of decent work deficits and formalization, as well as the role that may be envisaged and their political strength at the national level; and

f. their technical and financial capacities and need to improve their action.

The coordination among actors, that is among several ministerial departments and other public institutions, is a necessary condition for the effective implementation of an integrated approach. To this end, the objective is also to identify whether there is a formalized coordination mechanism in place in the country or else any informal coordination mechanism that operates among the different actors, programmes and policies. The objective is also to identify any factors in the current institutional setting that represent constraints and obstacles to an effective coordination.

Step 7: Identification and assessment of current policy approach in order to reduce decent work deficits in the informal economy and facilitate the transition to formality

There is a broad range of possible interventions across many policy areas. The objective is not to establish a detailed description of all single programmes but rather to identify the main policies and programmes, the main policy approaches, the main gaps and space in which improvements are needed, and the main promising initiatives to build on. To do so, the mapping of policy measures may be structured on the basis of different criteria, such as the type of measures to be adopted in terms of the policy approach (such as incentives versus sanctions and an assessment of whether there is a balanced approach between the two); the main policy areas (such as social security, enterprise formalization and social dialogue); and the target groups (such as undeclared workers, micro, small and medium-sized enterprises, street vendors).

The objectives of this step are to:

a. assess whether and how the reduction of decent work deficits in the informal economy and the transition to formality are part of main national strategic policy frameworks, such as national development plans, poverty reduction strategies and budgets, or are subject to particular policies;

b. identify and map existing policy measures, including deterrence measures (penalties and measures to improve detection) or measures to enhance compliance (remedial and preventive measures and measures that foster commitment to formality), and if possible the financial resources invested;

c. get a better understanding of the main approach(es) adopted towards formalization (including the reduction of decent work deficits) and any possible shifts in the type of policies adopted; and

d. collect evidence (and any evaluations), when available, on the effectiveness of measures that aim to facilitate the transition of workers and economic units from the informal to the formal economy, thereby promoting the creation, preservation and sustainability of enterprises and decent jobs in the formal economy and/or preventing informalization.

4. Post-diagnostic phase: Steps 8–10

Steps 8 to 10 cover the tripartite validation of results, the definition of priorities and the definition of an action plan (or action plans) and road map(s), with a sequencing of activities and definition of responsibilities. The validation of results and the endorsement of the diagnostic report by the government and the social partners at a high-level tripartite validation meeting is a necessary condition for the process to be carried further by national actors, resulting in the design of a national action plan that includes policy recommendations, a definition of respective roles and responsibilities and a sequencing of activities. The participative approach adopted throughout the diagnostic process, the establishment of a working group and the compilation of information and data from and by national actors through nationally trusted sources and based on agreed definitions can be seen as elements that will be favourable to this national endorsement.