



# Economic and Social Council

Distr.: General  
17 March 2022

Original: English

---

## Economic Commission for Europe

### Conference of European Statisticians

#### Group of Experts on National Accounts

##### Twenty-first session

Online, 17, 19, 23 and 25 May 2022

Item 5 of the provisional agenda

##### Informal economy

## Statistical standards on the Informal economy

### Prepared by International Labour Organization

#### *Summary*

*This document summarizes the proposal for a statistical framework on informality as developed through the International Labour Organisation (ILO) Working Group on the revision of the statistical standards on informality. The ILO Working Group was established following the decision at the 20th International Conference of Labour Statisticians (ICLS) in 2018 to revise the current statistical standards on informality. The objectives are to address known problems with the current standards, align them to the most recent statistical standards, and to increase global coverage and harmonization. The new set of standards will be presented and discussed at 21<sup>st</sup> ICLS in 2023.*

## I. Background

1. The first statistical standards on informality were adopted in 1993 at the 15<sup>th</sup> International Conference of Labour Statisticians (ICLS). The adopted resolution uses economic units as the primary reference unit and provides definitions of the *informal sector* and *persons employed in the informal sector* (ILO, 1993). Ten years later, at the 17<sup>th</sup> ICLS in 2003, the boundaries of informality were broadened with the adoption of the Guidelines concerning a statistical definition of informal employment (ILO, 2003). The concept of *informal employment* which is a job-based concept, recognizes that informal employment does not only exist in the informal sector but also in the formal sector as well as among households.
2. The statistical standards defining the informal sector and informal employment provided by the ICLS have been essential for countries in developing the collection and provision of statistics on the different aspects of what can broadly be termed the informal economy. These statistics fulfil a broad range of important policy objectives and are essential for promoting the creation, preservation and sustainability of enterprises and decent jobs.
3. Providing information on informal employment and the informal sector is essential for improving working conditions and for poverty reduction. As recognized in the Resolution concerning decent work and the informal economy, workers in the informal economy are characterized by a high degree of vulnerability and poverty. (ILO, 2002, para. 1). Information on the informal sector and informal employment thus enables governments to create policies to address these decent work deficits and to evaluate the economic and social impact due to macro-economic changes such as the impact of economic cycles or long-term changes in the level and composition of employment.
4. Statistics on the size of the informal sector, its composition, production inputs and outputs are necessary to create exhaustive estimates for the purposes of national accounts such as estimation of value added, the construction of input-output tables, estimates on the contribution of informal sector activities to gross domestic product (GDP) and the productivity of the informal sector. The quantification of the informal sector and data on its characteristics are also needed to provide information for designing, implementing, monitoring, and analysing macro-economic policies and to assess their impact.
5. The importance for countries to provide statistics on the informal economy that can inform policies aiming at facilitating the transition of workers and economic units from the informal to the formal economy was underlined in 2015 with the adoption of the Recommendation 204 concerning the transition from the informal to the formal economy by the International Labour Conference (ILC).
6. Informal employment and employment in the informal sector are also particularly important for policy-oriented monitoring of gender issues. One of the important conclusions of the ILO publication *Women and Men in the informal economy: A Statistical Picture* (ILO, 2018a) is that women are more often found in the most vulnerable forms of informal employment, for instance as domestic workers, home-based workers or contributing family workers (ILO, 2018a, Page 20-21.). Informal employment thus becomes an important dimension to understand and address the unequal role of women in employment.
7. The importance of measuring informality was further highlighted when informal employment was adopted as one of the indicators in the 2030 Agenda for Sustainable Development in 2015. The inclusion of informal employment in the Sustainable Development Goals (SDG) framework as indicator 8.3.1 points to the high continuing relevance of the concept and the need for countries to regularly measure, monitor and address informal employment as part of achieving the SDG goal 8 to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
8. The development of the statistical framework of informality has been an incremental process. As a result, despite the good progress there are some flexibilities, gaps, and inconsistencies between and within the different concepts and definitions which impact on the capacity to produce comprehensive, coherent and internationally comparable data on informality.

9. In addition, the statistical foundations on which the statistical standards on informality were built have been fundamentally changed in the last decade. The 19<sup>th</sup> ICLS resolution I concerning statistics on work, employment and labour underutilization, adopted in 2013 has expanded the boundaries of labour statistics by the introduction of the broad concept of work, recognizing different forms of work and introducing a narrower definition of employment. At the 20<sup>th</sup> ICLS in 2018 a new International Classification of Status in Employment (ICSE-18) was introduced with the adoption of the Resolution concerning statistics on work relationships (ILO, 2018b), replacing the old classification of status in employment as defined by ICSE-93.

10. The need to revise the statistical standards were raised at the 20<sup>th</sup> ICLS in 2018. At the conference there was a strong consensus that a revision should be initialized, and the ILO established a working group to develop a coherent set of standards providing the conceptual and operational definitions for comprehensive measurement of informality. These standards will be presented and discussed at the 21<sup>st</sup> ICLS in 2023. The new standards will draw from existing definitions and country practices and be aligned to the most recent statistical standards for measuring work, contributing to increased global coverage and harmonisation. The working group - comprising members from national statistical offices and ministries from more than 40 countries in all regions, international organizations and workers and employers' representatives - held its first meeting in 2019 and has since met annually. The group has already made substantial progress and a first draft of a new resolution concerning statistics on the informal economy was discussed during the third meeting in 2021. The new framework, while still being discussed and in need of further development, has been presented and debated at meetings and workshops held by United Nations Economic and Social Commission for Western Asia (ESCWA). It has also formed the basis for a guidance note produced by the joint Task Team on Informal Economy as part of the programme for updating the System of National Accounts 2008 (2008 SNA) and the sixth edition of the Balance of Payments and International Investment Position manual (BPM6).

## II. The structure of the framework of Informal economy

11. To create a comprehensive statistical framework of the informal economy the underlying theoretical concept of *informal productive activities* will be introduced. This is defined as *all productive activities carried out by persons and economic units that are – in law or in practice – not covered by formal arrangements*. The concept contributes to the explanation of the statistical meaning of informality and creates a linkage between the different statistical components of the framework. Based on this, the concept of the informal economy can be understood as *including all informal productive activities of persons and economic units*. The underlying concept of informal productive activities and the overarching concept of the informal economy set the statistical boundaries of informality, as well as enabling the integration of the different paid and unpaid forms of work in the framework, and thus aligns it to the 19<sup>th</sup> ICLS resolution concerning statistics on work, employment and labour underutilization (ILO, 2013).

12. Based on the principle used for defining informal productive activities most illegal productive activities would be part of the informal economy. However, from a policy perspective addressing informal activities versus illegal activities would have different policy measures and objectives. While policies designed to address illegal activities would typically focus on reduction or abolition, the objectives of policies addressing informal productive activities would be formalization and supporting informal workers and economic units. To serve these diverging policy needs, the proposal is therefore to exclude production of goods or services whose sale, distribution or possession is forbidden by law from the informal economy while allowing for the inclusion of production that is usually legal but becomes illegal when carried out by unauthorized producers.

13. The broad definition of the informal economy expands the current boundaries of informality by also recognizing that activities outside the SNA production boundary but within the SNA general production boundary can be considered part of the informal economy. While the measurement of informal employment, as defined in the 19<sup>th</sup> ICLS standards, will remain central to the new framework the new broader scope of the informal

economy and informal productive activities will enable the compilation of statistics that go beyond the core concepts of the informal sector and informal employment which would, for example, be needed for the compilation of statistics on all informal productive activities within the SNA production boundary as an input to GDP. In addition, it provides the possibility to identify essential groups of workers outside employment but within the informal economy to complement the core concept of informal employment due to the recognition that informal productive activities also can be conducted within the different unpaid forms of work.

14. The broad concept of informal economy creates a need to introduce a more focused complementary concept restricted to the statistical concepts of informality that typically would be of target for formalization and therefore have a strong policy relevance. The more restricted concept of *informal market economy* that includes *all informal productive activities, carried out by workers and economic units for pay or profit* is designed to include the core concepts of informal employment and the informal sector as well as partly informal activities carried out in the formal sector, as can be seen in box 1.

Box 1

**The scope of statistics on the informal economy**

<b>Informal productive activities</b>									
<b>Production</b>	<b>For pay or profit</b>					<b>Not for pay or profit</b>			
<b>Workers</b>	Liable to become formal or already formal					Partial regulated or not at all but liable to be regulated			
<b>Informal work</b>									
	Formal employment with partly informal activity		<b>Informal Employment</b>			<ul style="list-style-type: none"> <li>• Own use,</li> <li>• Unpaid trainee,</li> <li>• Volunteer work carrying out informal productive activities [Essential categories]</li> </ul>			
	Either main or secondary formal jobs with partly informal activity		Either main or secondary informal jobs						
Carry out the work for Economic units in:	Formal sector	Households with paid domestic workers	Formal Sector	Informal Sector	Households with paid domestic workers	Informal Sector	Formal sector	Households, Non-formal NPI	
Informal market economy	<b>Employed persons in the informal market economy</b>								
Informal economy	<b>Workers in the Informal Economy</b>								
<b>Economic units</b>									
<b>Informal production</b>									
	Formal sector with partly informal production for pay or profit		<b>Informal sector</b>			Household own-use and community sector			
						Household engaging employees	Households producing for own-final use		
Labour input	Informal employment		Informal employment			Informal employment		Informal volunteer work	
	Informal unpaid trainee work		Informal unpaid trainee work					Own-use production work	
	Informal volunteer work		Informal volunteer work						
Relation to 2008 SNA	SNA production boundary					Goods		Services	
	SNA general production boundary								
Informal market economy	<b>Economic units in the informal market economy</b>								
Informal economy	<b>Economic units in the Informal Economy</b>								

### III. The formal sector, the informal sector and the household own-use and community sector

15. The three different sectors i.e., *the formal sector, the informal sector* and the *household own-use and community sector* are proposed to be defined based on the two underlying dimensions, the intended destination of the production and the formal status of the economic unit as can be seen in table 1.

16. *The intended destination of the production* reflects whether the production is mainly intended for the market with the purpose of generating a profit. Types of production that are not intended for the market with the purpose of generating a profit includes: production that is mainly for own final use, production mainly intended for the market but with a non-profit purpose and non-market production that is mainly for final use by other households.

17. *The formal status of the economic unit* reflects whether the unit is formally recognized by government authorities as a distinct producer of goods or services and thus covered by formal arrangements put in place to protect the activities of the economic unit as a producer as well as for regulating its actions.

Table 1

**Conceptual derivation of the three sectors based on the two dimensions**

		<i>Production mainly intended for the market</i>	
		Yes	No
<i>Formally recognized economic unit</i>	Yes	Formal sector	Formal sector
	No	Informal sector	Household own-use and community sector

18. Based on the two dimensions the three sectors can be mutually exclusively defined as:

19. ***The formal sector:*** comprising *economic units that are formally recognized as distinct producers of goods and services for the consumption of others, irrespective of the intended destination of the production.*

20. The formal sector would include *Corporations, Financial corporations, General government, formal Non-profit Institutions Serving Households (NPISHs) and Formal household unincorporated enterprises.* These formal economic units are characterized by:

a) *having a formal status as distinct producers of goods or services by:*

(i) *being owned and/or controlled by the government; or*

(ii) *being recognized as separate legal entities from their owners; or*

(iii) *keeping a complete set of accounts for tax purposes; or*

(iv) *being registered in a nationally established system of registration; or*

(v) *producing for the market and employing one or more persons to work as an employee with a formal job(s).*

(b) *the intended destination of the production being:*

(vi) *mainly for the market with the purpose of generating an income or profit, for a non-profit purpose, or non-market production for use of others*

21. ***The informal sector:*** comprising *economic units whose production is mainly intended for the market with the purpose of generating a profit, but that are not formally recognized as producers of goods and services distinct from the own use production of the owner operators' household.*

22. The informal sector would include informal household unincorporated enterprises. These informal economic units are characterized by:

a) *not having a formal status as a market producer by:*

(i) *not being owned and/or controlled by the government; and*

(ii) *not being recognized as separate legal entities from their owners; and*

(iii) *keeping a complete set of accounts for tax purposes; and*

(iv) *not being registered in a nationally established system of registration used for granting access to benefits and that carries obligations; and*

(v) *not employing one or more persons to work as an employee with a formal job*

b) *the intended destination of the production being:*

(vi) *mainly for the market with the purpose of generating an income or profit for the owner(s) of the enterprise*

23. **Household own-use and community sector:** *comprising economic units that are not formally recognized as distinct producers of goods and services, whose production is not mainly intended for the market.*

24. This sector includes households producing for own final use, direct volunteer work and non-formal non-profit organizations. It would also include production taken place within the SNA production boundary as well as outside but within the SNA general production boundary. These economic units are characterized by:

a) not being formally recognized as distinct producers of goods; and

b) the production that takes place being mainly intended for:

- own final use; or
- the use of others without the purpose of generating an income or profit.

25. The household own-use and community sector completes the categorization of economic units. Firstly, it includes productive activities produced by the household or undertaken by family members outside the household that are mainly intended to be consumed by the household or by family members living outside the household. Secondly, the sector also includes direct volunteer work, which refers to non-market production by one household for the use of other households, as well as non-formal non-profit organizations. The inclusion of not only own-use production but also of some types of volunteer work in the sector is reflected in the proposed term Household own-use and *community* sector. Thus, indicating that the sector includes the production of households for own use as well as for the use of other households.

26. Depending on the statistical objective there might therefore be a need to further divide the household own-use and community sector into different dichotomous subsectors. The subsectors would differ, however, depending on the specific measurement objective. Three different dichotomies could be of relevance:

(i) *Informal production within the SNA production boundary versus informal production outside the SNA production boundary (but within the SNA general production boundary).* This dichotomy would be relevant to enable a comprehensive measurement of all informal productive activities within the SNA production boundary for the purpose of SNA.

(ii) *Households producing for own-final use versus non-profit organizations that are not formally recognized by the legal administrative framework of the country.* A distinction that could be of relevance in relation to statistics on volunteer work.

(iii) *Households with employees versus Households producing for own final use without employees.* Allows the identification of households as employers engaging for example domestic employees.

## A. Informal productive activities within the formal sector

27. The production within the formal sector would typically be formal production and therefore not part of the informal economy. However, informal productive activities could also take place within the formal sector and would then be included within the informal economy. This would be the case when informal labour inputs are used for the production of formal economic units. Informal labour input in relation to formal economic units would include employees and contributing family workers with informal jobs as well as workers carrying out unpaid work for the formal economic units, such as informal unpaid trainees and persons carrying out informal volunteer work. In addition, informal productive activities within the formal sector would also include partly informal productive activities carried out

by persons with formal jobs when for example some of the income and hours worked are not declared.

## B. The three sectors and the SNA sectors

28. The three sectors as defined above can, from the perspective of the SNA, be regarded as three different domains that cut across multiple SNA institutional sectors or further sub-divide a SNA institutional sector. As can be seen in box 2, the formal sector cuts across multiple SNA sectors while the informal sector and household and community sector can be viewed as two sub-sectors to the SNA household sector. The term “sector” within the informal economy framework is therefore used differently than within the SNA and is not used entirely consistent with the SNA framework. However, the term sector is already well established and widely used in relation to statistics on informality and is therefore proposed to be retained when describing the three different categories of economic units within the framework of the informal economy.

Box 2

### The SNA sectors and the informal sector, formal sector and household own-use and community sector

SNA sectors							
	(a) Non-financial corporations sector and (b) Financial corporations sector		(c) General government sector	(d) NPISH sector	(e) Household sector		
Type of SNA institutional unit	Corporations	Quasi-corporations	Government units	NPISH	Households		
Type of production	Market production	Market production	Non-market production	Non-market production	Market production	Market production	Non-market production incl. production for own final use
Operational definition as part of identifying the formal status	Incorporated enterprise	Have a complete set of account for tax purposes	By definition a formally recognized status	Formal status of the NPISH	Registered enterprise	Not registered enterprise	Production for own final use or non-market production for the use of others Goods Services
SNA production boundary							
SNA general production boundary							
Forms part of	Formal sector	Formal sector	Formal sector	Formal sector	Formal sector	Informal sector	Household own-use and community sector

## C. Changing the scope of the informal sector

29. The change of the threshold of market production from *some* production being intended for the market (which is the threshold used in the current informality standards) to “mainly” reduces the scope of the informal sector. This is an important alignment of the concept of market production with the definitions used in the SNA and the 19th ICLS resolution concerning statistics of work, employment and labour underutilization. The use of a threshold based on the main intended purpose of the production excludes production by the household that is mainly intended for the use of the household, from the informal sector. Own-use production work as defined in the 19th ICLS resolution I would, therefore, not take



place within the informal sector but in the household own-use and community sector and therefore still form part of the overarching concept of the informal economy.

30. The current definition of the informal sector includes the option to exclude agriculture activities from the informal sector. This was introduced in the 15<sup>th</sup> ICLS resolution due to practical challenges such as increased costs for data collection, the need to adapt data collection methods etc. However, considering the importance of recognizing and measuring informal agricultural production mainly intended for the market as part of the informal sector, the proposal is to remove this option from the new standards. This is in line with the current practice of most countries and would contribute to a more comprehensive measurement of the informal sector as input to the SNA, as well as informal employment. The proposal is therefore to underline that enterprises in the informal sector can engage in any kind of productive activity, agricultural as well as non-agricultural, in so far as they are mainly intended for the market. The same set of criteria for inclusion in the informal sector is proposed to be used for agriculture activities as well as non-agriculture activities. Countries might, however, have special regulations surrounding agriculture activities including special requirements for registration or specialized agriculture registers. This might call for countries to adapt the criteria to ensure that it takes such national specificities into account.

#### **D. Strengthening the operational criteria for defining the informal and formal sector**

31. The operational criteria for defining the formal status of the economic unit are to a large extent built on the already existing criteria used for defining the informal sector in the 15<sup>th</sup> ICLS resolution concerning statistics on employment in the informal sector. However, several minor clarifications around the different criteria are proposed. This includes removing the current possibility for informal enterprises to have formal employees, clearer recommendations for what countries should consider when operationalizing the key criterion of registration, and to link the criterion of having a complete set of accounts to having accounts for tax purposes. These changes are intended to strengthen the criteria by more strongly connect them to the underlying concept of informal productive activities and to increase harmonization between countries by providing improved input for how to operationalize the criteria when taking national contexts into account.

### **IV. Informal work**

32. *Informal work* defined as *all productive activities performed by persons that are – in law and practice - not covered by formal arrangements* is a broad overarching concept that reflects the informal economy from the perspective of persons/workers. It would include productive activities defined as employment that are in law and in practice not covered by formal arrangements put in place to stipulate the responsibilities, obligations and protection of the economic units and the workers. In addition, the broad concept of informal work would include productive activities carried out with a different intention than to generate pay or profit. This would include own-use production work, volunteer work, unpaid trainee work and other work activities that are not covered by formal arrangements such as regulations and provisions that promote or facilitate the work and protect and regulate the actions and functions of the worker.

33. Informal work needs to be viewed as an overarching reference concept not intended to be measured in its totality. It is a broad concept that allows the identification of a subset of essential components that need to be measured regularly to provide the statistics needed for policy purposes. Beyond the core concept of informal employment this would include essential categories of unpaid work, such as unpaid trainee work and subsistence foodstuff production, that complements the core concept of informal employment.

## A. Informal employment

34. Based on the underlying concept of informal productive activities and the definition of informal work, *informal employment*, can be defined as *any activity carried out by a person to produce goods or provide services for pay or profit that is not effectively covered by formal arrangements*. Informal employment would consist of activities in relation to informal jobs that are not effectively covered by formal arrangements such as commercial laws, procedures to report economic activities, labour laws and social security laws aiming at regulating and protecting the economic units and workers. This creates a link between the definition of informal employment, the definitions of informal jobs and the International classification of status in employment as defined by ICSE-18, given that the definition of informal jobs is related to the type of job held by the person.

35. For independent workers, the definition of informal-/formal jobs follows from the categorization of the economic unit owned and operated by the independent worker. As can be seen in table 2 this implies that independent workers have a formal job if their enterprise is a formal economic unit, and an informal job if they own and operate an informal enterprise. This link is to some extent less direct for dependent workers. Dependent workers i.e., dependent contractors, employees and contributing family workers have informal jobs when categorized in the informal sector but may have informal or formal jobs in the formal sector. In the case of dependent contractors and contributing family workers this is still however, under discussion. In addition, employees can also have informal/formal jobs working for a household.

Table 2  
Status in employment informal- formal job, sector

Sector in which the worker is categorized	Job by status in employment								
	Independent workers (Employers, own-account workers)				Dependent workers				
	Owner-operators of corporations	Independent workers in household market enterprises		Dependent contractors		Employees		Contributing family workers	
		Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal
Formal sector				1*	*	2		3	
Informal sector		4		5		6		7	
Household own-use and community sector						8			

Note: Cells shaded in dark grey refer to jobs, which, by definition, do not exist in economic units located in the specific sector. Cells shaded light grey refer to formal jobs. Informal employment consists of informal jobs in cells 1-8

\*The recognition of the existence of formal jobs among contributing family workers and the definition of informal/formal jobs for dependent contractors categorized in the formal sector is still under discussion.

## B. Informal jobs held by independent workers

36. The definition of informal jobs among independent workers relies on the informal/formal status of the economic unit they own and work for. The criteria used for operationally defining informal jobs for independent workers are therefore the same as for establishing the informal/formal status of the economic unit. Independent workers who own an informal household market enterprise would, by definition, have an informal job, while independent workers who own a formal economic unit would, by definition, have a formal job. This link between the definition of the informal sector and informal jobs among independent workers is already established in the current Guidelines concerning a statistical definition of informal employment (ILO, 2003). Based on this the proposal is to define independent workers with informal jobs as:

37. *Independent workers in household market enterprises who operate and own or co-own an informal household market enterprise.*

### C. Informal jobs held by employees

38. The definition of informal/formal jobs for employees in the current standards includes a relatively high degree of flexibility regarding how countries can operationalize the definition. To further strengthen this definition, it would be essential to contribute to an increased harmonization between countries by providing clearer recommendations regarding the criteria countries should prioritize. At the same time, it will be necessary to retain a certain degree of flexibility to create space for countries to develop effective operationalizations that take national labour laws and social protection systems into account.

39. The proposal is to build on the common ground across countries who tend to favor the use of *employers' contribution to social insurance, access to paid annual leave and sick leave* by recognizing that these should be prioritized criteria that, depending on country context, can be supported by additional criteria if deemed useful. This approach aims at striking a balance between the need to remain some flexibility for countries to adapt the operational definition of informal jobs held by employees while at the same time increase the level of harmonization between countries and to ensure the possibility for creating global and regional estimates as well as harmonized series on informal employment. Based on this the proposal is to define informal jobs among employees as:

40. *Employees are considered to have informal jobs if their employment relationship is not in practice formally recognized by the employer in relation to the legal administrative framework of the country and not associated with effective access to formal arrangements such as labour legislation, social protection, income taxation or entitlement to employment benefits.*

41. *They include:*

- a) *Permanent employees,*
- b) *Fixed-term employees,*
- c) *Short-term and casual employees, and*
- d) *Paid apprentices, trainees and interns who do not have access to effective formal arrangements such as statutory social insurance, access to paid annual leave and paid sick leave.*

42. *A defining characteristic of informal jobs held by employees is the absence of the employer's contribution to statutory social insurance<sup>1</sup>.*

43. *Additional characteristics that may be relevant for the statistical identification of informal jobs held by employees are a lack of access to paid annual leave or a lack of access to paid sick leave.*

44. *Depending on national circumstances additional characteristics such as the non-existence of a written contract, no deduction of income tax made by the employer or no access to severance pay might be relevant to support the definition of informal jobs held by employees.*

### D. The integration of dependent contractors

45. Dependent contractors is a new category in ICSE-18 that was introduced with the 20<sup>th</sup> ICLS resolution concerning statistics on work relationships (ILO, 2018b). Dependent contractors are on the borderline between being employees and own-account workers. They are defined as workers with commercial agreements that are employed for profit who are

---

<sup>1</sup> Employer's contribution to statutory social insurance refers to whether the employer contributes fully or partly to a job-dependent statutory social insurance scheme on behalf of the employee. It therefore excludes universal non-contributory social protection schemes as well as voluntary contributions made by the employer if this does not imply a formal status of the economic unit and the worker.

dependent on another entity that exercises control over their activities, and that directly benefits from the work (ILO, 2018b, paragraph 35).

46. Based on the discussions within the ILO working group, it seems that registration of the economic unit and registration of the dependent contractor for tax purposes are useful criteria for the definition of informal jobs for these workers. If the dependent contractor has a formal enterprise or is registered as a worker for tax purposes, then the dependent contractor can be considered as formally recognized and therefore part of the formal sector. If this is not the case, however, then no formal recognition of the enterprise or the worker exists and the worker is categorized in the informal sector. While it seems clear that dependent contractors categorized in the informal sector (i.e., they do not have a formal enterprise and are not registered in relation to tax) have informal jobs, the set of circumstances under which they can be regarded to have formal jobs needs further discussions within the ILO working group.

#### **E. Operational definition of informal and formal jobs for contributing family workers**

47. According to the current definition of informal employment, contributing family workers, by default, have informal jobs due to the informal nature of their jobs. This practice could be relevant to maintain as many countries would not have any formal arrangements in place for contributing family workers such as the possibility to register the worker, contribute to social insurance and providing access to employment benefits. At the same time there are countries (even if likely to be few) that have implemented formal arrangements targeting this group. In these countries it could be of relevance to allow for the possibility for contributing family workers to be considered to have formal jobs and thus be able to provide data on the outreach of such arrangements. The proposal to retain the current approach i.e., that jobs held by contributing family workers as default are defined informal, while allowing for the exemption that in countries where formal arrangements exist the jobs could be considered formal, is currently being discussed within the working group.

#### **F. Partly informal productive activities within formal jobs**

48. The concept of *partly informal productive activities* is proposed to be a complementary concept to the core concepts of informal employment and the informal sector that, depending on the country context, could be of relevance to estimate. Partly informal productive activities in relation to formal jobs would include situations where a person has a formal job in which parts of the work performed by the worker are covered by formal arrangements while other parts are not (e.g., when part of the work is undeclared and not covered by social protection, employment benefits etc.). In the case of independent workers, this could include, for example, a situation where the owner-operator of a formal enterprise carries out work to produce goods or to provide services when some of the activities are declared while others are undeclared. For employees it could be a situation in which the employee is formally hired to work ten hours per week for a formal enterprise but has an agreement to work ten additional undeclared hours for which no social contributions are made or, in case of sickness, not compensated for.

### **V. Informality and forms of work other than employment**

49. The underlying concept of informal productive activities would potentially include all activities defined as work, paid as well as unpaid. The inclusion of paid as well as unpaid work is as such not a change compared to the definition of informal employment in the 17<sup>th</sup> ICLS guidelines concerning statistics on informal employment which, at least conceptually, includes all activities within the SNA production boundary. In other words, part of the activities that are now defined as own-use production work, unpaid trainee work and volunteer work are also included in the current definition of informal employment. The main difference being that with the 19<sup>th</sup> ICLS resolution I all activities carried out by persons within the SNA general production boundary are now recognized as work. The concept of

informal work is thereby extended to also include for example own-use provision of services as well as direct volunteer work.

#### **A. Why should we identify informality among forms of work other than employment?**

50. From a statistical point of view, it seems clear that the objective of including forms of work other than employment within the framework of informality is not to aim for countries to derive estimates on all informal work and its different components, i.e., informal volunteer work, informal own-use production work, etc. Such data would not be meaningful to inform policies, considering that the default situation for forms of work other than employment is likely to be informal. At the same time there seem to be strong arguments supporting the statistical recognition that unpaid work is informal and, in some cases, also can be considered formal unpaid work.

51. The recognition that informality also exist in relation to the unpaid forms of work would be important from the perspective of the SNA to have a comprehensive estimation of all informal productive activities contributing to GDP. Informal productive activities other than employment that are within the SNA production boundary are still part of GDP and an important contribution to countries' economies. A concept of informal work aligns the framework with the needs of the SNA and acknowledges that informal unpaid work such as informal unpaid trainees and volunteers are informal labour input to economic units in the formal sector, informal sector and household own-use and community sector.

52. From a social statistical perspective, the overarching concept of informal work would likely have less relevance as such. However, the concept can be viewed as a reference concept that creates space for the statistical identification of essential categories of informal unpaid work that are of special statistical interest to measure with some regularity, to complement the concept of informal employment. These essential categories would include subsistence food-stuff producers and unpaid trainees. Two important groups that previously were included in the concept of informal employment but are now excluded from employment.

53. In addition, the recognition that the dichotomy of informality and formality can exist in relation to the different forms of unpaid work can be viewed as an important recognition in itself. It creates the possibility to, depending on country context and need, assess the outreach of any formal arrangements put in place to facilitate and protect specific types of unpaid work and for applying the dichotomy in domains that go across different forms of work, if there is such a need. Such domains could include an assessment of care work, agricultural production or digital platform work from the perspective of informality/formality if relevant.

#### **B. Providing further guidance on statistical definitions of informal/formal unpaid work**

54. While formal arrangements in relation to employment is a relatively clear concept, this becomes more challenging in relation to the different forms of unpaid work. In addition, there is only limited experience among national statistical offices in establishing informality/formality in relation to work other than employment. Taking this situation into account the way forward seems to be to create flexible definitions, linked to the underlying concept of informal productive activities that points in the direction of how informality/formality can be statistically understood in relation to the different forms of work.

55. Introducing flexible definitions will allow compilers of official statistics and other data collectors to further elaborate how informality should be statistically understood and operationally measured depending on the specific objective and data need, and by that gain valuable experience. It can be viewed as a first important step to provide statistical standards on informal work in relation to all forms of work that ensures that the framework is sufficiently robust to respond to a possible increased policy interest in formal arrangements in relation to these type of activities beyond ensuring that the current data need on the essential categories of informal unpaid work is met.

## VI. The indicator framework

56. One of the most essential objectives of collecting data on informality is to support and monitor policies aiming at improving the working conditions of workers in both informal and formal employment, contributing to formalization of the informal market economy, and addressing decent work deficits. While the dichotomy of informality and formality contributes to this, there is still a strong need to provide more granular data that gives a better understanding of the situation of informal and formal workers.

57. To meet this need, an indicator framework is being developed to support the new resolution. The indicator framework is organized around five different dimensions, *extent of informality*, *structure of informality*, *decent work deficits*, *contextual vulnerability* and *other structural factors*. Each dimension includes a set of main indicators characterized by being highly essential indicators that typically would already be included in existing data sources, as well as additional indicators that, depending on the national context, needs, prioritization and available statistical sources, could be relevant to support analysis. While some of the most essential key main indicators will be included in the resolution many of the indicators will be included in the supporting indicator framework. This ensures flexibility and creates the space to further develop the indicator framework also beyond the 21<sup>st</sup> ICLS in 2023.

## VII. Next steps

58. The work to developing the new standards concerning statistics on the informal economy is not yet finalized. In 2022 it is envisaged that a fourth and final working group meeting will take place to make further progress around some of the remaining issues. Ahead of this meeting a series of regional meetings will be conducted in all regions to get region specific input on the proposal. This is an essential step to ensure that the new framework is efficient and can be adapted to differences between regions.

59. At the beginning of 2023 the proposal will be discussed by a formally convened tripartite Meeting of experts consisting of representatives from countries, workers representatives and employer representatives. The proposal of a new standard will then be put forward to the 21<sup>st</sup> International Labour Conference of Statisticians in 2023 for discussion, amendments, and adoption.

60. In parallel with the undergoing revision, the ILO is developing improved data collection methods for the measurement of informal employment based on ongoing research and pilot studies. The results will be used to support countries to implement the new standards and improve measurement of informality, particularly through a gender lens.

## References

International Labour Office (ILO). 1993. Resolution concerning statistics of employment in the informal sector, adopted by the 15th International Conference of Labour Statisticians (15th ICLS resolution) (Geneva, 19-28 January). Available at:

[https://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS\\_087484/lang--en/index.htm](https://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS_087484/lang--en/index.htm)

—. 2002. Resolution concerning decent work and the informal economy, adopted by the International Labour Conference at its 90th session (Geneva, 3-20 June). Available at:

[https://www.ilo.org/global/topics/dw4sd/themes/informal-economy/WCMS\\_080105/lang--en/index.htm](https://www.ilo.org/global/topics/dw4sd/themes/informal-economy/WCMS_080105/lang--en/index.htm)

—. 2003. Guidelines concerning a statistical definition of informal employment, adopted by the 17th International Conference of Labour Statisticians Geneva, 24 November-3 December. Available at:

[https://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/guidelines-adopted-by-international-conferences-of-labour-statisticians/WCMS\\_087622/lang--en/index.htm](https://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/guidelines-adopted-by-international-conferences-of-labour-statisticians/WCMS_087622/lang--en/index.htm)

—. 2013. Resolution concerning statistics of work, employment and labour underutilization, adopted by the 19th International Conference of Labour Statisticians, Geneva, 2–11 October. Available at: <https://ilostat.ilo.org/resources/methods/#standards>

—. 2015. Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) Geneva. Available at:

[https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:R204](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R204)

—. 2018a. Women and Men in the Informal Economy: A statistical picture, third edition (Geneva, May). Available at:

[https://www.ilo.org/global/publications/books/WCMS\\_626831/lang--en/index.htm](https://www.ilo.org/global/publications/books/WCMS_626831/lang--en/index.htm)

—. 2018b. Resolution concerning statistics on work relationships, adopted by the 20th International Conference of Labour Statisticians, Geneva, 10–19 October. Available at:

[https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/meetingdocument/wcms\\_647343.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/meetingdocument/wcms_647343.pdf)

—. 2022a. Report of International Labour Organization on informal economy statistics. Statistical Commission, Fifty-third session, 28 February - 2 March and 4 March 2022

—. 2021b. Conceptual Framework for Statistics on the informal economy. Working Group for the Revision of the standards for statistics on informality. Third meeting 19th – 28th October 2021. Geneva. Available at: <https://ilostat.ilo.org/events/working-group-for-the-revision-of-the-statistical-standards-of-informality/>

United Nations Statistics Commission. 2008. System of National Accounts, adopted by United Nations Statistical Commission 2009. February. New York.

<https://unstats.un.org/unsd/nationalaccount/sna2008.asp>