

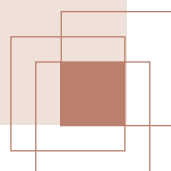
Measurement of the Informal Economy



Mechanic workshop, Cairo Egypt.

2.1 MEASURING THE INFORMAL ECONOMY: ADDRESSING STATISTICAL CHALLENGES

■ Since the 1970s when the term “informal sector” became widely used, efforts have been made to develop more precise definitions that lend themselves to statistical estimation. The informal economy as a concept has been elusive not only as a category given its many possible associations, but also as a traceable entity given its mobility and lack of visibility. With the broadening of the concept of informality first by the International Labour Conference Resolution in 2002, and secondly by the International Conference of Labour Statisticians in 2003, work has progressed in terms of developing guidelines for improved availability and quality of statistics that are better harmonized. This brief looks at the current state of statistics in defining and measuring the informal economy. It describes the conceptual development of the term and assesses remaining challenges for measurement and data collection. Innovative responses from the ILO and the international statistical community to address existing information gaps are discussed.



KEY CHALLENGES

- The paucity of data
- Why is measurement important?
- Conceptualizing the informal economy
 - Employment in the informal sector and informal sector enterprises
 - The concept of “informal employment”

■ **The paucity of data.** The informal economy plays a major role in employment creation, income generation and production in many countries – contributing 75 percent and more of non-agricultural employment in some developing countries. Yet, for many countries a detailed statistical knowledge of the informal economy remains at best fragmented, cursory and anecdotal. In recent years, significant efforts within the international statistical community have resulted in clarification of the concepts and operational definitions of the informal economy. The key challenges that still remain are:

- to promote better understanding of the statistical concepts of the informal economy,
- to guide countries on the practical application of international standards within statistical frameworks and
- to demonstrate good practices in the analysis of informal economy statistics for policy design.

■ **Why is measurement important?** The development of statistics that measure the magnitude and nature of the informal economy are important for a number of reasons including: as the basis for the formulation and evaluation of effective policies to support the transition to formality; as an advocacy tool for the population groups involved; in depicting global and national employment trends; and in analyzing linkages between growth and employment.

In terms of employment, national policies are better informed when the magnitude of informal work, as well as the conditions found in these employment patterns, is known. Labour market information in countries tends to relate to the volume of work that is or is not available, utilizing general statistics of employment and unemployment. What are missing are the details of the various layers and forms of precarious work. Since the informal economy is generally recognized as entailing missing legal identity, poor work conditions, lack of membership in social protection systems, incidence of work related accidents and ailments, and limited freedom of association, generating statistics that count the number of persons will certainly broaden the knowledge base concerning the extent and content of policy responses required.

Additionally, without more detailed employment data, it is difficult to determine whether economic growth policies are able to improve the quantity and quality of employment and, ultimately eradicate poverty. Therefore, globally, the development community is better served when it has an improved reflection of the extent to which informalization is a regional or worldwide phenomenon; and the extent to which employment patterns impact on human development and poverty reduction in different countries.

● For many countries a detailed statistical knowledge of the informal economy remains at best fragmentary

● Measurement of gross domestic product and employment can be grossly underestimated if informal activities are not taken into consideration. Moreover national policies are better informed when the magnitude of informal work and the conditions found in these employment patterns is known

Including informal activities in national accounts provides a more comprehensive assessment of national wealth, which is important for framing policy responses as well as making comparisons over time and across countries. Measurement of gross domestic product and employment can be grossly underestimated if informal activities are not taken into consideration. This bias leads to inaccurate figures of national poverty levels (measured by GDP per head), environmental standing (measured by pollutant emission per GDP), as well as GDP based developmental assistance.¹ Further, measuring the informal economy serves the goal of national statistical systems, which is to “reduce as far as possible the incidence of non-observed activities and to ensure that those remaining are appropriately measured and included in GDP” and other data estimates.²

● The concept of informality has evolved, broadening its scope from employment in a specific type of production unit (or enterprises) to an economy-wide phenomenon.

■ **Conceptualizing the informal economy.** Since the coining of the term “informal sector” in the 1970s, it has served as a conceptual handle for any number of activities that are excluded from the law or are situated beyond the scope of regulation and taxation. One reason for the vagueness is that for many years the development community had to make do with a description rather than a definition of the informal sector. The ILO stated in 1991, for instance, that the informal sector was “made up of small-scale economic activities, consisting of self-employed persons who hire family labour or a few workers”. It described typical features such as having little capital, using low level technology, and lacking access to markets and formal institutions, but did not adopt a formal definition.³

In 1993, the statistical conception of informal sector activities was adopted at the 15th International Conference of Labour Statisticians (ICLS).⁴ More than 15 years later, the concept of informality has evolved, broadening its scope from employment in a specific type of production unit (or enterprises) to an economy-wide phenomenon, with the current focus now on the development and harmonization of informal economy indicators.⁵ The conceptual change from the informal sector to the informal economy (described further below), while certainly technically sound and commendable as a reflection of the evolving realities of the world of work, has resulted in challenges for the measurement of a concept that was already fraught with difficulties (these are addressed below). The current statistical concept of informal employment is also described below. However, because it takes time for a “new” statistical concept to take hold some countries will continue to report on the concept of employment in the informal sector for a few years to come, the statistical definition of the latter remains the topic of the brief discussion in the following sub-section.

• **Employment in the informal sector and informal sector enterprises.** The definition of employment in the informal sector that was formally adopted by the 15th ICLS is based on the concept of the *informal sector enterprise*, with all jobs deemed to fall under such an enterprise included in the count. In other words, employment in the informal sector basically comprises all jobs in unregistered and/or small-scale private unincorporated enterprises that produce goods or services meant for sale or barter.

1 See Resources section to access: OECD/IMF/ILO/CIS STAT, 2002. Measuring the Non-Observed Economy: A Handbook.

2 *ibid*

3 ILO, 1991. The Dilemma of the informal sector. Geneva.

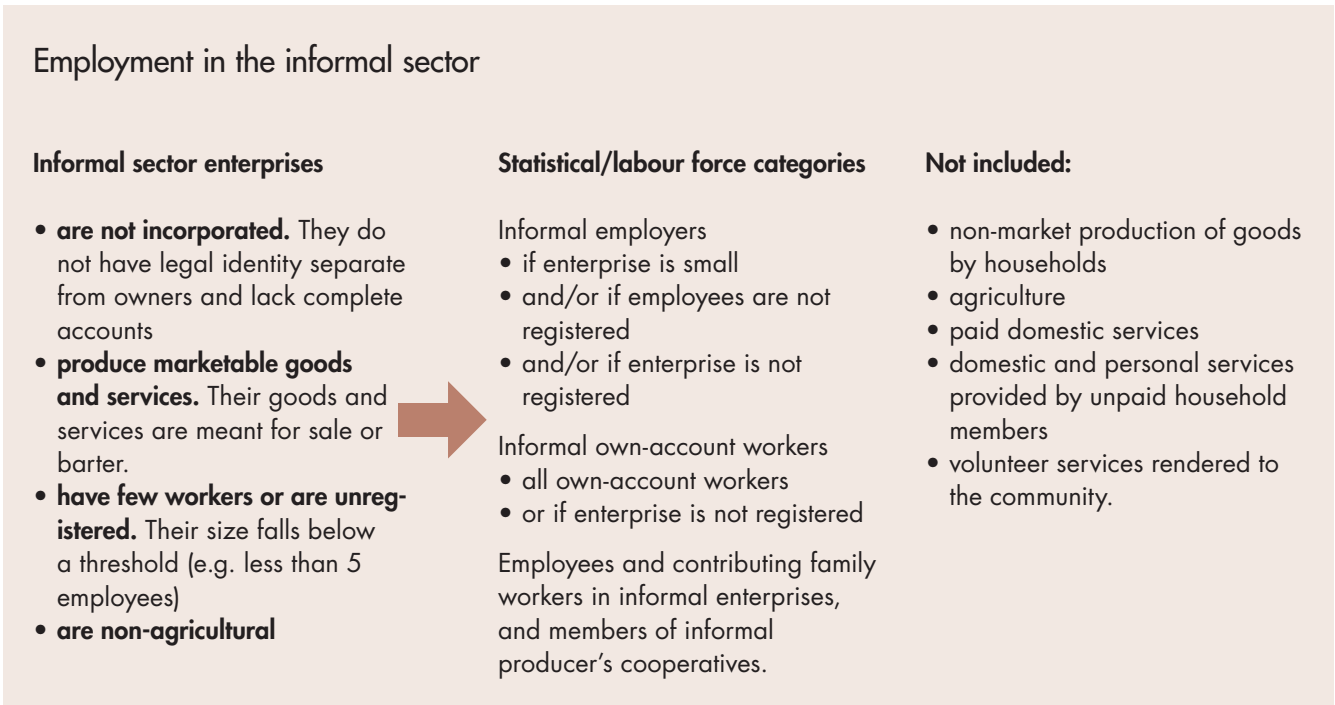
4 For more details see Resources section to access ICLS Resolution concerning statistics of employment in the informal sector,

5 For full details regarding the history of the informal economy as a statistical concept, specifically as concerns the path from measurement of employment in the informal sector to informal employment, see Resources section to access: Hussmanns, R., 2004.

There are considerable nuances and complexities to the definition. The term “enterprise” is used in a broad sense, as it covers both units which employ hired labour and those run by individuals working on own account or as self-employed persons, either alone or with the help of unpaid family members. Workers of all employment statuses are included if deemed to be engaged in an informal enterprise. Thus, self-employed street vendors, taxi drivers and home-based workers are all considered enterprises. The logic behind establishing the criterion based on employment size was that enterprises below a certain size are often exempted, under labour and social security laws, from employee registration and are unlikely to be covered in tax collection or labour law enforcement due to lack of government resources to deal with the large number of small enterprises (many of which have a high turnover or lack easily recognizable features).

Certain activities, which are sometimes identified with informal activities, are not included in the definition of informal enterprises for practical as well as methodological reasons. Excluded activities include: agricultural and related activities,⁶ households producing goods exclusively for their own use, e.g. subsistence farming, domestic housework, care work, and employment of paid domestic workers; and volunteer services rendered to the community.

An illustration of employment in the informal sector as a statistical concept is included in the box below:



The definition of informal sector enterprises was subsequently included in the System of National Accounts (SNA 1993), adopted by the United Nations Economic and Social Council on the recommendation of the United

6 The recommendation to exclude agricultural and related activities from the scope of informal sector surveys, and to measure them separately, was made for practical data collection reasons. To cover a huge agricultural sector, for instance, would entail a considerable expansion of survey operations and increase in costs. Furthermore, established agricultural survey systems appear better suited to meeting the requirements of measuring agricultural and related activities.

Nations Statistical Commission.⁷ Inclusion in the SNA was considered essential, as it was a prerequisite for identification of the informal sector as a separate entity in the national accounts and hence for quantification of the contribution of the informal sector to gross domestic product.

- **The concept of “informal employment”.** The definition of the 15th ICLS relates to the informal sector and the employment therein. But it has been recognized, also within the statistical community, that there are also aspects of informality that can exist outside of informal sector enterprises as currently defined. Casual, short term and seasonal workers, for example, could be, informally employed – lacking social protection, health benefits, legal status, rights and freedom of association, but when they are employed in the formal sector are not considered within the measure of employment in the informal sector.

Avoiding confusion in terminologies

Within the statistical community, application of accurate terminology is important. To the layperson, the terms “informal sector”, “informal economy”, “employment in the informal sector” and “informal employment” might all seem to be interchangeable. They are not. The nuances associated with each term are extremely important from a technical point of view. The following can serve as an easy reference for the terminology associated with informality and their technical definitions:

(a) Informal economy

All economic activities by workers or economic units that are – in law or practice – not covered or sufficiently covered by formal arrangements (based on ILC 2002)

(b) Informal sector

A group of production units (unincorporated enterprises owned by households) including “informal own-account enterprises” and “enterprises of informal employers” (based on 15th ICLS)

(c) Informal sector enterprise

Unregistered and/or small-scale private unincorporated enterprises engaged in non-agricultural activities with at least some of the goods or services produced for sale or barter (based on 15th ICLS)

(d) Employment in the informal sector

All jobs in informal sector enterprises (c), or all persons who 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 (based on 15th ICLS)

(e) Informal wage employment

All employee jobs characterized by an employment relationship that is not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (based on 17th ICLS)

(f) Informal employment

Total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households; including employees holding informal jobs (e); employers and own-account workers employed in their own informal sector enterprises; members of informal producers’ cooperatives; contributing family workers in formal or informal sector enterprises; and own-account workers engaged in the production of goods for own end use by their household (based on 17th ICLS)

(g) Employment in the informal economy

Sum of employment in the informal sector (d) and informal employment (f) outside the informal sector; the term was not endorsed by the 17th ICLS

⁷ Information on the System of National Accounts (SNA 1993 and SNA 2008) is available from the Statistics Division of the United Nations, New York; <http://unstats.un.org/unsd/nationalaccount/default.htm>.

In the early 2000s, there was a growing momentum behind the call for more and better statistics on the informal economy, statistics that capture informal employment both within and outside of the formal sector. There was a gradual move among users of the statistics, spearheaded by the Expert Group on Informal Sector Statistics (the Delhi Group) – an international forum of statisticians and statistics users concerned with measurement of the informal sector and improving the quality and comparability of informal sector statistics – towards promotion of this broader concept of informality. The idea was to complement the enterprise-based concept of employment in the informal sector with a broader, job-based concept of *informal employment*.⁸ At its 5th Meeting in 2001, the Delhi Group called for the development of a statistical definition and measurement framework of informal employment to complement the existing standard of employment in the informal sector.

8 The Delhi Group was set up in 1997 to address various methodological issues involved in the measurement of the informal sector. The group has since broadened its focus to informal employment as well as assessing links between informality and poverty. For further information see: <http://www.mospi.gov.in>



Women vendors in a vegetable market in Nepal.

- **New frameworks for capturing informality**
- **Defining informal employment**
 - Employment in the informal sector
 - Informal employment
- **Data sources**
- **Proxy measurement and related indicators**
 - The residual methodology
 - Vulnerable employment
 - Working poor

■ **New frameworks for capturing informality.** The ILO Department of Statistics and the 17th ICLS took up the challenge of developing new frameworks which could better capture the phenomenon of informality. The ILO conceptualized a framework for defining the informal economy that was presented and adopted at the 2002 International Labour Conference. The informal economy was defined as “all economic activities by workers or economic units that are – in law or practice – not covered or sufficiently covered by formal arrangements”.⁹ In 2003, the 17th ICLS adopted guidelines endorsing the framework as an international statistical standard.

In tracing the evolution of the informal concept (see Table below), it is important to bear in mind that the purpose of the expansion to an informal economy concept was not to replace one term with another (see Box on terminology on page 5), but rather to broaden the concept to take into consideration different aspects of the “informalization of employment”. It is also worth bearing in mind that for statistical purposes the 17th ICLS did not endorse using the term “employment in the informal economy”, to represent the totality of informal activities. The reasons are (i) that the different types of observation unit involved (enterprise vs. job) should not be confused, (ii) that some policy interventions would have to be targeted to the enterprise and others to the job, and (iii) that the informal sector concept from the 15th ICLS needed to be retained as distinct from informal employment since it had become a part of the SNA and a large number of countries were already collecting statistics based on this definition.

● The informal economy is defined as “all economic activities by workers or economic units that are – in law or practice – not covered or sufficiently covered by formal arrangements”. The purpose of the new term ‘informal economy’ was not to replace one term with another, but rather to take into account different aspects of informality

Timeline of informality as a statistical concept

- **1993:** Definition of informal sector adopted by the 15th ICLS.
- **1999:** Third meeting of the Expert Group on Informal Sector Statistics (Delhi Group), where it was concluded that the group should formulate recommendations regarding the identification of precarious forms of employment (including outwork/home-work) inside and outside the informal sector.

⁹ See Resources section to access ILO, 2002. Decent work and the informal economy

- **2001:** Fifth meeting of the Expert Group on Informal Sector Statistics (Delhi Group), where it was concluded that the definition and measurement of employment in the informal sector needed to be complemented with a definition and measurement of informal employment and that Group members should test the conceptual framework developed by the ILO.
- **2002:** 90th Session of International Labour Conference, where the need for more and better statistics on the informal economy was emphasized and the ILO was tasked to assist countries with the collection, analysis and dissemination of statistics. The ILC also proposed a definition for the informal economy.
- **2002:** Sixth meeting of the Expert Group on Informal Sector Statistics (Delhi Group), recognized the need for consolidating the country experiences and recommended further research for developing a statistical definition of informal employment and methods of compiling informal employment statistics through labour force surveys.
- **2003:** The 17th ICLS adopts guidelines on a definition of informal employment as an international statistical standard.
- **2012:** The ILO will publish a *Manual on Surveys of Informal Employment and Informal Sector* on methodological issues for undertaking surveys of the informal economy at the country level.

■ **Defining informal employment.** The 17th ICLS defined *informal employment* as the total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households, during a given reference period.¹⁰ Included are:

- i. Own-account workers (self-employed with no employees) in their own informal sector enterprises;
- ii. Employers (self-employed with employees) in their own informal sector enterprises;
- iii. Contributing family workers, irrespective of type of enterprise;
- iv. Members of informal producers' cooperatives (not established as legal entities);
- v. Employees holding informal jobs as defined according to the employment relationship (in law or in practice, jobs not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (paid annual or sick leave, etc.);
- vi. Own-account workers engaged in production of goods exclusively for own final use by their household.

Only items i, ii and iv would have been captured in full under the statistical framework for employment in the informal sector. The remaining statuses might or might not be included, depending on the nature of the production unit under which the activity took place (i.e. if deemed an informal enterprise). The major new element of the framework was item v, employees holding informal jobs. This category captures the bulk of the "informal employment outside the informal sector"¹¹ in many countries and includes workers whose "... employment relationship is, in law or in practice, not

10 See Resources section to access: Guidelines concerning a statistical definition of informal employment, adopted by the 17th International Conference of Labour Statisticians,

11 Informal employment outside the informal sector also includes contributing family workers working in formal sector enterprises, and own-account workers engaged in the production of goods exclusively for own final use by their household.

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.). These include:

- unregistered employees who do not have explicit, written contracts or are not subject to labour legislation;
- workers who do not benefit from paid annual or sick leave or social security and pension schemes;
- most paid domestic workers employed by households;
- most casual, short term and seasonal workers.
- **Employment in the informal sector.** The concept of informal sector was consciously kept flexible in order to accommodate country situations and specific country needs. In practice, this has led to a collection of national statistics on employment in the informal sector, with countries reporting on their preferred variation of the criteria laid out in the international resolution.¹² Some countries apply the criterion of non-registered enterprises but registration requirements can vary from country to country. Others apply the employment size criterion only (which may vary from country to country) and other countries still apply a combination of the two. As a result of the national differences in definitions and coverage, the international comparability of the Employment in the informal sector indicator is limited¹³.

In summary, problems with data comparability for the measure of employment in the informal sector result especially from the following factors¹⁴:

- differences in data sources;
- differences in geographic coverage;
- differences in the branches of economic activity covered. At one extreme are countries that cover all kinds of economic activity, including agriculture, while at the other are countries that cover only manufacturing;
- differences in the criteria used to define the informal sector, for example, size of the enterprise or establishment versus non-registration of the enterprise or the worker;
- different cut-offs used for enterprise size;
- inclusion or exclusion of paid domestic workers;
- inclusion or exclusion of persons who have a secondary job in the informal sector but whose main job is outside the informal sector, e.g. in agriculture or in public service.
- **Informal employment.** As with the concept of the informal sector, the concept of informal employment was designed in such a way as to allow countries to accommodate their own situations and needs. The 17th ICLS Guidelines specifically say that “the operational criteria for defining informal jobs of employees are to be determined in accordance with national circumstances and data availability.” Some countries (especially developing countries) may choose to develop a measure that includes informal jobs of own-account workers, employers and members of producers’ cooperatives, while other countries (especially developed

● As with the concept of the informal sector, the concept of informal employment was designed in such a way as to allow countries to accommodate their own situations and needs.

¹² ILO, 2009, table 7 presents country-level data on employment in the informal economy according to a range of five series based on definitions applied.

¹³ There is also diversity in the classification of paid domestic workers across countries and information sources. Among the countries using labour force or other household surveys for measuring employment in the informal sector, almost as many include paid domestic workers in the informal sector as exclude them. In contrast, countries that use surveys of the production unit of the informal or similar sectors tend either to exclude all paid domestic workers or to include only those who consider themselves as self-employed.

¹⁴ For more details see Resources section to access: ILO, 2009. Key Indicators of the Labour Market, 6th Edition, table 7, Employment in the informal sector

countries) may wish to limit the measurement of informal employment to employee jobs only. The built-in flexibility of the statistical concept, while certainly a commendable and necessary feature for a new concept, does create limitations when it comes to the comparability of statistics across countries. More comparability will only be achieved in the long run when good practices will have driven out less good ones.

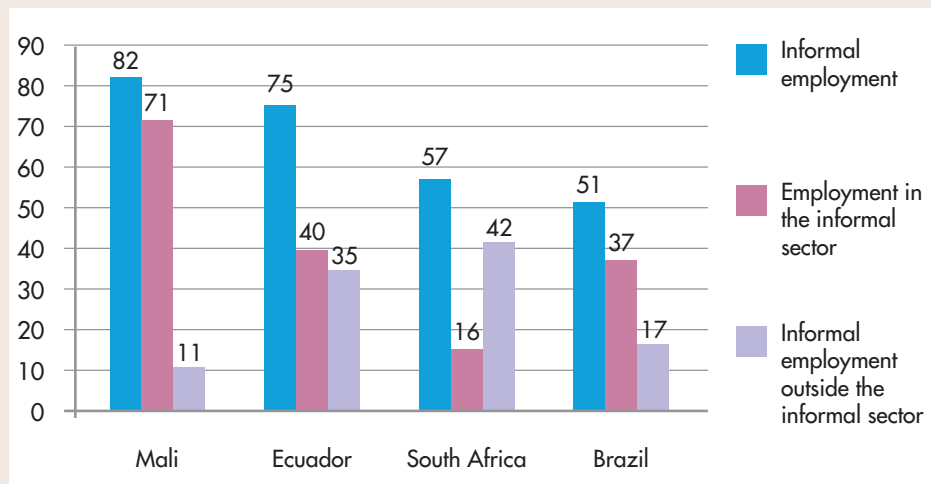
In the hopes of reducing comparability issues and improving the availability and quality of data, the ILO, in collaboration with members of the Delhi Group, has embarked on a publication entitled *Manual on Surveys of Informal Employment and Informal Sector*. The manual will consolidate the progress made by the ICLS and the Delhi Group on the conceptual framework for measuring the informal sector and informal employment, bringing out concepts, definitions and survey methodologies utilizing best practices and experiences.

The importance of capturing informal employment and disaggregating the categories within it can be seen in the following notable findings from informal employment statistics as obtained for 12 countries¹⁵:

- **Share of informal employment outside the informal sector.** As earlier mentioned, informal employment outside the informal sector can be as relevant, if not more so, than employment inside the informal sector. This is, for example, the case in South Africa where informal employment outside the informal sector was 42 percent of total non-agricultural employment while informal employment within the informal sector was 16 percent. (See Figure below.)
- **Share of employment in the informal sector.** In most countries, the shares of men and women employed in the informal sector are lower than the share in informal employment, which is understandable given the broader scope of the latter concept. There is one country, however, where the share of people in the informal sector actually came out higher than in informal employment. The exception is Russia, where 11.9 percent of total non-agricultural employment is in the informal sector as against 8.6 percent in informal employment. Closer scrutiny would reveal that the reason for this pattern is that many workers in the informal sector are actually legally protected by an employment contract.
- **Shares of women in employment in the informal sector and informal employment.** It is often assumed that more women are found earning a living in the informal economy than men, but accurate statistics show wide variations across countries when applying the measure of employment in the informal sector. Among the 12 countries surveyed, it was only in three (Ecuador, Mali and South Africa) that women were more likely to be engaged in the informal sector than men. When looking at the broader measure of informal employment, however, most countries did show greater shares of women than men (an exception were the transition economies of Kyrgyzstan, Moldova and Russia).

15 These 12 countries are: Brazil, Ecuador, Kyrgyzstan, Mali, Mexico, Moldova, Panama, Peru, Russia, South Africa, Turkey and Venezuela. These findings are reported in: Heintz, J. and G. Chang, 2007.

Informal employment, employment in the informal sector and informal employment outside the informal sector as a percentage of total non-agricultural employment (2004)



Data for Ecuador and Brazil refer to urban areas only. Data for Brazil refer to 2003 and are ILO estimates based on a combination of official data from various sources. Data ranked by percentage of informal employment.

Source: ILO Department of Statistics

■ **Data sources.** Generally, the data on employment in the informal sector and informal employment can be generated from a labour force survey. To this end, only a few questions need to be added to the survey at relatively low cost. Alternatively, some countries run special informal sector surveys, based on a mixed household and enterprise survey approach or an economic or establishment census/survey approach. Other sources include multipurpose household surveys, household income and expenditure surveys, surveys of household economic activities or household industries, small and micro-enterprise surveys, and official estimates prepared by the countries themselves.

Some considerations should be borne in mind when using a labour force survey. Firstly, many labour force surveys are devised to collect information on one's primary job only. Since informal activities can often be secondary jobs, this activity will go unreported in the survey unless specific questions about the characteristics of secondary jobs are added to the survey. Additionally, special probes on activities that may go unreported as jobs might be needed, such as unpaid work in family enterprises, women's own account work at home, and other similar activities. Secondly, the labour force survey measures employment relative to a short reference period, normally one week. Many work activities performed during that period may not be representative of the whole year, e.g. seasonal work or casual labour. In this case either a longer reference or survey period should be used or frequent updates of the measurement should be done through the conduct of quarterly, monthly or continuous surveys. Such limitations and their solutions will be addressed in the forthcoming *Manual*.

The choice of data sources depends on the objective. If, for example, the aim is to generate a broad range of information about the informal sector, including the number and characteristics of the enterprises involved, their production activities, employment, income generation, capital equipment, conditions and constraints in which they operate, etc. then a special informal sector survey will be necessary.

● The challenges of improving measurement of the informal economy are directly related to the need to improve the capacity of national statistical agencies and ministries

One of the biggest challenges in developing statistics on the informal economy is that in many countries, especially those with a large informal economy, the capacity for generating statistics tends to be low. This is particularly an issue in many developing countries where labour force surveys are not conducted on a regular basis due to resource constraints. This means that the challenges related to improving measurement of the informal economy as a whole are directly related to the need for improving the capacity of national statistical agencies and/or ministries of labour for producing statistics at the country level.

■ **Proxy measurement and related indicators.** When official national statistics on the informal economy do not exist, researchers and policy makers often turn to proxy measures/indicators in order to generate discussions around the topic. The following sub-sections present some examples of such approaches.

• **The residual methodology.**¹⁶ This is a very simple but controversial method for estimating informal employment from existing published statistical data. The calculation is a simple subtraction of persons in the non-agricultural labour force, obtained from a labour force survey (or other household surveys that have cross-tabulated data by kind of economic activity (industry), employment status and sex) and the number of employees found in a nationally-representative establishment survey, i.e. the proxy for total formal employment. The estimation steps are as follows:

- **Step 1:** Using a labour force survey or estimate from other source, determine the *total non-agricultural workforce*.
- **Step 2:** Using an establishment survey, economic census or administrative records that record corporations and other formal sector enterprises, determine the *number of formal employees*. Since economic censuses do not include civil servants and military forces it will be necessary to obtain an estimate of government workers from another source.
- **Step 3:** Subtract (2) formal employees from (1) total non-agricultural workforce to obtain *total informal employment*.

The estimates are not precise and are somewhat akin to a back-of-the-envelope methodology for proxying informal employment. The arguments pointing out the inaccuracies of the approach – including the validity of mixing data sources and that the total non-agricultural workforce is a measure of all those in the labour force, not all those who are actually working – will be significant.

A serious problem with the residual method is that it assumes that there is no formal employment in informal sector enterprises and no statistically recorded informal employment in formal sector enterprises. Depending upon the country and statistical system both assumptions can be wrong.

But, still, given the choice of no data and an approximate estimate, the residual method can be useful when it comes to generating attention around an issue. An ILO report in 2002 used this method to generate estimates for 35 countries with interesting results on the gender breakdown.¹⁷

¹⁶ See Resources section to access: ILO, 2002. Women and men in the informal economy: A Statistical picture

¹⁷ Ibid.

- **Vulnerable employment.** Vulnerable employment is an indicator that attempts to identify vulnerability by linking quality of work to status of employment. There are two main categories of status of employment: (i) wage and salaried workers and (ii) self-employed, which is further subdivided between self-employed workers with employees (i.e. employers), own-account workers (i.e. self-employed workers without employees), members of producers cooperatives, and contributing family workers. Vulnerable workers are measured as a summation of own-account and contributing family workers, since these two groups of workers are less likely to have formal work arrangements.¹⁸ Particularly in developing countries own-account workers tend to be associated with informal activities such as subsistence agriculture and petty trade; while contributing family workers are generally unpaid and less likely to benefit from formal social protection and engage in social dialogue than their waged and salaried counterparts.¹⁹

The correspondence between vulnerable employment and informal employment is inexact; vulnerable employment can, at best, be described as a subset of informal employment since it does not include employees holding informal jobs (who may be much more vulnerable than own-account or contributing family workers), employers of informal enterprises or members of informal producers' cooperatives. Still, when other statistical measures of informal employment are lacking, countries may wish to consider using the indicator as a sort of proxy for identifying at least a portion of the workers who are "vulnerable" to informality.

- **Working poor.** Working poor links remuneration to quality of work. The ILO defines the working poor as individuals who work but live on less than US\$1.25 a day per family member, but various other definitions have been developed most notably by the World Bank.²⁰ The measure gives a reflection of decent work, because if a person's work does not provide an income high enough to lift them from poverty then these jobs, at the very least do not fulfill the income component of decent work and it is likely that other components are not being fulfilled either (including the lack of protection implied in the informal sector).²¹ It is important to remember however that there is no clear relationship between informal employment and the working poor. Not all people working in the informal economy are poor, and not all employed poor people work in the informal economy.

● Vulnerable employment is an indicator that attempts to identify vulnerability by linking quality of work to status of employment

● The working poor measure gives a reflection of decent work: if a person's work does not provide enough income to escape poverty then other decent work components are also likely to be absent

18 ILO, 2007a. "Decent employment and the Millennium Development Goals : Description and analysis of a new target," in Key Indicators of the Labour Market, 5th Edition, Geneva.

19 See Resources section to access: ILO, 2007b. "Assessing vulnerable employment : The role of status and sector indicators," in Key Indicators of the Labour Market, 5th Edition, Geneva.

20 For further elaboration, see Majid, N. 2001 : "The size of the working poor population in developing countries," Employment Paper No. 16, ILO, Geneva.

21 ILO, 2007. "Decent employment and the Millennium Development Goals : Description and analysis of a new target," in Key Indicators of the Labour Market, 5th Edition, Geneva

Both the vulnerable employment share in total employment and the working poverty rate have been selected as indicators to measure progress toward MDG target 1B to “Achieve full and productive employment and decent work for all, including women and young people”²² But neither indicator captures the essence of the informal economy concept, ignoring particularly the growing forms of informalization that may be detached from remuneration and employment status, such as wage and salaried workers in formal enterprises. As a consequence, the target indicator list still misses out on capturing a strong component of what constitutes progress toward decent work for all, namely the shrinking of shares of informal employment. Such weaknesses suggest an even greater need for more and improved statistics on the informal economy.

Recent data compilations are providing fresh insights into the scale of the informal economy.

Informal employment

In 2011 the ILO Department of Statistics, launched new statistics on the dimensions of the informal employment, in the publication: *Statistical Update on Employment in the Informal Economy*. Using data from 46 medium and low income countries, the report showed that five countries (India, Brazil, Mexico, Vietnam and Pakistan) concentrate three-fourths of the total informal employment estimated for the group of countries. In eleven countries, informal employment represents at least two-thirds of non-agricultural employment. The lowest percentages of informal employment are observed in central and eastern European countries. In all except two countries, the number of persons employed in the informal sector exceeds those in informal employment outside the informal sector, suggesting that the bulk of informal employment is concentrated in employment in the informal sector among the countries.

In over half of the 44 countries that had data disaggregated by sex, women outnumbered men in informal employment as a percentage of non-agricultural employment. However, the majority of the countries registered higher shares of men in informal sector employment as a share of non-agricultural employment as compared with women. Informal employment is negatively correlated with income per capita and positively correlated with poverty across countries.

For more details see http://laborsta.ilo.org/sti/DATA_FILES/20110610_Informal_Economy.pdf

Domestic workers

2011 also saw the launch of new global and regional estimates of domestic work in ILO *Domestic Workers Policy Brief 4: Global and Regional Estimates of domestic workers*. Using data from 117 countries and territories, the brief provided estimates of minimum levels of domestic workers worldwide of some 52.6 million women and men in 2010, with the majority, some 83 per cent, being women.

For more details see http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_155951.pdf

The above-mentioned policy brief will be complemented by a much more in-depth analysis of estimates of domestic work which will be launched by the ILO in 2012. The report will not only provide greater analysis of the scale of domestic work, but also provide new information about the extent of legal protections around the world, thus giving an indication of some dimensions of informality in domestic work.

See the ILO (2012), ‘Domestic workers across the world: Global and regional statistics and the extent of legal protection’ (Geneva).

National data using direct measures of the informal economy

In 2013, the ILO and WIEGO will be launching new data on the informal economy, for the first time using direct estimates from some 47 countries. This new statistical compilation is an important improvement on the earlier 2002 ILO publication *Women and Men in the Informal Economy: A Statistical Picture*. The latter publication relied on residual and indirect measures of informality, since a statistical definition of informal employment had not been developed at that time. Improvements in data collection and analysis which have been described in this technical brief are now bearing fruit and revealing the true scale, composition and characteristics of the informal economy.

See ILO and WIEGO (forthcoming) *Women and Men in the informal economy 2012: A Statistical Picture*

22 Ibid.



Improvised hair dressing salon, Colombia.

RESOURCES

This section provides a list of resources which can enable the reader to delve deeper into the issue. The section comprises relevant publications, statistical guidelines, compilations of statistics and training tools. A bibliography of references in the text is further below. There may be some overlap between the two.

Relevant Publications

Husmanns, R 2004 Measuring the informal economy: From employment in the informal sector to informal employment, Integration Working Paper No. 53, ILO, 2004, Geneva.
http://secgen.comunidadandina.org/andestad/adm/upload/file/empleo_informal.pdf

ILO 2002 Decent work and the informal economy; Report of the Director-General; International Labour Conference, 90th Session; Report VI; International Labour Office, 2002, Geneva.
<http://www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/rep-vi.pdf>

ILO and WTO 2009: Globalization and informal jobs in developing countries (Geneva);
http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_115087.pdf

Statistical guidelines

Delhi Group <http://www.mospi.gov.in>

Guidelines concerning a statistical definition of informal employment, adopted by the 17th International Conference of Labour Statisticians, Geneva, 2003; http://www.ilo.org/global/statistics-and-databases/meetings-and-events/international-conference-of-labour-statisticians/WCMS_087568/lang-en/index.htm.

Resolution concerning statistics of employment in the informal sector, adopted by the 15th International Conference of Labour Statisticians, Geneva, 1993;
http://www.ilo.org/wcmsp5/groups/public/@dgreports/@stat/documents/normativeinstrument/wcms_087484.pdf.

Compilations of statistics

ILO and WIEGO (forthcoming): Women and Men in the informal economy 2012: A Statistical Picture

ILO 2009: Key Indicators of the Labour Market, 6th Edition, table 7, Employment in the informal sector, (Geneva, ILO).
<http://kilm.ilo.org/KILMnet/>

ILO 2006: Panorama Laboral America Latina y El Caribe, Oficina Regional para América Latina y el Caribe, (Lima).
<http://www.oitchile.cl/pdf/panorama08.pdf>

ILO 2002: ILO compendium of official statistics on employment in the informal sector, (Geneva, ILO).
<http://www.ilo.org/stat/lang-en/index.htm>

ILO, 2002. Women and men in the informal economy: A Statistical picture, Employment Sector, Geneva.
<http://www.ilo.org/dyn/infoecon/docs/441/F596332090/women%20and%20men%20stat%20picture.pdf>

ILO 2011: Statistical Update on Employment in the Informal Economy
http://laborsta.ilo.org/sti/DATA_FILES/20110610_Informal_Economy.pdf

ILO 2011 Domestic Workers Policy Brief 4: Global and Regional Estimates of domestic workers
http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_155951.pdf

ILO 2012 Domestic workers across the world: Global and regional statistics and the extent of legal protection, (Geneva).

Tools

OECD/IMF/ILO/CIS STAT, 2002. Measuring the Non-Observed Economy: A Handbook. Paris: Organisation for Economic Co-operation and Development.
<http://www.oecd.org/dataoecd/16/16/2389461.pdf>

ILO: Manual on Surveys of Informal Sector and Informal Employment, forthcoming.

For further information see the ILO's Department of Statistics website: <http://www.ilo.org/stat/lang--en/index.htm> and the ILO Key Indicators of the Labour Market (KILM) website http://www.ilo.org/empelm/what/WCMS_114240/lang--en/index.htm

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Guidelines concerning a statistical definition of informal employment, adopted by the 17th International Conference of Labour Statisticians, Geneva, 2003;
http://www.ilo.org/global/statistics-and-databases/meetings-and-events/international-conference-of-labour-statisticians/WCMS_087568/lang--en/index.htm.

Heintz, J and G. Chang, 2007. "Statistics on employment in the informal sector and informal employment: A summary of updated estimates from the ILO Bureau of Statistics database." Unpublished manuscript. Prepared for ILO Employment Policy Department, ILO Geneva.

Hussmanns, R., 2004. Measuring the informal economy: From employment in the informal sector to informal employment, Integration Working Paper No. 53, ILO, Geneva.

ILO, 1991. The Dilemma of the informal sector. Geneva.

ILO, 2002a. Decent work and the informal economy; Report of the Director-General; International Labour Conference, 90th Session; Report VI; International Labour Office, Geneva.

ILO, 2002b. Women and men in the informal economy: A Statistical picture, Employment Sector, Geneva.

ILO, 2002c. ILO compendium of official statistics on employment in the informal sector, Bureau of Statistics, Geneva.

ILO, 2007a. "Decent employment and the Millennium Development Goals : Description and analysis of a new target," in Key Indicators of the Labour Market, 5th Edition, Geneva.

ILO, 2007b. "Assessing vulnerable employment : The role of status and sector indicators," in Key Indicators of the Labour Market, 5th Edition, Geneva.

ILO, 2009. Key Indicators of the Labour Market, 6th Edition, table 7, Employment in the informal sector, Geneva.

Majid, N. 2001 : "The size of the working poor population in developing countries," Employment Paper No. 16, ILO, Geneva.

OECD/IMF/ILO/CIS STAT, 2002. Measuring the Non-Observed Economy: A Handbook. Paris: Organisation for Economic Co-operation and Development.

Resolution concerning statistics of employment in the informal sector, adopted by the 15th International Conference of Labour Statisticians, Geneva, 1993;
http://www.ilo.org/global/What_we_do/Statistics/standards/resolutions/lang--en/docName--WCMS_087484/index.htm.



Young man transporting bananas to sell in the market, Cambodia.

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