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INFORMAL EMPLOYMENT IN RUSSIA

Submitted by Federal State Statistics Service, Russian Federation *

1. As compared to the Soviet period, dramatic changes took place in the area of various employed population groups' social positions on the labour market. The challenging issues like decent work, economic and social rights appeared in informal sector of economy which become traditional after the labour relations liberalization in Russia.
2. In Russia, a statistical survey on the size and personal characteristics of population employed in the informal sector was organized since 2001, when conducting quarterly labour force surveys, where household members were considered as observation units.
3. In determining the informal sector, the criteria of legal entity *state registration absence* was used. Accordingly households or non-corporate enterprises refer to informal sector enterprises, which belong to unincorporated households producing goods and services.
4. In 2004 according to Guidelines adopted by ICLS in addition to acting rules, the concept of *informal employment* or employment in informal economy was defined. This concept includes:

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- population involved in informal sector (the list of categories is mentioned in employment concept in informal sector description);
- employees who have informal jobs at formal sector enterprises; and
- family members who have informal jobs at formal sector enterprises and help their families.

4. *The informal jobs at formal sector enterprises* are the jobs obtained due to oral agreement, without registration of labour relations in written form and also work by independent contract and other civil law contracts.

5. According to calculations summarizing **the results of labour force survey** there is a stable trend of informal employment growth, which took place in Russia lately. In 2004 12,7 million jobs (18%) were classified as informal, including 11,9 million (94%) referred to informal sector and 0.8 million informal jobs in the formal economy sector. In 2004 informal employment included 15% of main jobs and 87% of extra jobs.

6. From 2001 until 2004 the number of informal jobs increased at 2,7 million or 27%. This provided the general growth of employment in the Russian economy and reduction of formal jobs by 758 thousand people or 1,3%.

7. In 2004 11,5 million people were employed in the informal sector. 9,6 million (83.4) of these people had main (or the only) jobs in the informal sector, including 360 thousand (3,8%) people who had both - main and extra jobs. For 1,9 million (17%) persons, employment in the informal sector was an additional source of revenue without the sector.

8. In 2004 there were 3,6 million (31%) of total number of people involved in the informal sector and who produced in their households agriculture, forestry, and game products for sale. The work was conducted on the basis of primary employment or additional labour activity.

9. Among 7,7 million of people involved in non-farm activities in the informal sector, the most part accounts for trade (54%) and production (18%).

10. The key feature of employment in the informal sector is its unstable or casual character. Thus, in the informal sector, there were 35% of the people had labour contract without any set terms and 65% had temporary and casual employment. In formal sector, there were 93% and 7%, respectively. Temporary and casual employment is especially high among people younger than 19 (77%) and those aged 60 - 64 (74%) and 65 - 72 (84%).

11. The structure of employment in the informal sector of the economy differs by demographic and economic characteristics from corporate employment.

12. There are a lot of youth and elders and persons with low educational level employed in the informal sector. The stable employment for them is not acceptable for various reasons. Those aged 15-19 account for 4,6%, people older than 60 for 6,2% of employment in the informal sector (1,7% and 3,9%, respectively, in the corporate sector). The number of people with intermediate and higher education who work by hire is much less than in the formal sector and accounts for 13% in agriculture and 34% in non-farm sector. (26% and 57% in formal sector, respectively).

13. The most representative informal sector professional group is trade and relative activities' personnel. There is great diversity in educational level of this group. More than 38% of this group did not have any professional education. However, there are 300 thousand people (12% of this group) who have higher or specialized secondary education in the area of education, healthcare, mathematics and engineering, and they cannot use their knowledge and skills they studied before.

14. The structure of the hours worked of the informal employment differs from the formal sector. It reflects under- and over-employment in the formal sector. In the formal sector, the most part of employed population (88%) had one job and worked 31-40 hours during the week surveyed. Just 6% worked less or more than was mentioned. In the informal sector, there were 51% of those who worked 31-40 hours and 25% of those who worked less than 30 hours. 24% of employed worked more than the normal work week of 40 hours, including 15% of those who worked over 48 hours a week.

15. Over-employment in the informal sector is more usual for men than for women, while underemployment is more common for women. 19% of men and 11% of women who have the only job in informal worked over 48 hours a week. 23% men and 28% of women worked less than 30 hours.

16. There is a high (24-27%) over-employment in construction and transport industries of informal sector.

17. From 2004 in order to meet the requirements of SNA Rosstat, its territorial offices started to *calculate total labour costs* using combined methods, based on employment and enterprises surveys as well as other sources of information (including administrative) data integration. In frameworks of this calculation, the number of people involved in the informaleconomy evaluation was conducted.

18. The aims of comparative analysis and data integration are the following:

- define missed data in enterprises reports on contract jobs;
- specify unaccounted resident employees in corporate enterprises; and
- identify contract jobs data to be updated because of incorrect enterprise classification provided by workers.

19. Additional assessment of cross-regional labour migration (non-coverage) could appear in the population surveys because employment survey sample is non-applicable for measuring labour migrant flows.

20. Integrated data on labour costs in economy in general (including informal employment) is based on the following indicators: the number of main and extra jobs, man-hours spent at main and extra jobs and an equivalent of full-time job, which is characterizing equivalent of jobs number per working day.

21. Integration of data received from different sources helped to evaluate the number of jobs in formal and informal sector enterprises, which are difficult for statistical survey to capture.

22. Unlike information received quarterly according to population employment surveys, integrated estimates include:

- individual entrepreneurs, wage earners jobs non-coverage adjustment;
- unrecorded immigrant labour size; and
- adjustment of informal jobs number at formal sector.

23. In 2003 the number of informal jobs reached 17,5 million, including 4,7 million main jobs and 0,9 million extra jobs. The adjusted data accounted 5,6 million (47%) additional jobs in comparison with the results of employment survey.
