

7th Meeting of the Expert Group on Informal Sector Statistics (Delhi Group)

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Agenda item (i):

Defining informal employment and methodologies for its measurement

**Statistical definition of informal employment:
Guidelines endorsed by the Seventeenth International
Conference of Labour Statisticians (2003)**

By

Ralf Hussmanns

Bureau of Statistics

International Labour Office

CH-1211 Geneva 22

Switzerland

E-mail: hussmanns@ilo.org

1. Introduction

In January 1993, the *Fifteenth International Conference of Labour Statisticians (15th ICLS)* adopted an international statistical definition of the informal sector, which was subsequently included in the revised international *System of National Accounts (SNA 1993)*. Inclusion in the SNA of the informal sector definition was considered essential as it would make it possible to identify the informal sector separately in the accounts and, hence, to quantify the contribution of the informal sector to the gross domestic product. In order to obtain an internationally agreed definition of the informal sector, which was acceptable to labour statisticians as well as national accountants, the informal sector had to be defined in terms of characteristics of the production units (enterprises) in which the activities take place (enterprise approach), rather than in terms of the characteristics of the persons involved or of their jobs (labour approach).

A criticism sometimes made of the informal sector definition adopted by the 15th ICLS is that persons engaged in very small-scale or casual self-employment activities may not report in statistical surveys that they are self-employed, or employed at all, although their activity falls within the enterprise-based definition. Another criticism is that informal sector statistics may be affected by errors in classifying certain groups of employed persons by status in employment, such as outworkers, subcontractors, free-lancers or other workers whose activity is at the borderline between self-employment and wage employment. Women are more likely than men to be engaged in such activities. Still another criticism is that an enterprise-based definition of the informal sector is unable to capture all aspects of the increasing so-called ‘informalisation’ of employment, which has led to a rise in various forms of informal (or non-standard, atypical, alternative, irregular, precarious, etc) employment, in parallel to the growth of the informal sector that can be observed in many countries. From the very beginning, it had however been clear that the informal sector definition adopted by the 15th ICLS was not meant to serve this purpose, which goes far beyond the measurement of employment in the informal sector.

For the above-mentioned reasons, the Expert Group on Informal Sector Statistics (Delhi Group) joined statistics users in concluding that “the definition and measurement of employment in the informal sector need(ed) to be complemented with a definition and measurement of informal employment” (*CSO/India 2001*).

‘Employment in the informal sector’ and ‘informal employment’ are concepts, which refer to different aspects of the ‘informalisation’ of employment and to different targets for policy-making. One of the two concepts cannot replace the other. They are both useful for analytical purposes and, hence, complement each other. However, the two concepts need to be defined and measured in a coherent and consistent manner, so that one can be clearly distinguished from the other. Statistics users and others often tend to confuse the two concepts because they are unaware of the different observation units involved: enterprises on the one hand, and jobs on the other.

During its 90th Session (2002), the International Labour Conference (ILC) engaged in an extensive discussion on *Decent work and the informal economy*, which emphasised repeatedly the need for more and better statistics on the informal economy and requested the ILO to assist member States in the collection, analysis and dissemination of consistent, disaggregated statistics on the size, composition and contribution of the informal economy (*ILO 2002a*).

However, in order to be able to collect statistics on the informal economy, one needs to have a definition of the informal economy. The ILC used the term ‘informal economy’ as referring to “all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements” (*ILO 2002a*). The ILO report on *Decent work and the Informal Economy* (*ILO 2002b*), which had been prepared as a basis for the discussion by the ILC, defined employment in the informal economy as comprising two components: (i) employment in the informal sector as defined by the 15th ICLS, and (ii) other forms of informal employment (i.e. informal employment outside the informal sector).

As part of the report, the ILO developed a conceptual framework for employment in the informal economy. The framework lent itself to statistical measurement as it built upon internationally agreed statistical definitions, which were used because of their consistency and coherence. If used for statistical purposes, it enables measures of employment in the informal sector to be complemented with broader measures of informal employment (*Husmanns 2001; 2002*). At its fifth meeting, the Delhi Group endorsed the framework and recommended it to countries for testing (*CSO/India 2001*). Subsequently, several countries (Brazil, Georgia, India, Mexico and the Republic of Moldova) tested the framework successfully.

The conceptual framework developed by the ILO was submitted to the 17th ICLS (November-December 2003) for discussion. The 17th ICLS examined the framework, made some minor amendments to it, and adopted guidelines endorsing it as an international statistical standard (*ILO 2003*). These guidelines, which are attached as an annex to the present paper, complement the 15th ICLS Resolution concerning statistics of employment in the informal sector. The work by the Delhi Group and its members was essential to the development and adoption of the guidelines.

The 17th ICLS unanimously agreed that international guidelines were useful in assisting countries in the development of national definitions of informal employment, and in enhancing the international comparability of the resulting statistics to the extent possible (see the ninth paragraph of the preamble to the guidelines). It also realized that such guidelines were needed in support of the request, which had been made by the ILC in 2002, that the ILO should assist countries in the collection, analysis and dissemination of statistics on the informal economy (see the seventh paragraph of the preamble to the guidelines).

The concept of informal employment is considered to be relevant not only for developing and transition countries, but also for developed countries, for many of which the concept of the informal sector is of limited relevance. The 17th ICLS acknowledged, however, that the relevance and meaning of informal employment varied among countries, and that therefore a decision to develop statistics on it would

depend on national circumstances and priorities (see the first paragraph of the preamble to the guidelines adopted).

During discussions on terminology, some considered the term ‘informal employment’ as being too positive and thus potentially misleading for policy purposes. Others feared that statistics users might have difficulties to understand the difference between ‘informal employment’ and ‘employment in the informal sector’ and confuse the two terms. Nevertheless, the term ‘informal employment’ was retained by the 17th ICLS because of its broadness, and because there was no agreement regarding the use of an alternative term, such as ‘unprotected employment’.

2. Definitions

2.1 International statistical definition of employment in the informal sector

The 15th ICLS (*ILO 2000*) defined *employment in the informal sector* as comprising all jobs in informal sector enterprises, or all persons who, during a given reference period, were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job.

Informal sector enterprises were defined by the 15th ICLS on the basis of the following criteria:

- They are private unincorporated enterprises (excluding quasi-corporations)¹, i.e. enterprises owned by individuals or households that are not constituted as separate legal entities independently of their owners, and for which no complete accounts are available that would permit a financial separation of the production activities of the enterprise from the other activities of its owner(s). Private unincorporated enterprises include unincorporated enterprises owned and operated by individual household members or by several members of the same household, as well as unincorporated partnerships and co-operatives formed by members of different households, if they lack complete sets of accounts.
- All or at least some of the goods or services produced are meant for sale or barter, with the possible inclusion in the informal sector of households which produce domestic or personal services in employing paid domestic employees.
- Their size in terms of employment is below a certain threshold to be determined according to national circumstances², and/or they are not registered under specific forms of national legislation (such as factories’ or commercial acts, tax or social security laws, professional groups’ regulatory acts, or similar acts, laws or regulations established by national legislative bodies as distinct from local

¹ In the SNA 1993, such enterprises are called ‘household unincorporated enterprises’ or ‘household enterprises’ because they form part of the SNA institutional sector ‘households’. Since readers, who are not familiar with the SNA framework, often misinterpret these terms, the term ‘private unincorporated enterprises’ is used in this paper.

² During its third meeting, the Delhi Group recommended that for international reporting the size criterion should be defined as less than five employees (*CSO/India 1999*).

regulations for issuing trade licenses or business permits), and/or their employees (if any) are not registered.

- They are engaged in non-agricultural activities, including secondary non-agricultural activities of enterprises in the agricultural sector³.

The meaning of the term '*sector*' follows the SNA 1993. For national accounting purposes, a sector (institutional sector) is different from a branch of economic activity (industry). It simply groups together similar kinds of production units, which in terms of economic objectives, functions and behaviour have certain characteristics in common. The result is not necessarily a homogeneous set of production units. For the purposes of analysis and policy-making, it may thus be useful to divide a sector into more homogeneous sub-sectors. Informal sector enterprises as defined by the 15th ICLS are a sub-sector of the SNA institutional sector '*households*'.

The term '*enterprise*' is used here in a broad sense, referring to any unit engaged in the production of goods or services for sale or barter. It covers not only production units, which employ hired labour, but also production units that are owned and operated by single individuals working on own account as self-employed persons, either alone or with the help of unpaid family members. The activities may be undertaken inside or outside the enterprise owner's home, and they may be carried out in identifiable premises, unidentifiable premises or without fixed location. Accordingly, self-employed street vendors, taxi drivers, home-based workers, etc. are all considered enterprises.

2.2 International statistical definition of informal employment

The conceptual framework endorsed by the 17th ICLS relates the enterprise-based concept of employment in the informal sector in a coherent and consistent manner with a broader, job-based concept of informal employment.

A person can simultaneously have two or more formal and/or informal jobs. Due to the existence of such multiple jobholding, jobs rather than employed persons were taken as the observation units for employment. Employed persons hold jobs that can be described by various job-related characteristics, and these jobs are undertaken in production units (enterprises) that can be described by various enterprise-related characteristics.

Thus, using a building-block approach the framework disaggregates total employment according to two dimensions: type of production unit and type of job (*see the matrix included in the annex*). Type of production unit (rows of the matrix) is defined in terms of legal organisation and other enterprise-related characteristics, while type of job (columns of the matrix) is defined in terms of status in employment and other job-related characteristics.

³ The 15th ICLS recognised that, from a conceptual point of view, there was nothing against the inclusion, within the scope of the informal sector, of private unincorporated enterprises engaged in agricultural and related activities, if they met the criteria of the informal sector definition. The recommendation to exclude agricultural and related activities from the scope of informal sector surveys, and to measure them separately, was however made for practical data collection reasons.

Production units are classified into three groups: formal sector enterprises, informal sector enterprises, and households. *Formal sector enterprises* comprise corporations (including quasi-corporate enterprises), non-profit institutions, unincorporated enterprises owned by government units, and those private unincorporated enterprises producing goods or services for sale or barter which are not part of the informal sector. The definition of *informal sector enterprises* has already been given in Section 2.1 above. *Households* as production units are defined here as including households producing goods exclusively for their own final use (e.g. subsistence farming, do-it-yourself construction of own dwellings), as well as households employing paid domestic workers (maids, laundresses, gardeners, watchmen, drivers, etc.)⁴. Households producing *unpaid* domestic or personal services (e.g., housework, caring for family members) for their own final consumption are excluded, as such activities fall presently outside the SNA production boundary and are not considered employment.

Jobs are distinguished according to status-in-employment categories and according to their formal or informal nature. For status in employment, the following five ICSE-93 groups are used: own-account workers; employers; contributing family workers; employees; and members of producers' cooperatives. Such breakdown by status in employment was considered useful for analytical and policy-making purposes.

There are three different types of cells in the matrix included in the annex. Cells shaded in dark grey refer to jobs, which, by definition, do not exist in the type of production unit in question. For example, there cannot be contributing family workers in household non-market production units. Cells shaded in light grey refer to formal jobs. Examples are own-account workers and employers owning formal sector enterprises, employees holding formal jobs in formal sector enterprises, or members of formally established producers' cooperatives. The remaining, un-shaded cells represent the various types of informal jobs.

The 17th ICLS defined *informal employment* as comprising the total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households, during a given reference period (see paragraph 3 (1) of the guidelines).

According to paragraph 3 (2) of the guidelines, informal employment comprises:

- *Own-account workers and employers employed in their own informal sector enterprises* (Cells 3 and 4). The employment situation of own-account workers and employers can hardly be separated from the type of enterprise, which they

⁴ The 15th ICLS definition of the informal sector excludes households producing *goods* exclusively for their own final use, but provides an option to include households employing paid domestic workers. The framework presented in this paper and adopted by the 17th ICLS does not use this option and, hence, *excludes* households employing paid domestic workers from the informal sector (see paragraph 2 of the guidelines). The exclusion is in line with a recommendation made by the Delhi Group during its third meeting (*CSO/India 1999*).

own. The informal nature of their jobs follows thus directly from the characteristics of the enterprise.

- *Contributing family workers*, irrespective of whether they work in formal or informal sector enterprises (Cells 1 and 5). The informal nature of their jobs is due to the fact that contributing family workers usually do not have explicit, written contracts of employment, and that usually their employment is not subject to labour legislation, social security regulations, collective agreements, etc.⁵.
- *Employees holding informal jobs*, whether employed by formal sector enterprises, informal sector enterprises, or as paid domestic workers by households (Cells 2, 6 and 10)⁶. According to paragraph 3 (5) of the guidelines, employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.) for reasons such as: non-declaration of the jobs or the employees; casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold (e.g. for social security contributions); employment by unincorporated enterprises or by persons in households; jobs where the employee's place of work is outside the premises of the employer's enterprise (e.g. outworkers without employment contract); or jobs, for which labour regulations are not applied, not enforced, or not complied with for any other reason⁷.
- *Members of informal producers' cooperatives* (Cell 8). The informal nature of their jobs follows directly from the characteristics of the cooperative of which they are member⁸.

⁵ Family workers with a contract of employment and/or wage would be considered employees.

⁶ Cell 7 refers to employees holding formal jobs in informal sector enterprises. Such cases, which are included in employment in the informal sector but excluded from informal employment (see paragraph 4 of the guidelines), may occur when enterprises are defined as informal in using size as the only criterion, or where there is no administrative link between the registration of employees and the registration of their employers. However, the number of such employees is likely to be small in most countries. Where the number is significant, it might be useful to define the informal sector in such a way that enterprises employing formal employees are excluded. Such a definition has been proposed, for example, for Argentina (*Pok 1992*) and is in line with the 15th ICLS resolution, which includes the non-registration of the employees of the enterprise among the criteria for defining the informal sector (*ILO 2000*).

⁷ The definition corresponds to the definition of unregistered employees as specified in paragraph 9 (6) of the informal sector resolution adopted by the 15th ICLS. It encompasses the ICSE-93 definitions of non-regular employees, workers in precarious employment (casual workers, short-term workers, seasonal workers, etc.) and contractors.

⁸ Producers' cooperatives, which are formally established as legal entities, are incorporated enterprises and, hence, part of the formal sector. Members of such formally established producers' cooperatives are considered to have formal jobs. Producers' cooperatives, which are not formally established as legal entities, are treated as private unincorporated enterprises owned by members of several households. They are part of the informal sector if they also meet the other criteria of the definition (see paragraph 3 (4) of the guidelines).

- *Own-account workers engaged in the production of goods exclusively for own final use by their household* (such as subsistence farming or do-it-yourself construction of own dwellings), if considered employed according to the 13th ICLS definition of employment (Cell 9).

The major new element is the above definition of informal jobs of employees. However, given the large diversity of informal employment situations found in different countries, the 17th ICLS had to leave the operational criteria for defining informal jobs of employees for determination by countries in accordance with national circumstances and data availability. The impact on the international comparability of the resulting statistics was recognized by the 17th ICLS (see the eighth paragraph of the preamble to the guidelines).

An important definitional issue is the possible discrepancy between the formality of employment situations and their reality. Sometimes employees, although in theory protected by labour legislation, covered by social security, entitled to employment benefits, etc., are in practice not in a position to claim their rights because mechanisms to enforce the existing regulations are lacking or deficient. Or the regulations are not applied when the employees agree to waive their rights, because they prefer to trade in higher take-home pay for legal and social protection. For these reasons, the 17th ICLS definition of informal jobs of employees covers not only employment situations, which are *de jure* informal, but also employment situations, which are *de facto* informal (“in law or in practice”).

Employment in the informal sector encompasses the sum of Cells 3 to 8. *Informal employment* encompasses the sum of Cells 1 to 6 and 8 to 10. The sum of Cells 1, 2, 9 and 10 is called *informal employment outside the informal sector*.

According to paragraph 5 of the guidelines, informal employment outside the informal sector comprises the following types of jobs:

- Employees holding informal jobs in formal sector enterprises (Cell 2) or as paid domestic workers employed by households (Cell 10);
- Contributing family workers working in formal sector enterprises (Cell 1);
- Own-account workers engaged in the production of goods exclusively for own final use by their household, if considered employed according to the 13th ICLS definition of employment (Cell 9).

Of these, Cell 2 (employees holding informal jobs in formal sector enterprises) tends to generate the largest interest among researchers, social partners and policy-makers.

It should be noted that the 17th ICLS did not endorse the term ‘*employment in the informal economy*’, which has been used by the ILO to refer to the sum of employment in the informal sector and informal employment outside the informal sector. The 17th ICLS agreed that, for statistical purposes, it would be better to keep the concepts of informal sector and of informal employment separate. The informal sector concept, as defined by the 15th ICLS, needed to be retained because it had become part of the SNA 1993, and because a large number of countries, as documented by the ILO (*ILO 2002c*), were collecting statistics based on it.

3. Areas for further work by the Delhi Group and others

3.1 Jobs at the borderline of status-in-employment categories

It is widely recognized that certain types of jobs are difficult to classify by status in employment because they are at the borderline of two or more of the ICSE-93 groups, especially between own-account workers and employees. An example is outworkers (home-workers). The framework presented in this paper and adopted by the 17th ICLS makes it possible to capture all outworkers in informal employment, irrespective of their classification by status in employment. Outworkers would be included in Cells 3 or 4, if they are deemed to constitute enterprises of their own as self-employed persons, and if these enterprises meet the criteria of the informal sector definition. Persons working for such informal outworking enterprises as contributing family workers would be included in Cell 5, and persons working for them as employees in Cells 6 or 7. Outworkers working as employees for formal sector enterprises would be included in Cell 2, if they have informal jobs, and in the light grey cell next to Cell 2, if they have formal jobs.

Thus, problems in assigning jobs to status-in-employment categories would affect data on informal employment based on the labour approach to a lesser extent than they affect data on employment in the informal sector based on the enterprise approach. They would lead to classification errors rather than coverage errors. However, further work is needed to develop methodologies, which would help to reduce such classification errors.

3.2 Further sub-divisions of informal jobs

In paragraph 3 (6) of the guidelines, the 17th ICLS mentions that, for purposes of analysis and policy-making, it may be useful to disaggregate the different types of informal jobs, especially those held by employees. Such a typology and definitions should be developed as part of further work on classifications by status in employment at the international and national levels. A strategy for developing a typology of atypical forms of employment, based on the International Classification of Status in Employment (ICSE-93), has been outlined by *Mata Greenwood and Hoffmann (2002)*.

3.3 Statistics on informal employment in the absence of data on informal sector employment

Some countries may wish to develop statistics on informal employment, although they do not have statistics on employment in the informal sector. Other countries may wish to develop statistics on informal employment, but find that a classification of employment by type of production unit is not much relevant to them. Unless such countries want to limit the measurement of informal employment to employee jobs, they need to specify appropriate definitions of informal jobs of own-account workers, employers and members of producers' cooperatives, which do not explicitly use the informal sector concept (see paragraph 6 of the guidelines).

3.4 Informal jobs in agriculture

In respect of the statistical treatment of persons engaged in agricultural activities a similar issue arises for countries, which, in line with paragraph 16 of the 15th ICLS resolution, exclude agriculture from the scope of their informal sector statistics. In order to be able to classify all jobs (including agricultural jobs) as formal or informal, these countries will have to develop suitable definitions of informal jobs in agriculture (see paragraph 7 of the guidelines). This applies, in particular, to jobs held in agriculture by own-account workers, employers and members of producers' cooperatives. Regarding the definition of informal employee jobs in agriculture, it is most likely that the same criteria can be used as for the definition of informal employee jobs in other activities⁹.

3.5 Informal sector/employment vs. underground/illegal production

The 17th ICLS requested that the links between the concepts of informal employment and non-observed economy be indicated. In the second paragraph of the preamble to the guidelines, it therefore mentioned that an international conceptual framework for measurement of the non-observed economy already existed. The framework was developed as part of a handbook for measurement of the non-observed economy, which was published in 2002 by the OECD, IMF, ILO and CIS STAT (Interstate Statistical Committee of the Commonwealth of Independent States) as a supplement to the SNA 1993 (*OECD et. al. 2002*). The handbook puts the informal sector in a broader context of non-observed economy and relates it to three other concepts, with which it is often confused: underground production; illegal production; and household production for own final use¹⁰.

The SNA 1993 defines *illegal production* as production activities which are forbidden by law, or which become illegal when carried out by unauthorised producers (*Inter-Secretariat Working Group 1993*). Examples are drug trafficking or abortions practiced by unauthorised persons. Thus, illegal production can be considered to represent a contravention of the *criminal* code.

Underground production is defined in the SNA 1993 as production activities, which are legal when performed in compliance with regulations, but which are deliberately concealed from public authorities. An example is the sale of legal goods or services without tax declaration. Thus, underground production can be considered to represent a contravention of the *civil* code.

The SNA 1993 acknowledges that, in practice, it may not always be easy to draw a clear borderline between underground production and illegal production. For conceptual purposes, one can however use the above-mentioned definitions to

⁹ Negrete (2002) already discussed these issues in his paper for the sixth meeting of the Delhi Group and made some suggestions for Mexico.

¹⁰ The need to distinguish the concept of the informal sector from the concept of the hidden or underground economy had already been recognized by the 15th ICLS in paragraph 5 (3) of its Resolution concerning statistics of employment in the informal sector.

distinguish three types of production activities: (i) activities, which are legal and not underground; (ii) activities, which are legal, but underground; and (iii) activities, which are illegal.

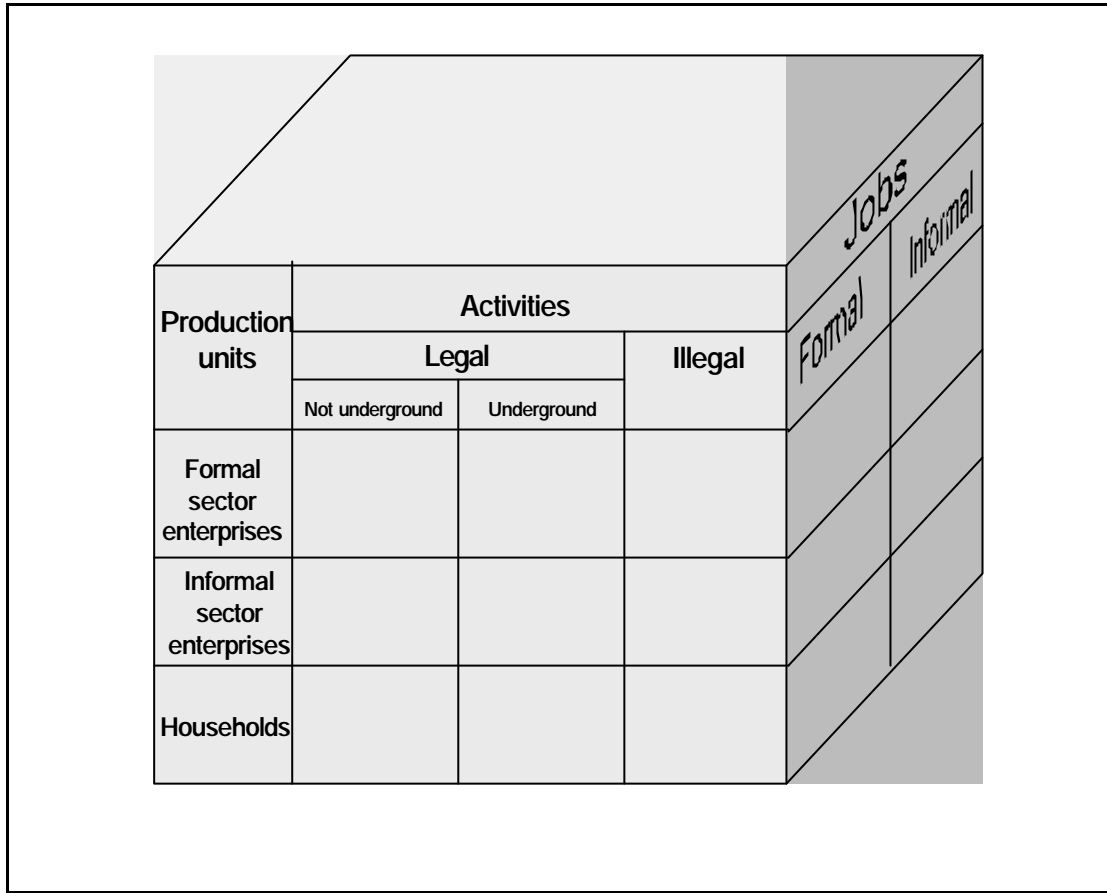
As indicated in Diagram 1 below, any type of production units (formal sector enterprises; informal sector enterprises; households) can be engaged in any type of activities (legal, not underground; legal, underground; illegal). Nevertheless, it is widely known that in developing and transition countries most informal sector activities are neither underground nor illegal, as they represent simply a survival strategy for the persons involved in them and for their households. This greatly facilitates the conduct of surveys on the informal sector in these countries.

Diagram 1

Production units	Activities		
	Legal		Illegal
	Not underground	Underground	
Formal sector enterprises			
Informal sector enterprises (a)			
Households (b)			

- (a) As defined by the 15th ICLS (excluding households employing paid domestic workers).
 (b) Households producing goods exclusively for their own final use and households employing paid domestic workers.

The activities carried out by production units are undertaken by persons employed in formal jobs or in informal jobs. This conceptual link is shown in Diagram 2 below, which combines Diagram 1 with a simplified version of the matrix adopted by the 17th ICLS as part of its guidelines. The result is a three-dimensional cube composed of 18 smaller cubes (or 45 smaller cubes, if the full version of the matrix is used). Each of the smaller cubes stands for a specific combination of type of production unit, type of activity, and type of job. Work is currently being undertaken by the ILO to define the smaller cubes, and to give examples for the employment situations represented by each of them. It is hoped that the results of this work will help to sort out the widespread confusion concerning the use of the terms ‘informal sector’, ‘informal employment’ and ‘underground or illegal production’, which currently still exists.

Diagram 2

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ANNEX

Guidelines concerning a statistical definition of informal employment, endorsed by the Seventeenth International Conference of Labour Statisticians (November-December 2003)

The Seventeenth International Conference of Labour Statisticians (ICLS),

Acknowledging that the relevance of informal employment varies among countries, and that a decision to develop statistics on it is therefore determined by national circumstances and priorities,

Noting that the term 'informal economy' is used by the ILO as including the informal sector as well as informal employment, and that as a supplement to the System of National Accounts 1993 an international conceptual framework for measurement of the non-observed economy already exists, which distinguishes the informal sector from underground production, illegal production, and household production for own final use,

Recalling the existing international standards on statistics of employment in the informal sector contained in the Resolution concerning statistics of employment in the informal sector adopted by the Fifteenth ICLS (January 1993),

Noting the recommendation made by the Expert Group on Informal Sector Statistics (Delhi Group), during its Fifth Meeting, that the definition and measurement of employment in the informal sector need to be complemented with a definition and measurement of informal employment,

Emphasizing the importance of consistency and coherence in relating the enterprise-based concept of employment in the informal sector to a broader, job-based concept of informal employment,

Considering the methodological work, which the International Labour Office and a number of countries have already undertaken in this area,

Supporting the request, which was made by the International Labour Conference in paragraph 37(n) of the Resolution concerning decent work and the informal economy adopted during its 90th Session (2002), that the International Labour Office should assist countries in the collection, analysis and dissemination of statistics on the informal economy,

Recognizing that the considerable diversity of informal employment situations poses limits to the extent to which statistics on informal employment can be harmonized across countries,

Realizing the usefulness of international guidelines in assisting countries in the development of national definitions of informal employment, and in enhancing the international comparability of the resulting statistics to the extent possible,

Endorses the following guidelines, which complement the Resolution concerning statistics of employment in the informal sector of the Fifteenth ICLS, and encourages countries to test the conceptual framework on which they are based.

1. The concept of informal sector refers to production units as observation units, while the concept of informal employment refers to jobs as observation units. Employment is defined in the sense of paragraph 9 of the Resolution concerning statistics of the economically active population, employment, unemployment and underemployment adopted by the Thirteenth ICLS.

2. *Informal sector enterprises* and *employment in the informal sector* are defined according to the Resolution concerning statistics of employment in the informal sector adopted by the Fifteenth ICLS. For the purpose of statistics on informal employment, paragraph 19 of the Resolution concerning statistics of employment in the informal sector adopted by the Fifteenth ICLS should be

applied to exclude households employing paid domestic workers from informal sector enterprises, and to treat them separately as part of a category named 'households'.

3. (1) *Informal employment* comprises the total number of informal jobs as defined in subparagraphs (2) to (5) below, whether carried out in formal sector enterprises, informal sector enterprises, or households, during a given reference period.

(2) As shown in the attached matrix, informal employment includes the following types of jobs:

- (i) own-account workers employed in their own informal sector enterprises (cell 3);
- (ii) employers employed in their own informal sector enterprises (cell 4);
- (iii) contributing family workers, irrespective of whether they work in formal or informal sector enterprises (cells 1 and 5);
- (iv) members of informal producers' cooperatives (cell 8);
- (v) employees holding informal jobs (as defined in subparagraph (5) below) in formal sector enterprises, informal sector enterprises, or as paid domestic workers employed by households (cells 2, 6 and 10);
- (vi) own-account workers engaged in the production of goods exclusively for own final use by their household (cell 9), if considered employed according to paragraph 9 (6) of the Resolution concerning statistics of the economically active population, employment, unemployment and underemployment adopted by the Thirteenth ICLS.

(3) Own-account workers, employers, members of producers' cooperatives, contributing family workers, and employees are defined in accordance with the latest version of the International Classification of Status in Employment (ICSE).

(4) Producers' cooperatives are considered informal, if they are not formally established as legal entities and also meet the other criteria of informal sector enterprises specified in the Resolution concerning statistics of employment in the informal sector adopted by the Fifteenth ICLS.

(5) Employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.). The reasons may be the following: non-declaration of the jobs or the employees; casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold (e.g. for social security contributions); employment by unincorporated enterprises or by persons in households; jobs where the employee's place of work is outside the premises of the employer's enterprise (e.g. outworkers without employment contract); or jobs, for which labour regulations are not applied, not enforced, or not complied with for any other reason. The operational criteria for defining informal jobs of employees are to be determined in accordance with national circumstances and data availability.

(6) For purposes of analysis and policy-making, it may be useful to disaggregate the different types of informal jobs listed in paragraph 3 (2) above, especially those held by employees. Such a typology and definitions should be developed as part of further work on classifications by status in employment at the international and national levels.

4. Where they exist, employees holding formal jobs in informal sector enterprises (cell 7 of the attached matrix) should be excluded from informal employment.

5. *Informal employment outside the informal sector* comprises the following types of jobs:

- (i) employees holding informal jobs (as defined in paragraph 3 (5) above) in formal sector enterprises (cell 2) or as paid domestic workers employed by households (cell 10);
- (ii) contributing family workers working in formal sector enterprises (cell 1);
- (iii) own-account workers engaged in the production of goods exclusively for own final use by their household (cell 9), if considered employed according to paragraph 9 (6) of the Resolution concerning statistics of the economically active population, employment, unemployment and underemployment adopted by the Thirteenth ICLS.

6. Countries, which do not have statistics on employment in the informal sector, or for which a classification of employment by type of production unit is not relevant, may develop statistics on informal employment, if desired, in specifying appropriate definitions of informal jobs of own-account workers, employers and members of producers' cooperatives. Alternatively, they may limit the measurement of informal employment to employee jobs.

7. Countries, which exclude agricultural activities from the scope of their informal sector statistics, should develop suitable definitions of informal jobs in agriculture, especially with respect to jobs held by own-account workers, employers and members of producers' cooperatives.

Conceptual Framework: Informal Employment

Producti on units by type	Jobs by status in employment									
	Own-account workers		Employers		Contributi ng family workers	Employees		Members of producers' cooperatives		
	Inform al	Form al	Inform al	Form al	Informal	Inform al	Form al	Inform al	Form al	
Formal sector enterprises					1	2				
Informal sector enterprises ^(a)	3		4		5	6	7	8		
Households ^(b)	9					10				

(a) As defined by the Fifteenth International Conference of Labour Statisticians (excluding households employing paid domestic workers).

(b) Households producing goods exclusively for their own final use and households employing paid domestic workers.

Note: Cells shaded in dark grey refer to jobs, which, by definition, do not exist in the type of production unit in question. Cells shaded in light grey refer to formal jobs. Un-shaded cells represent the various types of informal jobs.

Informal employment: Cells 1 to 6 and 8 to 10.

Employment in the informal sector : Cells 3 to 8.

Informal employment outside the informal sector: Cells 1, 2, 9 and 10.