

# The statistical definition and measurement of the informal sector

# ILO Statistical framework

2015, Informal employment **SDG Indicator 8.3.1** as part of SDG goal 8 to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Measuring informality:  
A statistical manual on  
the informal sector and  
informal employment  
(ILO, 2013)

Resolution concerning  
decent work and the  
informal economy  
(ILO, 2002)

Recommendation  
concerning the  
transition from the  
informal to the formal  
economy  
(ILC R204, 2015)

Guidelines concerning a  
statistical definition of  
informal employment  
(17th ICLS, 2003)

Informal  
employment

(Employment in)  
Informal sector

Resolution concerning  
statistics of  
employment in the  
informal sector (15th  
ICLS, 1993)

Resolution concerning  
statistics on work  
relationships (20th ICLS,  
2018)

ICSaW-18  
ICSE-18

Work

Resolution concerning  
statistics of work,  
employment and  
labour underutilization  
(19th ICLS, 2013)

## **The informal sector**

Resolution concerning statistics of employment in the  
informal sector  
(15th ICLS, 1993)



# Conceptual definition of the informal sector

- “The informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned”

**Market oriented**

- “These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale”

**Low level of organization**

- “The fixed and other assets used do not belong to the production units as such but to their owners. The units as such cannot engage in transactions or enter into contracts with other units, nor incur liabilities, on their own behalf”

**Have the same characteristics as households**



# Operational definition

## Household enterprises in the household sector (SNA 2008)

Excludes:

- Government units and non-profit organisations
- Incorporated enterprises
- Quasi-corporations

## Having some market production

Excludes:

- Production exclusively for own final use

**Criterion:** Legal organization (institutional sector, incorporation) +

**Criterion:** Not having a complete set of account +

**Criterion:** Have some market production +

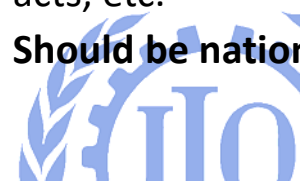
**Criterion:** Not registered

**Or criterion:** Below a certain size. (Not recommended)

## Informal household market enterprises

- Size of the unit below a specified threshold: or/and
- Not registered under specific forms of national legislation
  - Factories'/ commercial acts
  - Tax (fiscal legislation)/Social security laws
  - Professional groups' regulatory acts, etc.
- **Should be national**

Household market enterprises



# Component: Employment in the informal sector

- Employment in the informal sector = all persons employed with at least one job in an informal household market enterprise



# Measuring the informal sector



# Traditional sources are problematic

- Business registers:
  - Informal sector enterprises are typically un-registered by definition, thus not included in the business registers
- Establishment surveys:
  - Tend to exclude economic units that
    - Have few employees
    - Are not registered
    - Have no "visible" premises

All characteristics of informal sector units





# Mixed surveys

- **Collect detailed information about households and enterprises**

Are carried out in two phases:

- **Phase 1: Household survey phase** (economic activities of their members) identifies informal sector entrepreneurs
  - Their number and characteristics
- **Phase 2: Enterprise survey phase** obtains information about enterprises owned and operated by informal sector entrepreneurs
  - Type of production, income generation, costs etc

- ILO have started to develop tools for mixed surveys but more work is needed
- In particular further development on the second phase questionnaire



# Revising the standards for statistics on informality



# Revising the statistical standards

- ILO was mandated by the 20th ICLS to revise the standards for statistics on informality:
- Align the standards to:
  - 19th ICLS resolution I concerning statistics of work, employment and labour underutilization
  - 20th ICLS resolution I concerning statistics on work relationships
- Based on country practices
  - Improve and strengthening the statistical definition of informal sector and informal employment
- Meeting the users data needs, both from the perspective of labour statistics as well as economic statistics
- The objective is to create a new set of standards based on current definitions and country practices, aligned to the most recent statistical labour standards and that contributes to an increased global coverage and harmonization.



# Timeline

- A WG that will support ILO in developing a new standard has been established:
  - Representatives from countries, organizations, workers and employers
  - Meet yearly between 2019-2022
- 2022: A series of regional meetings will be held
- Beginning 2023: Tripartite Meeting of Experts
- 2023: The new proposal will be presented and discussed at the 21<sup>st</sup> ICLS



**Thank you**

