

The Informal Economy Worldwide: Trends and Characteristics

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It has now been more than 40 years since the first attempts of defining and data collection on informal sector and informal employment on a large scale were launched in the early 1970s. Many debates paved the way for the international definition of the informal sector in 1993 and informal employment in 2003. The informal economy is finally a means for conciliating the two concepts and since the mid-1970s, national estimates of size (employment) and contribution (share of gross domestic product [GDP]) of the informal sector, and later on of the informal economy (and of its two major components: informal sector and employment outside the informal sector), have regularly been attempted and gathered on a large scale. This article is the most recent synthesis of these works. It is based on the recent compilations by the Bureau of Statistics of the International Labour Organization (ILO) and the National Accounts Section of the United Nations (UN) Statistics Division as well as on original national data. Employment in the informal economy is revealed to be as high as 58–70 per cent of non-agricultural employment at regional level (the informal sector representing from 50 per cent to 80 per cent of the informal economy) and the informal sectors contribution to non-agricultural GDP is from 25 per cent up to 50 per cent.

Keywords: Informal Economy, Informal Employment, Informal Sector

JEL Classifications: O17, O57, J21

1. INTRODUCTION

The concept of informal sector was coined at the beginning of the 1970s and gave rise to many theoretical debates. After a first tentative international statistical definition of the informal sector in 1993, which succeeded in launching data collection through ad hoc surveys at national level in many countries, but not in putting an end to the debates, another tentative definition of informal employment occurred in 2003 and resulted in a broader concept and a more systematic introduction of its criteria of definition in the regular or permanent

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labour force surveys. Today, estimates of informal employment and informal sector employment exist in many countries, sometimes for long periods. But systematic and comprehensive comparisons worldwide remain difficult for at least two reasons: (a) first, harmonisation of concepts at international level is far from being reached; and (b) second—and especially—the two concepts of informal sector and informal employment are neither mutually exclusive (and as such not additive) nor the latter inclusive of the former, that is, informal employment does not include the informal sector in totality. This is why statistics of informal employment and informal sector employment are generally presented separately. This article deliberately opts for a definition of employment in the informal economy as comprising employment in the informal sector *and* informal employment outside the informal sector (that is, the unprotected workers in the formal sector and the domestic workers in the households).

Despite such difficulties, macroeconomic pictures of the informal economy, as a share of labour force or production (gross domestic product [GDP]), have for long been estimated by economists and statisticians and used for policy purposes. Many of them exist at national level since the late 1970s–early 1980s, but it was in 1990 that Charmes presented a first tentative international comparison at world level in the OECD's *Informal Sector Revisited* (Turnham et al., 1990). This first work was updated in 2002 for the ILO-WIEGO *Women and Men in the Informal Economy*, prepared for consideration by the 90th International Labour Conference (ILO, 2002b), and in 2009 for the OECD publication *Is Informal Normal?* (Jütting and de Laiglesia, 2009). The tables presented in this article have been prepared for the forthcoming updated 2012 publication of the ILO–WIEGO.

After a brief reminder of the history of the concepts of informal sector, informal employment and informal economy, and their related methods of measurement, an assessment of trends in size of the informal economy will be presented in the third section. The fourth section will describe the main characteristics of the informal economy in terms of composition: main components, gender, status and industries; and the fifth section will attempt to assess the contribution of the informal economy to GDP.

2. A BRIEF HISTORY OF 40 YEARS OF CONCEPTUALISATION AND DATA COLLECTION ON THE INFORMAL ECONOMY

2.1 Theories and Concepts

More than 40 years ago, in the early 1970s, the first tentative definitions and data collections on a large scale on informal sector and informal employment

were launched. Long before, however, works by Boeke (1953), Geertz (1963) and Lewis (1954) paved the way of dualistic approaches which, before being disputed, offered an extraordinary space for expansion to the new theories of economic development. It must also be noted that close behind these precursors, it was up to national accountants to be the first to propose procedures for overall estimates of the traditional sector, agricultural and non-agricultural, monetary and non-monetary, in their attempts to measure the GDP (Blades, 1975; Charmes, 1989; OECD, 1965, 2002).

It is in 1971 that the concept of 'informality' was born at the two extremes of the African continent: in Ghana, with the notion of 'informal income opportunities' (Hart, 1971); and in Kenya, with the multi-criteria definition of the informal sector by the ILO report of the World Employment Programme (ILO, 1972, with Richard Jolly and Hans Singer as main editors). The first notion was individual based and inspired many sociological and anthropological studies in Africa and elsewhere (Bromley and Gerry, 1979); in Latin America in particular, it pushed the regular labour force surveys to start measuring the so-called marginalisation of workers on the basis of level of earnings under the minimum wage and in connexion with poverty. The second conception was establishment or enterprise based, and was at the origin of numerous studies and surveys by the ILO in Africa (Maldonado, 1987; Nihan et al., 1978), through its Jobs and Skills Programme for Africa (JASPA); in Latin America (Tokman, 1987), through its Regional Programme on Employment for Latin America and the Caribbean (PREALC); and in Asia (Sethuraman, 1981), generally at capital city levels.

Both approaches (individual based and enterprise based) put the State as the central cause of emergence of these petty activities, either by the intrinsic nature of an emerging capitalism, supported by the new independent states and in need of such a labour reserve/surplus (Gerry, 1979; Lebrun and Gerry, 1975), or by the barriers that prevent private initiative to blossom out, a theory that will culminate with De Soto (1986). Non-compliance with the official regulations is far from meaning that these activities are illegal. Charmes (1990) notes that the inability of the State to make the operators comply with the laws it edicts is rather a matter of inadequacy, powerlessness and even unwillingness with regard to those jobs spontaneously created in a context of high unemployment and underemployment. The 1993 International Conference of Labour Statisticians (ICLS) resolution also remarks:

... activities performed by production units of the informal sector are not necessarily performed with the deliberate intention of evading the payment of taxes or social security contributions, or infringing labour or other legislations or administrative

provisions. Accordingly, the concept of informal sector activities should be distinguished from the concept of activities of the hidden or underground economy. (ILO, 1993b)

An implication on the definition and on the related methods of data collection is that non-registration of the individual (in the labour or social security registers), or non-registration of the enterprise (in the fiscal or commercial registers), is a basic criterion for the definition of the concept of informality.

2.2 Definitions

It is not necessary to recall here, in detail, the international definitions which are applied—with national variations and adaptations—in the statistical surveys.

The informal sector was defined by the 15th ICLS (ILO, 1993a, 1993b), referring to the characteristics of the economic units in which the persons work: legal status (individual unincorporated enterprises of the household sector); non-registration of the economic unit or of its employees; size under five permanent paid employees; and production for the market. The mixed (household–establishment) surveys were recommended by the conference in order to capture the informal sector. In this approach, all economic units operated by a household member are enumerated in the sampled households, and then surveyed in a second stage through an establishment questionnaire. Later on, in 1997, the Delhi Group on Informal Sector Statistics was set up by the United Nations (UN) Statistical Commission in order to improve and develop the definition and data collection on this sector. Since then, the group has met regularly and the reports and contributions are available on the website of the Ministry of Statistics and Programme Implementation (www.mospi.nic.in).

The 17th ICLS (ILO, 2003) has adopted guidelines for defining informal employment as comprising all jobs carried out in informal enterprises as well as in formal enterprises by workers, and especially employees,

whose 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...) because of non declaration of the jobs or the employees, casual or short duration jobs, jobs with hours or wages below a specified threshold...place of work outside premises of employer's enterprise (outworkers), jobs for which labour regulations are not applied, not enforced, or not complied with for any other reason. (ILO, 2003)

Informal employment is, therefore, usually defined by the absence of social protection (mainly health coverage) or the absence of written contract (but this

criterion can only be applied to paid employees and is consequently narrower than social protection). Nevertheless, individuals may benefit of social protection through the contribution of another member of the family. Consequently, the appropriate definition should be related to the payment of social contributions by the workers concerned rather than to the entitlement of the workers to social benefits.

This new extended definition of informality is interesting in that it meets a usual practice in various parts of the developing world (in Latin America and in some countries of Asia) where labour force surveys are often used to collect data on social protection coverage. As a consequence, the absence of social protection, preferably to the absence of written contract (which applies to wage employees only), has become the prevalent criterion for the measurement of informal employment, and the introduction of questions in order to capture social protection (especially health protection) has rapidly disseminated in countries where household surveys are less regular or did not include such questions. Nevertheless, practices continue to be diverse across regions and countries: the ideal practice in data collection through labour force surveys or other household surveys consists of capturing both informal employment and informal sector employment, but this practice still remains rare.

Table 1 simplifies the complexity of both concepts and shows that they are not mutually exclusive.

Table 1 Components of the Informal Sector and of Informal Employment

		<i>Individuals/Jobs</i>	
		<i>Informal</i>	<i>Formal</i>
Economic units/Enterprises	Informal sector	(1)	(2)
	Formal sector	(3)	(4)

Source: Author.

The two cells (1) and (2) cover the ‘informal sector’, while the two cells (1) and (3) cover ‘informal employment’:

- employment in the informal sector = (1) + (2);
- informal employment = (1) + (3); and
- employment in the informal economy = (1) + (2) + (3).

Cell (2) means that in the informal sector, some individuals may have a formal job (it may happen where the criteria of non-registration of the unit or of the employees is not used in the definition and this is why informal employment

is not inclusive of informal sector in total). It may also occur due to the fact that some workers in the informal sector benefit from social security as beneficiaries of parents or spouses who are registered. Such a category is assumed to be small. But the main category is cell (3), which represents informal jobs outside the informal sector and in the formal sector. This category is assumed to be huge and growing.

In order to avoid inconsistencies between the definitions of the two concepts, it will be useful and practical to consider that the informal sector is a component of the informal economy, and it is this definition which has been adopted and applied in this article: employment in the informal economy is comprised all persons (whatever their employment status) working in informal enterprises, plus all persons working informally in other sectors of the economy, that is, formal enterprises, households with paid employees (domestic workers) or own-account workers producing goods (primary goods or manufactured goods) for the household's own final use. By definition, all contributing (unpaid) family workers are classified in the informal employment. Consequently, formal paid employees working in the informal sector (a category which may exist where the definition of informal sector does not use the criterion of registration of the employees) and unpaid family workers working in the formal sector are also classified in informal employment. As a consequence, such a definition slightly diverges from the ILO definition of informal employment and in order to avoid miscomprehension between the two approaches, it has been convened to refer to the concept of informal economy, which is broader than the concept of informal employment, in this article.

2.3 Surveys and Data Collection in a Historical Perspective

The main sources of data are the most recent national labour force surveys and/or the mixed (household/establishment) surveys. However, many of the published reports are not always available and where they are available, they may not contain the required classifications and tabulations; in some countries, the reference to the concept of informal employment or informal sector is not even mentioned. In these cases particularly, the main source of data has been the ILO questionnaires sent during the year 2011 by the Bureau of Statistics of the ILO to all statistical offices of the member countries (developing countries and transition countries), requesting from the national offices to fill detailed tables on statistics on employment in the informal sector and informal employment, with a special table on metadata allowing the knowledge of coverage of surveys and definitions of concepts. The detailed sources and specificities of definitions according to national circumstances can be found in Charmes (2011).

Two decades, the 1970s and the 1980s, have been standing out for the priority given to the enterprise-based approach, and this is not so surprising if we consider that the building of national accounts and the reign of GDP made data collection on production and earnings a necessity. Economic censuses and even door-to-door censuses of establishments, regularly followed by sample surveys of establishments, were the rule. It is also the period when adapted and sophisticated designs of questionnaires were tested for the measurement of production, showing, for instance, in Tunisia (1976–82) that direct declaration was often underestimated by half compared with other controlled methods (Charmes, 1992).

But even where extended to mobile (non-sedentary) vendors, the census approach of activities failed to capture the bulk of home-based workers or rather outworkers, that is, all those workers who do not perform their activities in the premises of an enterprise and who are not enterprise based. This is why from the very end of the 1980s, and especially further to the 1993 ICLS, which defined the concept of informal sector, a change of methodological paradigm intervened: the first mixed household–establishment surveys were conducted in Mali (1989) and in Mexico (1991), just before the 1993 ICLS recommendation proposed this type of survey as the most appropriate for capturing all the diversity of informal sector activities. Many countries conducted such surveys at national level (India, 1999–2000; Tanzania, 1991; South Africa, 2002, among others) or at capital city or urban levels (the series of 1-2-3 surveys in the eight francophone countries of West Africa as well as in Cameroon and Madagascar) during the 1990s and the early 2000s. Asia followed in the second half of the 2000s (with mixed surveys in Bangladesh, the Philippines and Indonesia; and also, Cambodia, Mongolia and Armenia). The decades of the 1990s and the 2000s have thus been the decades of mixed surveys.

At the same time, efforts started to include adapted questions or even short sections in the questionnaires of regular household surveys (labour force surveys or living conditions surveys) in Latin America and in Asia (Pakistan, Thailand), while the (LSMS) questionnaires (and the surveys of the same type, for instance, the Ghana [GLSS] in Ghana), as well as the ‘integrated’ or ‘priority’ surveys on living conditions of households, introduced a section for capturing the activities of own-account and employers’ enterprises.

With the 2002 International Labour Conference (ILO, 2002a, 2002b) and the 2003 ICLS (ILO, 2003), the pendulum comes back to emphasise the individual-based definitions, and efforts are made in order to capture information on the type of contracts and social protection for the paid employees and the benefit

of some kind of social protection for all the workers, and more generally for the whole population, through household surveys.

To sum up, one can say that the first two decades (the 1970s and the 1980s) were decades of establishment of censuses and surveys, a concern that still goes on for national accounts purposes. This period allowed reaching a better knowledge of the upper tier of the informal sector (the micro and small enterprises or MSEs). The following decade (the 1990s) until the beginning of the 2000s has been the decade of mixed surveys, achieving the requirement of accumulating knowledge on the characteristics of the various components of the informal sector, including the lower tiers, for policy purposes, especially employment creation. Finally, the last decade (the 2000s) saw the rise of the household surveys as the main vehicle of data collection on informality: first, because they had been conveniently the first stage of the mixed surveys; second, because they have often become regular, if not permanent (annual or even quarterly); and third, because they can accommodate a special section or module to measure informality in its broad sense (informal employment and informal sector).

3. TRENDS IN EMPLOYMENT IN THE INFORMAL ECONOMY

3.1 Employment in the Informal Economy

Table 2 attempts to assess the trends of employment in the informal economy by 5 year periods over the past four decades.

Table 2 Share of Employment (%) in the Informal Economy in Total Non-agricultural Employment by 5-Year Period and by Country and Region

<i>Regions/Countries/ Years</i>	<i>1975– 79</i>	<i>1980– 84</i>	<i>1985– 89</i>	<i>1990– 94</i>	<i>1995– 99</i>	<i>2000– 04</i>	<i>2005– 10</i>
Northern Africa	39.6		34.1		47.5	47.3	58.4
Algeria	21.8		25.6		42.7	41.3	45.6
Egypt	58.7		37.3		55.2	45.9	51.2
Morocco		56.9			44.8	67.1	78.5
Tunisia	38.4	35.0	39.3		47.1	35.0	
Sub-Saharan Africa		67.3	72.5	76.0	86.9		65.9
Benin				92.9			
Burkina Faso			70.0	77.0			
Cameroon							84.0
Chad				74.2	95.2		
Cote d'Ivoire							69.7

(Table 2 continued)

(Table 2 continued)

Regions/Countries/ Years	1975– 79	1980– 84	1985– 89	1990– 94	1995– 99	2000– 04	2005– 10
Democratic Republic of Congo (ex-Zaire)		59.6					77.0
Ghana							65.3
Guinea		64.4		71.9	86.7		
Kenya			61.4	70.1	71.6		
Lesotho							70.7
Liberia							56.4
Madagascar							73.7
Mali	63.1		78.6	90.4	94.1	82.7	
Mauritania		69.4	80.0				
Mozambique				73.5			87.2
Namibia							43.8
Niger	62.9						
Senegal		76.0					
South Africa						46.2	32.7
Tanzania						57.7	46.0
Uganda							73.5
Zambia				58.3			76.3
Zimbabwe						51.6	
Latin America				52.5	54.2	55.9	57.7
Argentina				47.5	53.3	60.8	50.0
Bolivia				56.9	63.5		75.1
Brazil				60.0	60.0	51.1	42.2
Chile					35.8		
Colombia					38.4		61.4
Costa Rica					44.3		48.2
Dominican Republic					47.6		48.8
Ecuador					53.5	74.9	53.5
El Salvador					56.6		68.2
Guatemala				56.1			
Haiti					92.6		
Honduras					58.2		75.2
Mexico				55.5	59.4	50.1	54.3
Nicaragua							69.4
Panama					37.6	49.4	44.0
Paraguay					65.5		70.7
Peru						67.9	71.3
Uruguay						43.4	42.8
Venezuela				38.8	46.9	49.4	48.1
Southern and south- eastern Asia			52.9	65.2	69.9		69.7*
Bangladesh							76.9

(Table 2 continued)

(Table 2 continued)

<i>Regions/Countries/ Years</i>	<i>1975– 79</i>	<i>1980– 84</i>	<i>1985– 89</i>	<i>1990– 94</i>	<i>1995– 99</i>	<i>2000– 04</i>	<i>2005– 10</i>
India			76.2	73.7	83.4		84.2
Indonesia			39.2		77.9		
Mongolia							26.3
Nepal							86.4
Pakistan			39.0		64.6	70.0	73.0
Philippines				70.5	72.0		73.3
Sri Lanka							62.1
Thailand			57.4	51.4	51.5		41.1
Timor Leste							62.0
Vietnam							68.5
Western Asia						43.2	
Iran			43.5			48.8	
Lebanon						51.8	
Palestine						43.4	57.0
Syria				41.7	42.9	30.7	31.4
Turkey					30.9	33.2	30.1
Yemen				57.1		51.1	
Transition countries						20.7**	22.6**
Armenia							19.8
Azerbaijan							45.8
Kyrgyzstan						44.4	59.2
Macedonia							12.6
Moldova						21.5	15.9
Romania					5.4	22.0	
Russia						8.6	12.1
Serbia							6.1
Slovakia						4.7	5.9
Ukraine						7.0	9.4

Sources: Charmes (2002, 2009). For the most recent period, see Charmes (2011); data compiled from the ILO statistics questionnaires (ILO, 2011). For the detailed sources, see Charmes (2011).

Notes: (a) Figures in bold and in italics are averages based on a small set of countries. In bold: non-weighted regional averages.

(b) Figures in italics refer to informal sector (and not to employment in the informal economy).

(c) * without Mongolia; and ** without Slovakia.

The interpretation of this table requires three preliminary remarks. First, the indicator is based on non-agricultural employment while the definitions of the informal sector, informal employment and the informal economy are inclusive of agricultural activities. There are two reasons why an indicator

based on non-agricultural employment has been preferred: in countries where agriculture is predominant and occupies the bulk of the labour force (most sub-Saharan countries, southern and eastern Asia, for example), the share of employment in the informal economy, including agriculture, is above 90 per cent and changes over time may not be visible because of the volume of the labour force; and also because the importance of change may remain hidden by the dramatic flows of rural–urban migrations. An indicator based on non-agricultural employment makes these changes more visible and its greater variability is a better tracer of change.

Second, the table is based on estimates prepared along various procedures, which have changed over time depending on the availability of sources and data. Therefore, it is far from being homogeneous in definitions and methods of compilation. Sources for this table have been given in detail in Charmes (2009). From the mid-1970s and until the end of the 1980s–early 1990s, the figures for the first three 5 year periods (in Northern Africa, sub-Saharan Africa and Asia) are mainly resulting from an application of the residual method, which consists in comparing total employment (in population censuses or labour force surveys) and registered employment (in economic or establishment censuses or administrative records); censuses of establishments—where they exist—allow identifying the informal sector on the one hand, and informal employment outside the informal sector on the other hand. From the beginning of the 1990s, the results mainly come from the first mixed surveys and focus on the informal sector, while in the 2000s, the labour force surveys become the main source of data and provide data on informal employment and employment in the informal economy at large.

Third, another limitation comes from the fact that it is not exactly the same set of countries for which estimates are available from one period to another: consequently, the average can be non-significant except if there are at least a small number of countries which are present over all the periods. Despite these limitations, several observations and conclusions can be drawn from Table 2.

Northern Africa, which is the region where estimates are the most numerous over all the four decades, can be taken as an illustration of the counter-cyclical behaviour of employment in the informal economy: it increases when the rate of economic growth is decelerating; and contracts when the rate of growth increases. Tunisia is a good example: starting from a relatively high level (38.4 per cent of total non-agricultural employment), employment in the informal economy drops (down to 35 per cent) in the mid-1980s when the implementation of structural adjustment programmes induces its rapid growth, until the end of the 1980s (39.3 per cent) and even until the end of the 1990s

(47.1 per cent). Then the informal economy drops dramatically (35 per cent) in the mid-2000s with the rapid growth of the Tunisian economy. In Algeria, getting out of an administered and centralised economy, the informal economy has continuously grown upwards from 21.8 per cent in the mid-1970s, up to 45.6 per cent at the end of the 2000s, with a small and short decrease (41.3 per cent) at the beginning of the 2000s. Morocco is also characterised by a continuous increase in the informal economy, from 56.9 per cent at the beginning of the 1980s up to 78.5 per cent at the end of the 2000s, while Egypt is also experiencing counter-cyclical behaviours in the growth of the informal economy since the end of the 1990s.

In average, for the region, the most recent period is characterised by a huge increase of employment in the informal economy, growing from 47.3 per cent at the beginning of the 2000s, up to 58.4 per cent at the end of the decade (even with an assumption at 35 per cent for Tunisia, the regional average would remain at 52.3 per cent).

For sub-Saharan Africa, estimates are scattered through the seven 5 year periods and the last period is characterised by a numerous set of countries (13), but only five of them provided estimates for the previous periods, making it difficult to assess the trend for the region. However, the figures for the region give an image of a continuously growing informal economy (from more than 60 per cent in the 1970s and mid-1980s, to more than 70 per cent at the end of the 1980s–beginning of the 1990s and more than 80 per cent at the end of the 1990s), until the 2000s, which seem to be characterised by a decrease: even if the informal economy rate at 65.9 per cent is not representative for all countries of the region, it should be noted that the informal economy is decreasing in three countries that can be compared (South Africa, Tanzania and Mali). And if we compare the 10 countries for which data are available in the 1990s (including Tanzania and South Africa with data at the very beginning of the 2000s) with the 13 countries with data for the most recent 5 year period (including Mali, 2004, and Zimbabwe in this period), then the rate of employment in the informal economy has dropped from 78.3 per cent down to 66.0 per cent between the two periods, or 12 percentage points.

Sub-Saharan Africa could have then entered into a period of reduction of the informal economy, which would be consistent with the perspectives of economic growth. As a matter of fact and according to the International Monetary Fund (IMF), the economic growth rate in sub-Saharan Africa for the period 2000–09 was established at 4.6 per cent per annum, substantially higher than that for the previous periods (2.1 per cent during the 1980s and 2.2 per cent during the

1990s), and moreover, clearly higher than the population growth rate (2.5 per cent) and the world economic growth rate (2.6 per cent) (IMF, 2010).

In the most recent period, employment in the informal economy ranges from 32.7 per cent in South Africa (a country with a large base of wage workers) to 77 per cent in the Democratic Republic of Congo, 84 per cent in Cameroon and 87.2 per cent in Mozambique (still, the figure only refers to employment in the informal sector in this country).

In Latin America, employment in the informal economy seems on the rise, increasing from 54.2 per cent at the end of the 1990s up to 57.7 per cent at the end of the 2000s, even if this trend could be decelerating in the last period: most countries for which an estimate is available for the first half of the 2000s have seen their employment in the informal economy decreasing in the second half (except Mexico and Peru). Shares in non-agricultural employment range from 42.2 per cent in Brazil and 42.8 per cent in Uruguay to 71.3 per cent in Peru, 75.1 per cent in Bolivia and 75.2 per cent in Honduras.

In southern and south-eastern Asia, employment in the informal economy is stabilised around 70 per cent of non-agricultural employment (if the average does not include Mongolia, a country that could be more appropriately classified among the transition economies), ranging from 41.1 per cent in Thailand to 84.2 per cent in India and 86.4 per cent in Nepal.

Countries of Western Asia (which can be classified with Northern Africa in the Middle East North Africa region, MENA) are presenting many similar characteristics, in particular low female activity rates. Their average share of employment in the informal economy is around 40–50 per cent (43.2 per cent in 2000–04).

Lastly, transition countries are making their way out of their former administered–centralised–wage economies and they see their share of employment in the informal economy (still often measured through the concept of informal sector as in Russia and Ukraine) increasing little by little from 20.7 per cent at the beginning of the 2000s, up to 27 per cent at the end of the decade, with maxima in Kyrgyzstan (59.2 per cent for the informal sector) and Azerbaijan (45.8 per cent) and minima in Ukraine and Russia (9.4 per cent and 12.1 per cent respectively for the informal sector).

Except in this latter region, which is at its starting point, employment in the informal economy represents more than 50 per cent of total non-agricultural employment in all developing regions. With declining trends in sub-Saharan Africa, stabilised trends in Asia and rather slowly increasing trends elsewhere, it seems that there is a kind of convergence between the various regions at world level.

4. MAIN CHARACTERISTICS OF THE INFORMAL ECONOMY WITH A SPECIAL EMPHASIS ON GENDER

4.1 Informal Sector Employment and Informal Employment Outside the Informal Sector

One of the major features of the informal economy is the relative size of its two main sub-components: the informal sector on one hand; and informal employment outside the informal sector, which is comprised domestic workers and informal employment in the formal sector, on the other. Table 3 shows that the structure of employment in the informal economy is rather different from region to region.

The informal sector represents as much as 80 per cent of total employment in the informal economy in sub-Saharan Africa (80.4 per cent) and in Asia (79.4 per cent), against 64.6 per cent in Latin America, 58.7 per cent in the MENA region and 50.5 per cent in transition countries. Given that the share of domestic workers rarely exceeds 5 per cent of employment in the informal economy, it means that it is in transition countries, MENA countries and, to a lesser extent, in Latin America that informal employment in the formal sector is the most common.

And while wage employment does not exceed 25 per cent of employment in the informal sector in sub-Saharan Africa and in Latin America, and 35.6 per cent in Asia, it is more extended in MENA countries (41.3 per cent) and in transition countries (68.7 per cent). On the contrary, outside the informal sector, informal wage employment outnumbers self-employment everywhere, from 77.5 per cent in MENA to 91.5 per cent in Latin America and 88 per cent in Asia.

4.2 Informal Economy and Gender

Regarding women, they are more likely to be self-employed in the informal sector: from 64.2 per cent in MENA to 88.6 per cent in sub-Saharan Africa, except in transition countries (28.9 per cent), and they are even more likely to be wage employees in the informal economy outside the informal sector: more than 92.5 per cent in all regions, up to 97.5 per cent in Asia. More generally, in terms of gender (Charmes, 2011), the share of women in the informal economy is higher than men in only one region: it is in sub-Saharan Africa that women outnumber men in the informal economy as a whole (51.1 per cent) as well as in the informal sector (51.1 per cent also), but not in informal employment outside the informal sector (44.4 per cent). Their number is a little bit lower

Table 3 Main Components of Non-agricultural Employment in the Informal Economy by Sector and by Status in Employment in Developing and Transition Countries in 2005–10 (per cent)

REGIONS/Countries	Employment in the Informal Economy		Informal Sector		Employment in the Informal Economy Outside Informal Sector			Informal Sector in Informal Employment	Informal Workers Outside Informal Sector
	Self-employed	Wage Employees	Self-employed	Wage Employees	Self-employed	Wage Employees	Wage Employees	Informal Employment	Informal Workers Outside Informal Sector
Women and men									
Middle East–North Africa (MENA)	40.1	59.9	58.7	41.3	15.0	77.5		58.7	41.3
Sub-Saharan Africa	64.9	35.1	75.2	24.8	12.4	87.6		80.4	19.6
Asia	53.8	46.2	64.4	35.6	12.0	88.0		79.4	20.6
Latin America	51.9	48.1	75.7	24.3	8.5	91.5		64.6	35.4
Transition	54.2	45.8	31.3	68.7	10.4	89.6		50.5	49.5
Women									
MENA	39.1	60.9	64.2	35.8	4.5	95.5		63.8	36.2
Sub-Saharan Africa	59.2	40.8	88.6	11.4	7.5	92.5		67.9	32.1
Asia	57.2	42.8	78.0	22.0	2.5	97.5		72.0	28.0
Latin America	51.1	48.9	84.1	15.9	7.5	92.5		57.0	43.0
Transition	44.9	55.1	28.9	71.1	5.8	94.2		34.7	65.3
Men									
MENA	25.2	48.1	33.2	37.8	5.0	95.0		69.4	30.6
Sub-Saharan Africa	59.1	40.9	76.6	23.4	5.1	94.9		70.7	29.3
Asia	50.9	49.1	61.4	38.6	6.6	93.4		82.2	17.8
Latin America	52.5	47.5	70.3	29.7	8.7	91.3		71.1	28.9
Transition	61.6	38.4	33.1	66.9	12.7	87.3		57.2	42.8

Source: Charmes (2011).

than men in Latin America (46.5 per cent in the informal economy as a whole and 45 per cent in the informal sector, but 53.4 per cent outside the informal sector). They represent only 32.2 per cent of employment in the informal economy in transition countries (and 27.9 per cent in the informal sector) and only 16.4 per cent in MENA (15.3 per cent in the informal sector, but 25.3 per cent outside). The picture for Asia is mixed with 35.8 per cent of women in employment in the informal economy (30.7 per cent in the informal sector and 31.3 per cent outside).

4.3 Informal Economy and Industries

Finally, in terms of distribution by industries (Charmes, 2011), agriculture represents between 60–65 per cent of total employment in the informal economy in most part of the world, except in Latin America (26.5 per cent) and in MENA (40.2 per cent), and from 65 per cent to 70 per cent of female employment in the informal economy, except in Latin America (17.6 per cent) and in MENA (57.4 per cent). Regarding non-agricultural activities, manufacturing and construction represent more than 41 per cent of non-agricultural employment in the informal economy in MENA and Asia, but only 24.1 per cent in sub-Saharan Africa, 26.8 per cent in Latin America and 18 per cent in transition countries. Trade activities account for more than 34 per cent in sub-Saharan Africa and Latin America, 32.6 per cent in MENA, 26.4 per cent in Asia and 22.6 per cent in transition countries.

5. CONTRIBUTION OF THE INFORMAL ECONOMY TO GDP

Employment in the informal economy is comprised several components:

1. Employment in the informal sector.
2. Informal employment outside the informal sector, itself comprised:
 - the subsistence producers in the primary sector;
 - the domestic workers; and
 - the informal workers of the formal sector.

In the 1993 revision of the System of National Accounts (SNA, 1993), the informal sector was defined as a sub-sector of the household institutional sector in the national accounts: as such, its contribution to GDP can be measured. Informal employment in the formal sector, on the contrary, is a hidden or non-observed part of the economic units constituting the other institutional sectors

of the system of national accounts. Therefore, it cannot be easily distinguished from the formal units and estimates are rarely available.

One of the most misleading confusion about the informal sector contribution to GDP is its assimilation with the underground economy. The estimation of the underground economy through econometric modelling (see, for instance, Schneider, 2005; Schneider and Enste, 2000; Schneider et al., 2010) is certainly interesting, but the comparison of the results with the current GDP is particularly misleading because the national accounts already include a part of the underground and illegal economy.

A tentative estimate of the informal sector contribution can be made for those countries which prepare the household sector accounts. But the availability of the household accounts is not sufficient: the distribution of gross value added (GVA) by industry is also required, because production for own final use (not transiting through the market) must be excluded as it is not part of the international definition of the informal sector, and this can be dealt with by excluding agricultural and related activities. Other exclusions are the imputed rents and paid domestic services (which never go beyond 1 or 2 percentage points in total GDP), but the necessary data are rarely available; consequently, the results presented in Tables 4–8 remain proxies, but these proxies are acceptable.

Let us focus here on measurement of the contribution of the informal sector. In order to measure the contribution of the informal sector to GDP, it is necessary to isolate this sector by using the table of national accounts cross-classifying the GVA by industries and institutional sectors. Even if all countries distinguish the various institutional sectors in their national accounts, not all of them present the accounts of the institutional sectors in details, especially by industries. The compilation of the UN Statistics Division (UN, 2004) and its regular updating allows identifying the countries with a detailed household institutional sector. Tables 4–8 are based on these compilations, as well as on some national sources and a special report by AFRISTAT (1999) on the national accounts of the West African Economic and Monetary Union (WAEMU) countries. As far as it has been possible, ‘imputed rents’ and ‘private households employing persons’ have been subtracted.

In sub-Saharan Africa (Table 4), the informal sector including the agricultural household sector contributes to nearly two-third of the GDP (63.6 per cent in arithmetical non-weighted mean), with a maximum in Niger (72.6 per cent) and a minimum in Senegal (51.5 per cent). Excluding agriculture, the share of informal sector in GDP represents approximately one-third of total GDP (31.3 per cent), with a maximum in Cameroon (36.0 per cent) and a minimum in Burkina Faso (21.7 per cent). Moreover, the non-agricultural

informal sector is as high as 50 per cent of the non-agricultural GVA (50.2 per cent), with a maximum in Benin (61.8 per cent) and a minimum in Burkina Faso (36.2 per cent).

In the MENA (Table 5), the contribution of the informal sector including agriculture is equivalent to a little bit more than one-third of total GDP (36.2 per cent) and a little bit more than one-fourth (26.2 per cent) if the agricultural household sector is excluded. Finally, the non-agricultural informal sector represents 29.2 per cent of total non-agricultural GVA. The minima are observed in Egypt for the three indicators (27.8, 14.7 and 16.9 per cent respectively) and the maxima in Tunisia (respectively 41.8, 29.8 and 34.1 per cent) and Palestine (with the non-agricultural informal sector at 33.4 per cent of total GDP).

In Asia (Table 6), the estimates of informal sector contribution to GDP are very partial and incomplete, except for India (National Commission for Enterprises in the Unorganized Sector, 2008, 2010; National Sample Survey Organization [NSSO]–[MOSPI], 2006a, 2006b, 2007a, 2007b). Bhutan only measures construction and private households with employed persons in the informal sector; Sri Lanka does not measure trade, transport and services; and Mongolia does not measure manufacturing and services—in the three countries, it is not a question of definition, but rather a lack of data, which explains such restrictions. As a result, the regional average is not significant and it is better to look at Indian estimates as representative for the region: the informal sector (including agriculture) contributes to 54.2 per cent of total GDP in India (2008) and 38.4 per cent if agriculture is excluded. With 46.3 per cent of total non-agricultural GVA, the informal sector *stricto sensu* is the highest contributor to non-agricultural GVA in all countries reviewed in all regions.

In Latin America (Table 7), there are estimates available for six countries, but only four countries have detailed their household sector accounts by industries. Only global estimates (including agriculture) can be generated for Brazil and Mexico. The estimates prepared here are approximate and assimilate the informal sector to the household sector (minus subsistence agriculture, households with employed persons and imputed rents), but national methodologies and official definitions may be more complex and in the case of Mexico and emerging economies, the informal sector can be only a segment of the household sector.

The informal sector (including agriculture) represents, in average, 29.2 per cent of total GDP, with a maximum in Colombia (37.5 per cent) and a minimum in Venezuela (17.0 per cent). Excluding agriculture, the informal sector contributes, in average, to 24.0 per cent of total GDP (maximum in Guatemala

Table 4 Contribution of Informal Sector to GDP in Various Developing Countries: Sub-Saharan Africa, Years 2000s

Countries (years)	Agricultural Gross Value Added (GVA)	Non- agricultural GVA	Total GDP in National Currency*	Currency	Informal		Informal		(2) in %	
					Sector GVA (including agriculture)	Sector GVA (excluding agriculture)	Agricultural Household Sector	Sector GVA (2)	(1) in % of Total GDP	(2) in % of Non- agricultural of Total GDP
Benin (2000)	632	899	1,656	Billion FCFA	1,185	556	629	556	71.6	61.8
Burkina Faso (2000)	590	1,036	1,729	Billion FCFA	965	375	590	375	55.8	36.2
Cameroon (2003)	1,646	5,756	7,402	Billion FCFA	4,260	2,664	1,596	2,664	57.6	46.3
Niger (2009)	1,020	1,318	2,338	Billion FCFA	1,698	679	1,019	679	72.6	51.5
Senegal (2000)	607	2,513	3,493	Billion FCFA	1,799	1,227	572	1,227	51.5	48.8
Togo (2000)	439	622	109	Billion FCFA	790	351	439	351	72.5	56.4
Sub-Saharan Africa									63.6	50.2
										31.3

Source: Personal compilations of the author, based on national sources and other sources quoted in references (Charmes, 2007; UN, 2004, updated 2008).

Note: The GDP estimates used for the calculation of ratios (and noted with *) are obtained by summing up the agricultural Gross Value Added and the non-agricultural Gross Value Added: they are excluding Financial Intermediation Services Indirectly Measured (FISIM), and including taxes less subsidies on products, and statistical discrepancy.

Table 5 Contribution of Informal Sector to GDP in Various Developing Countries: MENA, Years 2000s

Countries (years)	Agricultural Gross Value Added (GVA)	Non- agricultural GVA	Total GDP in National Currency*	Informal		Informal Sector GVA (including agriculture) (1)	Agricultural Household Sector (2)	Informal Sector GVA (excluding agriculture) (2)	(1) in % of Total GDP		(2) in % of Non- agricultural GVA		(2) in % of Total GDP
				Currency									
Algeria (2003)	510,033	4,202,980	4,713,013	Million dinars	1,786,292	510,033	1,276,259	1,276,259	37.9		30.4		27.1
Egypt (2008)	113,104	742,262	855,366	Million EGP	237,690	111,994	125,696	125,696	27.8		16.9		14.7
Iran (2007)	264,991	2,654,279	2,919,270	Million rials	1,039,140	214,620	824,520	824,520	35.6		31.1		28.2
Tunisia (2004)	4,450	30,698	35,148	Million dinars	14,708	4,242	10,466	10,466	41.8		34.1		29.8
Palestine (2007)	293	3,822	4,115	Million US\$	1,568	293	1,275	1,275	38.1		33.4		31.0
MENA									36.2		29.2		26.2

Source: Personal compilations of the author; based on national sources and other sources quoted in references (Charmes, 2007; UN, 2004, updated 2008).

Note: (a) The GDP estimates used for the calculation of ratios (and noted with*) are obtained by summing up the agricultural gross value added and the non-agricultural gross value added; they are excluding Financial Intermediation Services Indirectly Measured (FISIM), and including taxes less subsidies on products, and statistical discrepancy.

(b) EGP = Egyptian pound; US\$ = US dollar.

Table 6 Contribution of Informal Sector to GDP in Various Developing Countries: Asia, Years 2000s

Countries (years)	Agricultural Gross Value Added (GVA)	Non- agricultural GVA	Total GDP in National Currency*	Informal		Informal Sector GVA (excluding agriculture)	(1) in % of Total GDP	(2) in % of Non- agricultural GVA	(2) in % of Total GDP
				Currency	Sector GVA (including agriculture)	Agricultural Household Sector			
Bhutan (2006)**	10,256	43,432	53,688	Million ngultum	10,717	10,256	461	1.1	0.9
India (2008)	907,515	4,406,255	5,313,770	Trillion rupees	2,880,650	840,370	2,040,280	46.3	38.4
Mongolia*** (2008)	49,092	176,642	225,734	Trillion togrik	67,590	45,976	21,614	12.2	9.6
Sri Lanka**** (2007)	42,911	283,291	326,602	Trillion rupees	55,142	28,536	26,606	9.4	8.1
Asia									
Without Sri Lanka and Bhutan									
							30.2	17.2	14.2
							42.1	29.3	24.0

Source: Personal compilations of the author, based on national sources and other sources quoted in references (Charnes, 2007; UN, 2004, updated 2008).

Notes: (a) The GDP estimates used for the calculation of ratios (and noted with *) are obtained by summing up the agricultural gross value added and the non-agricultural gross value added: they are excluding Financial Intermediation Services Indirectly Measured (FISIM), and including taxes less subsidies on products, and statistical discrepancy.

(b) **informal sector is only comprised construction and private households with employed persons; ***informal sector is not comprised manufacturing and services; and ****informal sector is not comprised trade, transport and services.

Table 7 Contribution of Informal Sector to GDP in Various Developing Countries: Latin America, Years 2000s

Countries (years)	Agricultural Gross Value Added (GVA)	Non- agricultural GVA	Total GDP in National Currency*	Currency	Informal Sector GVA (including agriculture)	Informal Sector GVA (excluding agriculture)	(1) in % of Total GDP	(2) in % of Non- agricultural GVA	(2) in % of Total GDP
Brazil (2006)			2,034,420	Million reals	438,942		21.6		
Colombia (2006)	35,276	360,353	395,629	Billion pesos	148,195	116,460	37.5	32.3	29.4
Guatemala (2006)	25,903	203,903	229,548	Million quetzal	84,751	69,279	36.9	34.0	30.2
Honduras (2006)	24,459	188,386	163,927	Million lempira	51,655	34,029	31.5	18.1	20.8
Mexico (2009)	407,726	10,931,485	11,339,211	Million pesos	3,505,005		30.9		
Venezuela (2006)	14,405	347,746	362,151	Billion bolivar	61,723	56,846	17.0	16.3	15.7
Latin America							29.2	25.2	24.0

Source: Personal compilations of the author; based on national sources and other sources quoted in references (Charmes, 2007; UN, 2004, updated 2008).

Note: The GDP estimates used for the calculation of ratios (and noted with *) are obtained by summing up the agricultural gross value added and the non-agricultural gross value added; they are excluding Financial Intermediation Services Indirectly Measured (FISIM), and including taxes less

with 30.2 per cent and minimum in Venezuela with 15.7 per cent) and it contributes to 25.2 per cent of non-agricultural GVA (34.0 per cent in Guatemala and 16.3 per cent in Venezuela).

Finally, it is for the transition economies (Table 8) that the number of estimates is the greatest with 15 countries. This is not surprising, given that the SNA has been implemented recently in these former socialist countries, which used to apply a specific system of material balances; applying a new system, national accountants have tended to strictly follow the rules of the central framework of the SNA 1993. The private sector has recently emerged in the transition countries where paid employment in public enterprises was the rule, and it is expected to grow more and more, especially the microenterprises of the informal sector, hence the importance of the efforts towards their measurement.

With a contribution of 19.5 per cent to total GDP in average, the informal sector (including agriculture) is at a maximum in Kyrgyzstan (45.2 per cent) and a minimum in Belarus (6.7 per cent). When excluding agriculture, the contribution of informal sector drops down to 10.7 per cent in average (20.3 per cent in Kyrgyzstan and 3.4 per cent in Belarus) and to 13.9 per cent of non-agricultural GVA (27.5 per cent in Kyrgyzstan and 3.7 per cent in Belarus).

Table 9 synthesises the results by region. Sub-Saharan Africa is the region with the largest estimates for the contribution of informal sector to GDP: nearly two-third including agriculture; one-third excluding agriculture; and half of non-agricultural GVA. It is followed by India (as representative of Asia), with around 50 per cent of total GDP (including agriculture), 38 per cent excluding agriculture and 46.3 per cent of non-agricultural GVA. Then come MENA countries with respectively 36.2 per cent, 26.2 per cent and 29.2 per cent; Latin America (with 29.2 per cent, 24.0 per cent and 25.2 per cent); and lastly, transition countries (with 19.5 per cent, 11 per cent and 14 per cent). The informal sector (in its broad sense: including agriculture, as well as in its strict sense: excluding agriculture) is the largest contributor to GDP in the regions where agriculture is predominant (sub-Saharan Africa and Asia).

Assessing trends in the contribution of the informal sector to GDP is more difficult because changes in values are only due to assumptions of national accountants and the only noticeable changes are structural, when a new base year allows radical changes based on updated sources and new surveys. However, it was attempted to reconstitute three decades. For the 1980s, the oldest available estimates were selected (for a set of countries, these oldest estimates are from the beginning of the 1990s). For the 2000s, the most recent estimates were selected; and for the 1990s, estimates from the mid-1990s were selected (but for some countries, it was necessary to select years in the beginning of the 2000s).

Table 8 Contribution of Informal Sector to GDP in Various Developing Countries: Transition Countries, Years 2000s

Countries (years)	Agricultural Gross Value Added (GVA)	Non-agricultural GVA	Total GDP in National Currency*	Informal Sector GVA (including agriculture) (1)	Agricultural Household Sector (2)	Informal Sector GVA (excluding agriculture) (2)	(1) in % of Total GDP	(2) in % of Non-agricultural GVA	(2) in % of Total GDP
Armenia (2008)	581,923	2,296,207	2,878,130 Million dram	792,866	346,111	446,755	27.5	19.5	15.5
Azerbaijan (2008)	2,236	35,793	3,8029 Million manat	6,774	2,070	4,704	17.8	13.1	12.4
Belarus (2008)	10,846,100	132,777,900	143,624,000 Million roubles	9,584,350	4644,130	4,940,220	6.7	3.7	3.4
Bulgaria (2006)	3,444	36,906	40,350 Million lev	8,711	2,635	6,076	21.6	16.5	15.1
Estonia (2008)	6,381	217,081	223,462 Million kroon	23,808	1,961	21,847	10.7	10.1	9.8
Kazakhstan (2009)	1,002,590	14,894,110	15,896,700 Million tengue	3,651,800	680,142	2,971,658	23.0	20.0	18.7
Kyrgyzstan (2008)	44,151	124,521	168,672 Million som	76,309	42,083	34,226	45.2	27.5	20.3
Latvia (2007)	468	12,592	13,060 Million lats	1,470	181	1,289	11.3	10.2	9.9
Lithuania (2008)	436	99,204	99,640 Million litas	14,087	2,347	11,740	14.1	11.8	11.8
Macedonia (2008)	41,341	316,109	357,450 Million denar	80,339	35,932	44,407	22.5	14.0	12.4
Moldova (2008)	5,544	46,230	51,774 Million leu	10,355	4,647	5,708	20.0	12.3	11.0
Russia (2009)	1,606,420	32,554,780	34,161,200 Million rubles	3,626,670	812,523	2,814,147	10.6	8.6	8.2
Serbia (2008)			2,722,460 Million Serbian dinar	679,947			25.0		
Slovenia (2005)			5,769,277 Million tolar	1,127,050			19.5		
Ukraine (2008)	63,353	797,361	860,714 Million hryvnia	140,774	38,225	102,549	16.4	12.9	11.9
Transition countries							19.5	13.9	10.7

Source: Personal compilations of the author, based on national sources and other sources quoted in references (Charmes, 2007; UN, 2004, updated 2008).

Note: The GDP estimates used for the calculation of ratios (and noted with *) are obtained by summing up the agricultural gross value added and the non-agricultural gross value added; they are excluding Financial Intermediation Services Indirectly Measured (FISIM), and including taxes less subsidies on products, and statistical discrepancy.

Table 9 Contribution of Informal Sector to GDP by Region, Years 2000

<i>Countries (years)</i>	<i>Informal Sector GVA (including agriculture) in % of Total GDP</i>	<i>Informal Sector GVA (excluding agriculture) in % of Non- agricultural GVA</i>	<i>Informal Sector GVA (excluding agriculture) in % of Total GDP</i>
Sub-Saharan Africa	63.6	50.2	31.3
MENA	36.2	29.2	26.2
Asia	30.2	17.2	14.2
Asia without Sri Lanka and Bhutan	42.1	29.3	24.0
India	54.2	46.3	38.4
Latin America	29.2	25.2	24.0
Transition countries	19.5	13.9	10.7

Sources: Tables 4 to 8.

Consequently, some estimates are used for two decades. Finally, the only regions for which the samples are representative across time are Northern Africa and transition countries.

Table 10 presents the available data and estimates over the three past decades for the various regions.

The number of countries for which estimates are available is relatively important in sub-Saharan Africa, especially for the 1990s, and in transition countries, for the 2000s. Trends in the contribution of informal sector *lato sensu* (including agriculture) are somehow unclear: a substantial increase from the 1980s to the 1990s (the contribution grows from 38.5 per cent up to 66.4 per cent of total GDP), followed by a slight decrease or a stagnation in the 2000s (63.6 per cent) is seen in sub-Saharan Africa. In the MENA region, a slight decline is observed throughout the period (from 38.8 per cent to 36.2 per cent), as well as in Latin America (from 32.0 per cent to 29.2 per cent). Interpreting Asian trends is more cumbersome given that only Indian data are available for the last decade while this country did not belong to the panel of countries in the previous decade. On the contrary, trends in the contribution of informal sector excluding agriculture are more striking and converging: a clear growing trend is observed for the indicator, either based on total GDP or on non-agricultural GVA. In sub-Saharan Africa, it has grown from 32.5 per cent up to 50.2 per cent, especially during the last decade; in Latin America, from 21.6 per cent to 25.2 per cent; and even in transition countries, from 12.3 per cent up to 13.9 per cent.

To a certain extent, those figures are underestimated because the informal economy in general, and the informal sector in particular, are usually characterised by weak statistics, despite the recent progress of which the present

Table 10 Trends in Informal Sector Contribution to GDP in Various Regions

	Number of Countries			Informal Sector (including agriculture) in % of Total GDP				Informal Sector (excluding agriculture) in % of Total GDP			
	1980s	1990s	2000s	1980s	1990s	2000s		1980s	1990s	2000s	
Sub-Saharan Africa	12	19 (17)	6	38.5	54.5 (66.4)	63.6		32.5	37.3 (38.8)	50.2	
Middle East North Africa (MENA)	3	3	5	38.8	37.9	36.2		28.3	29.3	29.2	
Asia		5 (3)	4 (1)		33.6 (42.3)	30.2 (54.2)			24.3 (31.5)	17.2 (46.3)	
Latin America		6 (5)	6		25.9 (32.0)	29.2			15.6 (21.6)	25.2	
Caribbean		3			22.2				21.2		
Transition countries		11	15		23.8	19.5			12.3	13.9	
									9.9	10.7	

Sources: Personal compilations of the author, based on national sources and other sources quoted in references, namely, Charnes (2007) and UN (2004, 2 vol., pp. 1332, 1302). Updated 2008.

Notes: (a) Between brackets: atypical countries are excluded.

(b) It is not possible to calculate non-agricultural GDP; consequently, the gross value added is taken as a reference.

compilation is an illustration. Furthermore, the contribution of informal sector to GDP does not take into account informal employment outside the informal sector, which is scattered all over the various institutional sectors. The volume of this sub-component of the informal economy can be now estimated: the question is then to know what value added can be imputed to these jobs. But at the same time, these same figures of the contribution of informal sector to GDP are overestimated because they are based on the assumption that the household sector can be assimilated into the informal sector. If this can be considered as approximately true in regions with large traditional subsistence agriculture and small formal sector, it is not so justified for emerging economies.

6. CONCLUSION

Progress made in definitions and measurement of the informal economy over the past four decades now allows us to draw a more comprehensive and detailed picture of a phenomenon which has, for long, remained ignored, underestimated and neglected. Two international definitions and the design of ad hoc surveys as well as dedicated set of questions in permanent labour force surveys have considerably helped in this regard. However, the two definitions remain non-complementary and it is necessary to resort to the concept of employment in the informal economy for their reconciliation.

In most parts of the world—but with regional specificities—the informal economy supplies a majority of the labour force with jobs for earning living or operating small enterprises: 70 per cent in south and Southeast Asia; 66 per cent in sub-Saharan Africa (with most of these jobs in the informal sector in these two regions); and 58 per cent in Latin America, not even counting agricultural jobs. Although such a bulk may result in low productivity and low income, an important part of the GDP is generated by these activities. In fact, including agriculture, the informal sector represents nearly two-third of total GDP in sub-Saharan Africa, more than 54 per cent in India and nearly one-third in Latin America; and excluding agriculture, respectively half, 46 per cent and one-fourth of non-agricultural GDP. Contrary to a widespread idea, women are outnumbering men in the informal economy only in sub-Saharan Africa, but this finding means that, still in many parts of the world, female economic participation is not well captured particularly in agriculture and food products processing. Efforts in data collection methods must be pursued: time-use surveys can be useful in this regard (Antonopoulos and Hirway, 2009).

The recent recognition of the importance of these activities in the functioning of the labour market and in the generation of income and wealth has resulted

in more continuous and detailed data collection, especially through permanent labour force surveys, so that the informal economy, with all its components, could become a crucial indicator of the functioning of the economy as a whole. In particular, the microenterprises of the informal sector, the self-employed, the informal workers of the formal sector and the domestic workers may follow pro or counter-cyclical trends at the same time during crises or during periods of growth and such diverse behaviours are interesting to know and understand in order to design the most appropriate and timely policy measures.

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