



Report II

▶ Statistics on the informal economy

Report for discussion at the 21st International Conference of Labour Statisticians
(Geneva, 11–20 October 2023)



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► 1. Introduction and background

1. The first statistical standards on informality were adopted in 1993 by the 15th International Conference of Labour Statisticians (ICLS), in the [resolution concerning statistics of employment in the informal sector](#). In that resolution, the economic unit is used as the primary reference unit and definitions are provided of the terms “informal sector” and “persons employed in the informal sector”. Ten years later, at the 17th ICLS in 2003, the boundaries of informality were broadened with the adoption of the [Guidelines concerning a statistical definition of informal employment](#). The job-based concept of “informal employment” recognizes that informal employment exists not only in the informal sector, but also in the formal sector and in situations where households are the employing unit.
2. The statistical standards defining the informal sector and informal employment provided by the ICLS have been essential to countries for 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. The development of the statistical framework of informality has been an incremental process. As a result, despite the good progress made, there are some flexibilities, gaps and inconsistencies between and within the different concepts and definitions that have an impact on the capacity to produce comprehensive, coherent and internationally comparable data on informality.
4. In addition, the statistical foundation on which the statistical standards on informality were built has fundamentally changed over the last decade. The [resolution concerning statistics of work, employment and labour underutilization](#), adopted by the 19th ICLS in 2013 (hereinafter referred to as the “19th ICLS resolution I”), expanded the boundaries of labour statistics by introducing the broad statistical concept of “work”, recognizing different forms of work and providing a narrower definition of “employment”. At the 20th ICLS in 2018, a revised International Classification of Status in Employment (ICSE-18) was introduced with the adoption of the [resolution concerning statistics on work relationships](#), replacing the International Classification of Status in Employment that had been adopted by the 15th ICLS in 1993 (ICSE-93).
5. The need to revise the statistical standards was raised at the 20th ICLS in 2018. At that time, there was a strong consensus that a revision should be initiated, and so, in 2019, the ILO established a working group to develop a coherent set of standards, including conceptual and operational definitions, for the comprehensive measurement of informality. This set of standards presented in the appendix in the form of a draft resolution for discussion and adoption at the 21st ICLS, draws from existing definitions and country practices and is aligned to the most recent statistical standards for measuring work, with a view to contributing to increased global coverage and harmonization.

Structure of the report

6. This report consists of eight sections. This first section presents background information on the main uses of statistics on the informal economy, the key issues arising from the current statistical standards that need to be addressed and the revision process to date. The remaining sections are intended to provide an overview of the draft resolution, the text of which is set out in the appendix. Section 2 describes the structure of the framework for statistics on the informal economy and the scope of the concepts of informal economy and informal market economy. Section 3 discusses

proposed definitions of the formal sector, the informal sector and the household own-use community sector. Section 4 introduces the overarching concept of informal work, while section 5 covers the concept of informal employment and the definitions of informal and formal jobs for different categories of status in employment. Section 6 discusses the proposed integration of forms of work other than employment into the statistical concept of the informal economy. Sections 7 and 8 conclude the report by briefly discussing the sections of the draft resolution covering data sources and indicators.

7. This report and the draft resolution contained in the appendix, to be submitted to the 21st ICLS in 2023, are complemented by a conceptual framework for statistics on the informal economy that provides more in-depth information on the different elements of the proposal. To further support the discussions at the Conference, a set of room documents will be provided, expanding on some selected topics relevant to the proposal, including documents on dependent contractors and informality; contributing family workers and informality; current country practices for defining informal sector and informal employment; and the indicator framework. Guidelines and recommendations on data collection will also be provided as supporting material during the 21st ICLS.

Uses of statistics on the informal economy

8. Statistics on the different components of the informal economy are used for a wide variety of purposes in both economic and social analysis. Information on informal employment and the informal sector is essential for improving working conditions and for reducing poverty. As recognized in the [conclusions concerning decent work and the informal economy](#) adopted by the International Labour Conference at its 90th Session (2002), workers in the informal economy are characterized by a high degree of vulnerability and poverty. Furthermore, as recognized in the Preamble to the [Transition from the Informal to the Formal Economy Recommendation, 2015 \(No. 204\)](#), decent work deficits are most pronounced in the informal economy. Information on the informal sector and informal employment thus enables governments to support the development of policies to address the consequences of informality, to inform, support and monitor national processes of transition from the informal to the formal economy and to evaluate the economic and social impacts of macroeconomic changes, such as the impact of economic cycles or long-term changes in the level and composition of employment.
9. Statistics on the size and composition of the informal sector and on production inputs and outputs are necessary to create exhaustive estimates for the purposes of national accounts, including to support the construction of input-output tables and estimates of value added, 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 for the purposes of providing information for designing, implementing, monitoring and analysing macroeconomic policies and assessing their impact.
10. The importance for countries of providing statistics on the informal economy that can inform policies aimed at facilitating the transition of workers and economic units from the informal to the formal economy was underlined in Recommendation No. 204.
11. Statistics on informal employment and employment in the informal sector are also particularly important for the policy-oriented monitoring of gender inequalities in the world of work. According to an ILO report published in 2018, women in the informal economy are more often found in the most vulnerable situations, for instance as domestic workers, home-based workers

or contributing family workers, than their male counterparts.¹ Informal employment thus becomes an important dimension for understanding and addressing inequalities between women and men in employment.

12. 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 Goal framework as indicator 8.3.1 (proportion of informal employment in total employment, by sector and sex) points to the continuing high relevance of the concept and the need for countries to regularly measure, monitor and address informal employment as part of achieving Goal 8 to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Identified key issues to be addressed in the revision

13. As part of the preparations for the 20th ICLS, the ILO carried out an assessment of the current statistical standards to identify key areas to be addressed in a revision.² This included consideration of how the statistical framework on informality needed to be adjusted to be aligned to the changes of the statistical labour standards adopted by the 19th ICLS and the 20th ICLS.
14. The adoption of the 19th ICLS resolution I in 2013 changed the foundation of the 17th ICLS Guidelines concerning a statistical definition of informal employment (2003), which are based on the definition of employment from the 13th ICLS in 1982. The introduction of the concept of work and the five forms of work – own-use production work, employment work, unpaid trainee work, volunteer work and other work activities – broadens the scope of labour statistics and highlights the different forms of unpaid work. At the same time, employment as a concept is narrower than it was previously and more attached to remuneration.
15. The concept of informal employment as defined by the 17th ICLS Guidelines concerning a statistical definition of informal employment is naturally not aligned to these important changes. The concept, as currently defined, includes activities such as own-use production of goods, organization-based volunteer work and unpaid trainee work – activities that are now excluded from employment as defined in the 19th ICLS resolution I. At the same time, the current statistical framework of informality does not address activities that are outside the System of National Accounts (SNA) production boundary but within the SNA general production boundary, such as the own-use provision of services, which forms part of the broader concept of work and has important gender implications.
16. The adoption of the 19th ICLS resolution I does not have any major impact on the definition of the informal sector. More generally, however, it does point at a gap in the current standards, which directly define only the informal sector. A definition of the formal sector can be indirectly derived while the third sector – households – is not explicitly addressed in the standards. The need to define these three different sectors more explicitly and to address how production and work activities within the SNA general production boundary that are not carried out with the intention of generating pay or profit relate to the concept of informality, has become essential to creating a comprehensive set of statistical standards.

¹ ILO, *Women and Men in the Informal Economy: A Statistical Picture*, third edition, Geneva, 2018.

² ILO, *Revision of the 15th ICLS Resolution concerning Statistics of Employment in the Informal Sector and the 17th ICLS Guidelines regarding the Statistical Definition of Informal Employment*, ICLS/20/2018/Room document 17, 2018.

17. Due to the redefinition of employment and the introduction of the statistical concept of work, it became necessary to update ICSE-93. The work carried out to this effect resulted in the adoption of the resolution concerning statistics of work relationships by the 20th ICLS in 2018. The status in employment categories are an integral part of the definition of informal employment, which builds on the status in employment as defined by the ICSE. The changes that took place with ICSE-18 have, in general, a limited impact on the definition of informal employment. However, one important change that does have an impact is the introduction of dependent contractors, which is a new category of status in employment that needs to be integrated in the framework for statistics on the informal economy.
18. There are other areas within the current statistical standards on informality that need to be addressed to improve the framework and the definitions relating to informality. One such issue is the current possibility for countries to exclude agricultural activities from the informal sector under the 15th ICLS resolution concerning statistics of employment in the informal sector. Such an exclusion, however, impedes the possibility for providing information regarding informal economic units and informal workers engaged in agricultural production, which is essential for policymakers to gain an understanding of the structure of the informality in the country and the situation of the workers engaged in this production. Information on informal agricultural production would also be important to achieve the comprehensive measurement of production by the informal sector as a contribution to GDP.
19. The current statistical standards on informality include a relatively high degree of flexibility with respect to how countries can operationalize the criteria used for defining the informal sector and informal employment. This applies, in particular, to whether countries should use the size of the unit or registration for defining the informal sector and for defining informal jobs held by employees. At the time of the adoption of the standards, this flexibility was necessary as countries had little experience of measuring these concepts and only limited actual data were available. In addition, there is a strong global need to access more harmonized data to be able to create regional and global estimates and to compare the structure and development of informality between countries. Based on an assessment of country practices, a more common understanding seems to have emerged among countries on the main criteria to use for defining the different concepts.
20. The different important changes of the statistical labour standards that have taken place at the 19th ICLS and the 20th ICLS generally call for a more comprehensive framework for statistics on the informal economy that not only defines the boundaries of informality but also clarifies how informality should be statistically understood, what the relevant concepts to measure are and how these different concepts are linked to each other.

Process of developing the proposal

21. To assist in the development of proposals to replace the current standards, the ILO established a working group comprising members from national statistical offices and ministries in more than 40 countries across all regions, international organizations and workers' and employers' organizations. The working group met four times between 2019 and 2022 and managed to make substantial progress in developing a draft of a new resolution concerning statistics on the informal economy. Additional subgroups were created to further discuss and develop particularly challenging issues. To widen the consultation process and obtain feedback on the proposals developed by the working group, the ILO also presented the proposals for discussion at a series of regional meetings of labour statisticians, in all regions of the world, during 2022. The discussions during these meetings focused on both relevance to the regional context and the technical feasibility of the proposed new standards.

22. The working group conducted its work in close collaboration with the Joint Informal Economy Task Team that was established by the United Nations Statistics Division and the International Monetary Fund as part of the upcoming revision of the SNA. This collaboration has been essential to ensure coherence and alignment between the statistical standards of the ILO and the treatment of the informal economy within the SNA.
23. A Tripartite Meeting of Experts was held in Geneva between the 7 and 10 February. The experts expressed strong general support for the proposal and identified some minor adjustments and the need for clarifications. The draft resolution concerning statistics on the Informal economy as presented in the appendix, has been updated reflecting the conclusions reached at the Tripartite meeting of Experts.³
24. In parallel with the development of the proposal, work has been carried out with the objective of improving data collection tools and recommendations. A series of cognitive and quantitative tests has been conducted within the *Engendering informality statistics* project funded by the Bill and Melinda Gates Foundation. Additional tests are expected to be carried out in two Arab States as part of the Ford Foundation project *Developing labour statistics with a focus on informality in the Arab countries*.

► 2. The structure of the framework for statistics on the informal economy

25. To create a comprehensive framework for statistics on the informal economy, the underlying reference concept of “informal productive activities” will be introduced. This is defined as all productive activities carried out by persons or 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. Accordingly, 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 and enable the integration of the different forms of paid and unpaid work in the framework, thus aligning it to the 19th ICLS resolution I.
26. Based on the principle used for defining informal productive activities, most illegal and illicit productive activities would be part of the informal economy. However, from a policy perspective, addressing informal activities is not the same as addressing illegal activities and different policy measures and objectives are required. While the policy aims related to illegal activities would typically be to reduce them or abolish them, the objectives related to informal productive activities would be to achieve formalization and to support informal workers and economic units. To serve these diverging policy needs, and in line with Paragraph 2(b) of Recommendation No. 204, the proposal is to exclude the provision of services or the production, sale, possession or use of goods 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.
27. 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

³ ILO, *Report from the discussion at the Tripartite Meeting of Experts in Labour Statistics on the Revision of the Standards for Statistics on Informality*, Geneva, 7–10 February 2023

production boundary can be considered part of the informal economy. While the measurement of informal employment, as defined in the standards adopted by the 19th ICLS, 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 that 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, the broader scope provides the possibility to identify essential groups of workers outside employment but within the informal economy to complement the core concept of informal employment by recognizing that informal productive activities can also be conducted within the different forms of unpaid work.

- 28. The broad concept of the informal economy creates a need to introduce a complementary but more focused statistical concept of the informal market economy that includes the interlinked core concepts of the informal sector and informal employment as well as persons in formal employment carrying out partly informal productive activities. Thus, it encompasses the components of the informal economy that have a high relevance to be targeted for policies and measures aiming towards formalization.

► 3. The formal sector, the informal sector and the household own-use and community sector

- 29. The proposal is to define the three different sectors – the formal sector, the informal sector and the household own-use and community sector – based on two underlying dimensions: the intended destination of the production; and the formal status of the economic unit, as can be seen in table 1.
- 30. 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 include: 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.
- 31. 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 is 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**

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

- 32. Based on the two dimensions, the three sectors can be defined mutually exclusively as:
 - (i) **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 (corporations, quasi-corporations, government units, formal

non-profit institutions serving households and formal household unincorporated market enterprises).

- (ii) **The informal sector:** comprising economic units whose production is mainly intended for the market with the purpose of generating income and profit, but that are not formally recognized as producers of goods and services distinct from the own-use production by the owner-operators' household (informal household unincorporated market enterprises).
- (iii) **Household own-use and community sector:** comprising economic units that are not formally recognized as producers of goods and services for the consumption of others, whose production is either mainly for the household's own final use, or for the use of other households, without the purpose of generating income and profit for the producing household(s) or the members of the non-formal non-profit organization (households and non-formal non-profit organizations).

33. The informal economy would include the informal production carried out by economic units in the informal sector as well as in the household own-use community sector. The production by formal economic units is considered by default to be formal production and is therefore excluded from the informal economy. However, economic units in the formal sector can, as can economic units in the informal sector and household own-use community sector, use different forms of informal paid and unpaid work as input to the production (see table 2).

► **Table 2. Informal productive activities by economic units in the informal economy**

Economic units		Informal production				
Sector		Formal sector	Informal sector *	Household own-use and community sector		
Informal productive activities by economic units		Production in the formal sector is formal	All production by informal household unincorporated market enterprises	Production by informal employees engaged by households and non-formal non-profit organizations	Informal household own-use production, non-formal non-profit organizations and direct volunteer work	
Form of informal work as input to production	For pay or profit	Informal employment *	Informal employment *	Informal employment *		
		Partly informal productive activities of persons in formal employment *		Partly informal productive activities of persons in formal employment *		
	Not for pay or profit	Informal unpaid trainee work	Informal unpaid trainee work	Informal unpaid trainee work	Informal volunteer work	
		Informal volunteer work	Informal volunteer work		Informal own-use production work	
Relation to SNA production boundary		Goods and services			Goods	Services
		SNA production boundary				
		SNA general production boundary				

* Components of the informal market economy

Changing the scope of the informal sector

34. 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” intended for the market 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 in the 19th ICLS resolution I. The use of a threshold based on the main intended purpose of the production excludes households producing for own final use 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 would therefore still form part of the overarching concept of the informal economy.

35. The current definition of the informal sector includes the option to exclude agricultural activities from the informal sector. This was introduced in the 15th ICLS resolution due to practical challenges, such as the increased cost of data collection and the need to adapt data collection methods. 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 would be 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 of informal employment. The proposal is therefore to underline that enterprises in the informal sector can engage in any kind of productive activity, whether agricultural or non-agricultural, insofar as they are mainly intended for the market. It is proposed that the same set of criteria for inclusion in the informal sector be used for both agricultural and non-agricultural activities. Countries might, however, have special regulations surrounding agricultural activities, including special requirements for registration or specialized agriculture registers. This might call for countries to adapt the approach to the application of criteria to ensure that it takes such national specificities into account.

Strengthening the operational criteria for defining the informal and formal sectors

36. The operational criteria for defining the formal status of the economic unit are, to a large extent, built on the existing criteria used for defining the informal sector in the 15th ICLS resolution concerning statistics of employment in the informal sector. However, several minor clarifications around the different criteria are proposed. These include removing size of the economic unit as a main criterion for defining the formal status of the economic unit, excluding the current possibility for informal enterprises to have formal employees, clearer recommendations on what countries should consider when operationalizing the key criterion of registration and linking 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 connecting them to the underlying concept of informal productive activities and to increase harmonization between countries by providing improved input on how to operationalize the criteria when taking national contexts into account.

Informal productive activities within the formal sector

37. The production within the formal sector would, by default, be formal production and therefore would not be 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 as input to the production by 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 forms of work other than employment (hereinafter referred to as 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.

Subcategorization of the household own-use and community sector

38. The household own-use and community sector completes the categorization of economic units. First, it includes productive activities undertaken by the household or by family members outside the household that are mainly intended to be consumed by the household or by family members living outside the household. Second, 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”, indicating that the sector includes the production by households for own use as well as for the use of other households.
39. Depending on the statistical objective, there might 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 the 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.** This distinction could be of relevance in relation to statistics on volunteer work.
 - (iii) **Households and non-formal non-profit organizations with employees versus households and non-formal non-profit organizations without employees.** This would allow for the identification of households and non-formal non-profit organizations as employers. For example, households engaging domestic employees.

► 4. Informal work

40. **Informal work** defined as all productive activities carried out by persons that are – in law or in practice – not covered by formal arrangements is a broad overarching concept that reflects the informal economy from the perspective of persons. It would include productive activities defined as employment that are, in law or 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.
41. Informal work needs to be viewed as an overarching reference concept that is 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.

- 42. Persons carrying out informal productive activities in the informal economy may carry out this informal paid and unpaid work for economic units categorized in the formal sector, informal sector or household own-use community sector, as can be seen in table 3.

► **Table 3. Informal productive activities by persons in the informal economy**

Persons	Informal work				
	For pay or profit		Not mainly intended to generate pay or profit		
Main intention of the productive activities	Informal productive activities in relation to employment		Informal productive activities in relation to forms of work other than employment		
Informal productive activities by persons	Formal employment with partly informal activities *	Informal employment *	Informal unpaid trainee work Informal organization-based volunteer work Informal other work activities	Informal own-use production work Direct volunteer work	
Sector of the economic unit for which the work is provided	Formal sector	Formal sector	Formal sector		
		Informal sector *	Informal sector *		
	Household own-use community sector	Household own-use community sector	Household own-use community sector	Household own-use community sector	
Relation to SNA production boundary	Goods and services			Goods	Services
	SNA production boundary				
	SNA general production boundary				

* Components of the informal market economy.

► 5. Informal employment

- 43. Based on the underlying concept of informal productive activities and the definition of informal work, “informal employment” can be defined as any activity of persons to produce goods or provide services for pay or profit that is not effectively covered by formal arrangements such as commercial laws, procedures to report economic activities, income taxation, labour legislation and social security laws and regulations providing protection against economic and personal risks associated with carrying out the activities. This creates a link between the definition of informal employment, the definition of informal jobs and the status in employment categories as defined by ICSE-18, as the definition of informal jobs relates to the type of job held by the person (see table 4).
- 44. For independent workers, the definitions of informal and formal jobs follow from the categorization of the economic unit owned and operated by the independent worker. As can also be seen in table 4, 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 – 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 addition, employees can also have informal or formal jobs working for a household.

► **Table 4. Informal and formal jobs by status in employment and sector**

Sector of the economic unit for which the work is carried out	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 **
Formal sector				1		2		3	
Informal sector		4		5		6		7	
Household own-use and community sector						8			

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

* The sector of dependent contractors does not reflect the sector of the economic unit on which they depend but their formal status in relation to the legal administrative framework of the country. ** The existence of formal jobs among contributing family workers carrying out work for an economic unit in the formal sector depends on the national context.

Informal jobs and formal jobs held by independent workers

45. The definition of informal jobs among independent workers relies on the informal or 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 or formal status of the economic unit. Independent workers who own an informal household unincorporated 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 17th ICLS Guidelines concerning a statistical definition of informal employment (2003).

Informal jobs and formal jobs for dependent contractors

46. “Dependent contractors” is a new category in ICSE-18 that was introduced with the 20th ICLS resolution concerning statistics on work relationships. They are defined as workers who have contractual arrangements of a commercial nature (but not a contract of employment) to provide goods or services for or through another economic unit, who are employed for profit and who are dependent on another entity that exercises control over their productive activities and directly benefits from the work performed by them.

47. As dependent contractors have commercial agreements with the entity on which they depend, the categorization of the sector as proposed does not follow the formal status of the economic unit on which they depend (as is the case for other dependent workers) but on the formal status of the economic unit of the dependent contractor. If the dependent contractor owns and operates a formal enterprise or is registered for tax on the profits made, then the dependent contractor can be considered as formally recognized and therefore as part of the formal sector. If this is not the case, then no formal recognition of the economic unit or the worker exists, and the dependent contractor is categorized in the informal sector. This expanded notion of an “economic unit” for dependent contractors addresses the unique situation of dependent contractors and takes into account that some dependent contractors do not have their own “enterprise”, as is commonly

understood, because, like employees, they only provide their labour to the economic unit on which they depend.

48. While it seems clear that dependent contractors categorized in the informal sector (who 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 is more complex due to their “in-between” situation. In some countries, being registered for tax on profits or having a registered enterprise is directly linked to formal arrangements such as the right to deduct value added tax and rights relating to the protection of company name, intellectual property, access to capital and social insurance coverage. However, in other countries, the coverage of formal arrangements would be very limited, and, in some situations, no formal arrangements that contribute to reducing the economic risk of the workers would come with a formal status, particularly among those that are registered in relation to tax on the profits only.
49. To ensure that a formal job comes with some formal arrangements intended to reduce the economic risk for dependent contractors, as for other dependent workers, and to ensure that there is a similar outcome independent of the specific administrative system in the country, the proposal is that, in countries where being registered for tax on profits or having a registered enterprise is directly linked to an effective access to formal arrangements intended to reduce the economic risk associated with the job, registration would imply that the dependent contractor has a formal job. In other countries, where there is no such direct link, an additional criterion of making voluntary contributions to social insurance might be needed to ensure that some coverage by formal arrangements follows from having a formal job. Furthermore, there might be countries where the additional criterion of social insurance may only be needed for a subpopulation of dependent contractors – those registered for tax only – to ensure that a certain degree of coverage by formal arrangements intended to reduce the economic risk follows from having a formal job. The proposed integration of dependent contractors in the framework is further elaborated in the supporting document *Dependent contractors and informality*.

Informal jobs and formal jobs held by employees

50. The definitions of informal and formal jobs for employees in the current standards include a relatively high degree of flexibility regarding how countries can operationalize the definition. To further strengthen the definitions, it would be essential to contribute to increased harmonization between countries by providing clearer recommendations on which criteria countries should prioritize. At the same time, it would be necessary to retain a certain degree of flexibility to create space for effective operationalization by countries that takes national labour laws and social protection systems into account.
51. The proposal is to build on the common ground across countries by recognizing that the employer's contribution to social insurance on behalf of the employee is a prioritized criterion and an absence of such contributions is a defining characteristic for informal jobs held by employees. Access to paid annual leave and access to paid sick leave are recommended as criteria to be used as part of the definitions of informal and formal jobs for employees that, depending on the country context, could be supported by additional characteristics if deemed useful. This approach reflects the most common practices among countries, as described in the supporting document *Current country practices for defining informal sector and informal employment*, and aims at striking a balance between the need to retain some flexibility for countries to adapt the operational definition of informal jobs held by employees while at the same time increasing the level of harmonization between countries and to ensure the possibility for creating global and regional estimates.

Informal and formal jobs for contributing family workers

52. According to the current definition of informal employment, contributing family workers, by default, have informal jobs due to the informal nature of their working situation. It might be relevant to maintain this approach as many countries would not have any formal arrangements in place for contributing family workers, such as the possibility to register the worker, to contribute to social insurance and to provide access to employment benefits. At the same time, there are countries (even if they are 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 of considering contributing family workers to have formal jobs – thus allowing for the provision of data on the outreach of such arrangements. The proposal is therefore to retain the current approach that jobs held by contributing family workers are by default defined as informal, while allowing for the exemption that, in countries where formal arrangements exist, the jobs could be considered formal if the contributing family worker: carries out work for a formal enterprise; is registered as a contributing family worker in relation to the legal administrative framework of the country; has effective access to formal arrangements that reduces the economic risk associated with the job, such as social insurance. As further elaborated in the supporting document *Contributing family workers and informality*, this proposal could have an important gender and policy relevance.

Partly informal productive activities within formal jobs

53. The concept of “partly informal productive activities” is proposed as 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 (for instance, when part of the paid work is undeclared and not covered by social protection or employment benefits). 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 paid hours per week for a formal enterprise but has a tacit agreement to work ten additional paid undeclared hours for which no social contributions are made or, in case of sickness, not compensated for.

► 6. Informality and forms of work other than employment

54. The underlying concept of informal productive activities would potentially include all activities defined as work, both paid and unpaid. This is, as such, not a change compared to the definition of informal employment in the 17th ICLS Guidelines concerning a statistical definition of informal employment which, at least conceptually, includes all activities within the SNA production boundary. In other words, parts of the activities that are currently 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 with the 19th ICLS resolution I is that 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, the own-use provision of services as well as direct volunteer work.

Why identify informality among forms of work other than employment?

55. From a statistical point of view, it seems clear that the objective of including forms of work other than employment within the framework of the informal economy is not for countries to derive estimates on all informal work and its different components such as informal volunteer work and informal own-use production work. 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 seems to be strong arguments for why it should be statistically recognized that unpaid work is informal and, in some cases, can also be considered formal unpaid work.
56. The recognition that informality also exists in relation to forms of unpaid work would be important from the perspective of the SNA to have a comprehensive estimation of all informal productive activities as an input 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 constitute informal labour input to economic units in the formal sector, informal sector and household own-use and community sector.
57. The concept of informal work can be viewed as a reference concept that also 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 foodstuff producers and unpaid trainees, two important groups that were previously included in the concept of informal employment but are now excluded from employment.
58. 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, depending on the country context and need, first to assess the outreach of any formal arrangements put in place to facilitate and protect specific types of unpaid work and second to apply 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, agriculture production or digital platform work from the perspective of informality and formality if relevant.

Providing further guidance on statistical definitions of informal and formal unpaid work

59. While the concept of coverage by formal arrangements in relation to employment is relatively clear, the concept 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 and formality in relation to work other than employment. Taking this situation into account, the proposal is to create more flexible definitions, linked to the underlying concept of informal productive activities, that point in the direction of how informality and formality can be statistically understood in relation to the different forms of unpaid work.
60. The introduction of flexible definitions will allow countries 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 through that gain valuable experience. The introduction of such definitions can be viewed as an important first step towards providing statistical standards on informal work in relation to the different forms of unpaid work and will ensure that the framework is sufficiently robust to respond to a possible increased policy interest

in formal arrangements in relation to these types of activities beyond ensuring the current data need on the essential categories of informal unpaid work (informal subsistence foodstuff producers and informal unpaid trainees), that will complement the concept of informal employment.

► 7. Data sources

61. In the section on data sources and guidelines for data collection, the draft resolution provides advice on the collection of statistics on the different components of the informal economy. The section describes the implications of different sources in relation to population coverage, unit of observation and component of the informal economy concerned, ability to apply definitions comprehensively, the main issues covered and the range of data and indicators generated among others.

► 8. The indicator framework

62. One of the most essential objectives of collecting data on informality is to support the development and monitoring of policies aimed at addressing the challenges associated with informality, improving the working conditions of workers both in informal and in formal employment and supporting the formalization of the informal market economy as a means to address decent work deficits, reduce poverty and inequality, and enhance productivity and inclusive growth. While the dichotomy of informality and formality contributes to this, there is still a strong need to provide more granular data that give a better understanding of the diversity of characteristics, levels of protection and vulnerabilities of workers and economic units in the informal economy.
63. To meet this need, an indicator framework has been developed to support the new resolution. It allows for flexibility to serve the different objectives of countries given their stage of engagement in addressing informality and their national priorities in terms describing the informal economy, addressing decent work deficits and supporting the transition to formality. The indicator framework is organized around six different dimensions applying to jobs, economic units and activities, namely: (i) extent of informality; (ii) composition of informality; (iii) exposure to informality; (iv) working conditions and productivity; (v) contextual vulnerabilities; and (vi) other structural factors. Each dimension includes a set of main or essential indicators that typically can already be produced from existing data sources. The framework also includes additional indicators that, depending on the national context, needs, priorities and available statistical sources, are relevant to deepen the understanding of the informal economy in its multiple dimensions and further support the development and monitoring of policies. While the most essential indicators are included in the resolution, many of the indicators will be included in the supporting indicator framework. This will ensure flexibility and create the space to further develop a dynamically evolving supporting indicator framework beyond the 21st ICLS in 2023. Further details are provided in the supporting document *The Indicator framework*.

► Appendix

Draft 21st International Conference of Labour Statisticians resolution concerning statistics on the informal economy

Preamble

The 21st International Conference of Labour Statisticians (ICLS),

Having reviewed the relevant texts of the resolution concerning statistics of employment in the informal sector, adopted by the 15th ICLS (1993), and the Guidelines concerning a statistical definition of informal employment, endorsed by the 17th ICLS (2003),

Taking into consideration the resolution concerning statistics of work, employment and labour underutilization, adopted by the 19th ICLS (2013), the resolution concerning statistics on work relationships, adopted by the 20th ICLS (2018), and the resolution concerning decent work and the informal economy, adopted by the International Labour Conference at its 90th Session (2002), as well as the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204), and the ILO Declaration on Fundamental Principles and Rights at Work (1998), as amended in 2022,

Recalling the requirements of the Labour Statistics Convention, 1985 (No. 160), and the accompanying Labour Statistics Recommendation, 1985 (No. 170), and the need for coherence with other international statistical standards, particularly with regard to the System of National Accounts (SNA), working time, employment-related income, household income and expenditure and decent work indicators,

Recognizing the need to revise and broaden the existing standards for statistics on the informal economy in order to: enable the better statistical measurement of various aspects of informal productive activities and of workers and economic units in the informal economy; extend the scope of the informal economy to cover all forms of work; describe adequately the characteristics and working conditions of workers with informal jobs and the characteristics of informal economic units; identify the main drivers of informality and monitor changes and transitions between the informal and formal economy; and provide guidelines on a wider set of measures than previously defined at the international level, thereby enhancing the relevance and usefulness of the standards for countries and territories (hereinafter referred to as "countries") at all stages of development,

Calling attention to the usefulness of these standards to enhance the international comparability of statistics on the informal economy, to their contribution to the measurement of decent work and the well-being of households and society in general, thereby supporting and facilitating the transition from the informal to the formal economy, and to the achievement of gender equality and social justice,

Acknowledging that the relevance of statistics on the informal economy in a given country will depend on the nature of its society, labour markets and regulations as well as user needs, and that their implementation will therefore, to a certain extent, be determined by national circumstances,

Adopts this ... day of ... of ... the following resolution in substitution for the resolution of 1993 and for the Guidelines of 2003 cited above.

Objectives and scope

1. This resolution aims to set standards for statistics on the informal economy to guide countries in updating, harmonizing and further developing their statistical programmes in this field. It defines the statistical concepts of informal productive activities, the informal economy, the informal market economy and informal work for reference purposes and provides operational concepts, definitions and guidelines for the statistical measurement of its components. Statistics on the informal economy are concerned with: (a) whether the productive activities of workers or economic units are in law and in practice covered by formal arrangements intended to protect and regulate the actions and functions of workers and economic units, and the formal status of both the economic unit and the work relationship of the worker; and (b) the degree of exposure to economic and personal risk due to a lack of effective coverage by formal arrangements.
2. In order to promote the coherence and integration of statistics from different sources on different aspects on the informal economy, the resolution provides:
 - (a) an overarching conceptual framework for statistics on the informal economy;
 - (b) definitions of distinct subsets of economic units depending on their formal status and the intended destination of their production;
 - (c) a set of definitions of distinct subsets of informal work, including informal employment, consistent with the forms of work framework established by the latest standards on work, employment and labour underutilization;
 - (d) a set of indicators to provide further information on the diversity of characteristics, circumstances and needs of workers and economic units, their exposure to economic and personal risk, the degree of coverage by formal arrangements and the identification of prevalent forms of informality and of particular groups of policy interest; and
 - (e) operational concepts, definitions and guidelines for the compilation of statistics on the informal economy and the indicators.
3. These standards should serve to facilitate the production of different subsets of statistics on the informal economy for different purposes as part of an integrated national system that is based on common concepts and definitions.
4. Each country should aim to develop its system of statistics on the informal economy in order to provide an adequate information base for a wide range of descriptive and analytical purposes, including for (a) describing and enhancing understanding of the informal economy and (b) supporting the development of policies addressing the informal economy, while taking account of specific national needs and circumstances. Such a system should be designed to achieve a number of objectives, in particular to:
 - (a) describe the structure and evolution of the informal economy, allowing for the identification of groups of workers and economic units highly likely to be included and represented in the informal economy;
 - (b) assess the situation among population groups in the formal and informal economy, such as women and men, young people, migrants and other groups of particular policy concern, and analyse the relationship between informal employment and informal work in relation to forms of work other than employment and their economic and social outcomes;
 - (c) monitor and inform the design, implementation and evaluation of economic and social policies and programmes related to the transition from the informal economy to the formal economy, including with regard to the prevention of the informalization of formal jobs and

formal economic units, employment creation and the extension of social protection, income security, poverty reduction, gender equality and decent work;

- (d) provide a comprehensive description of the participation in and composition of informal employment and of the degree of coverage by formal arrangements among workers in informal and formal employment, as well as among informal and formal economic units, including their exposure to economic and personal risks associated with the work;
 - (e) provide information on the size and composition of the informal sector and on production inputs, including labour inputs, and outputs to create exhaustive estimates for the purposes of national accounts, including to support the construction of input-output tables and estimates of value added, the contribution of informal sector activities to gross domestic product (GDP) and the productivity of the informal sector, and for the compilation of thematic and extended accounts;
 - (f) identify decent work deficits and evaluate the economic and social impacts arising from macroeconomic changes such as shifts in economic cycles, digitalization or long-term changes in the size and composition of the informal economy; and
 - (g) provide the evidence needed to evaluate the impact and outreach of government policies aimed at protecting and regulating the actions and functions of workers in relation to paid and unpaid work.
5. To support these objectives, the standards are complemented by an associated indicator framework for countries to use, depending on national needs and objectives. This extensive and dynamic set of indicators provides additional information on the extent and nature of the informality of jobs and economic units and their contribution to the economy; transitions between formality and informality; the different levels and types of vulnerability or protections associated with the work environment and personal, household or other contextual factors; and the drivers of formalization or informalization, including in wider labour, gender and social and economic contexts.
6. In developing statistics on the informal economy, countries should endeavour to apply these standards in order to facilitate international comparability and to permit the evaluation of trends and structural changes for the purpose of labour market and social and economic analysis.

Reference concepts

7. Statistics on informality are concerned with the informal nature of (a) the productive activities of economic units and (b) the productive activities of persons, where:
- (a) the concept of “productive activities of economic units” is aligned with the definition in the SNA and includes processes or activities carried out under the control and responsibility of an economic unit and that use inputs of labour, capital, goods and services to produce outputs of goods or services;
 - (b) the concept of “economic unit” is aligned with that defined in the SNA and distinguishes between:
 - (i) market units (corporations, quasi-corporations and household market enterprises);
 - (ii) non-market units (government and non-profit institutions serving households); and
 - (iii) households that produce goods or services for own final use (households);
 - (c) the concept of “productive activities of persons” is aligned with the definition of “work” in the current international standards concerning statistics of work, employment and labour

underutilization. It includes activities within the SNA production boundary as well as activities outside the SNA production boundary but inside the SNA general production boundary; and

- (d) work can be subdivided into five distinct forms:
 - (i) own-use production work;
 - (ii) employment work;
 - (iii) unpaid trainee work;
 - (iv) volunteer work;
 - (v) other work activities.
- 8. The units that are relevant for the production of statistics on informality are persons, jobs or work activities, and economic units.
- 9. All productive activities defined as work can be linked to a specific job or work activity and all jobs and work activities can be categorized by status in employment and status at work as defined in the most recent standards concerning statistics of work, employment or work relationships.

The boundaries of statistics on informality

Informal productive activities

- 10. For statistical purposes, the concept of “informal productive activities” is defined as all productive activities carried out by persons or economic units that are – in law or in practice – not covered by formal arrangements.
- 11. The concept includes productive activities within the SNA general production boundary that are – in law or in practice – not covered by formal arrangements as established by regulations and laws, such as:
 - (a) regulations that stipulate the responsibilities and obligations of the economic units and the workers;
 - (b) commercial laws that regulate the productive activities carried out by economic units and their engagement in commercial contracts, including to safeguard their intellectual and physical property;
 - (c) procedures to report economic activities such as fiscal obligations in order, for example, to pay taxes or to cover employees by social security;
 - (d) labour laws and regulations such as those relating to freedom of association, rights to collective bargaining, paid annual leave, paid sick leave, the minimum wage, hours of work and social security coverage; and
 - (e) procedures that regulate access to the institutional infrastructure such as banks, markets or governmental support mechanisms.
- 12. Coverage by formal arrangements in law and in practice does not merely imply having legal coverage by the formal arrangements but means that the arrangements should be effectively

accessed in practice by the worker and the economic unit by fulfilling procedures that entail duties and obligations for all parties involved.

The informal economy

13. The “informal economy” comprises all informal productive activities of persons or economic units, whether or not they are carried out for pay or profit.
14. Illegal and illicit activities where the goods and services are forbidden by law are excluded from the informal economy and from other statistical concepts defined in these standards. Activities where the goods and services produced are usually legal but become illegal when carried out by unauthorized producers are to be included together with other informal productive activities in the informal economy.
15. “Informal productive activities of persons” include informal tasks and duties carried out by persons in:
 - (a) informal employment, as defined in paragraph 56;
 - (b) formal employment, carrying out partly informal activities, tasks and duties, as defined in paragraph 92; and
 - (c) unpaid trainee work, volunteer work, own-use production work and other work activities that include informal activities, tasks and duties, as defined in paragraph 97.
16. “Informal productive activities of economic units” include informal economic activities carried out by:
 - (a) economic units in the informal sector, as defined in paragraph 26(b); and
 - (b) households producing for own final use, including direct volunteer work, and production by non-formal non-profit organizations, as defined in paragraph 26(c).
17. The concept of the informal economy enables the comprehensive measurement of the informal productive activities carried out by economic units and of informal productive activities by persons in relation to employment and undertaken through forms of work other than employment.

The informal market economy

18. For statistical purposes, the concept of the “informal market economy” is defined as all production in the informal sector and all productive activities of workers in employment that are – in law or in practice – not covered by formal arrangements.
19. “Employed persons in the informal market economy” include:
 - (a) persons in informal employment, as defined in paragraph 56; and
 - (b) persons in formal employment carrying out partly informal activities, tasks and duties, as defined in paragraph 92.
20. “Informal productive activities of economic units in the informal market economy” include production undertaken by economic units in the informal sector, as defined in paragraph 26(b).
21. The narrower concept of the informal market economy includes the core concepts of informal employment and the informal sector, and is essential for designing and evaluating inclusive economic and social policies that aim to improve working conditions, achieve gender equality,

reduce poverty, promote decent work and support the formalization of the informal market economy.

Informal sector, formal sector and household own-use and community sector

22. Two aspects of an economic unit need to be established to identify the informal sector, the formal sector and the household own-use and community sector:
 - (a) the intended destination of the production; and
 - (b) the formal status of the economic unit.
23. **The intended destination** reflects whether the production is mainly intended for the market with the purpose of generating a profit and income.
24. Types of production that are not intended for the market with the purpose of generating a profit and income include:
 - (a) production that is mainly for own final use; and
 - (b) production mainly intended for the market but without an intention to generate income; and
 - (c) non-market production that is mainly for final use by other households.
25. **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 is thus covered by formal arrangements.
26. Depending on the formal status of the economic unit and the intended destination of the production, economic units can be allocated mutually exclusively to one of the following sectors:
 - (a) The formal sector, comprising economic units that are formally recognized as distinct producers of goods and services for the consumption of others and whose production is mainly intended for the market with the purpose of generating an income or profit, for a non-profit purpose, or non-market production for use by other economic units (corporations, quasi-corporations, government units, formal non-profit institutions serving households and formal household unincorporated market enterprises).
 - (b) The informal sector, comprising economic units whose production is mainly intended for the market with the purpose of generating income and profit, but that are not formally recognized as producers of goods and services distinct from the own-use production of the owner-operators' household (informal household unincorporated market enterprises).
 - (c) Household own-use and community sector, comprising economic units that are not formally recognized as producers of goods and services for the consumption of others, whose production is either mainly for the household's own final use, or for the use of other households, without the purpose of generating income and profit for the producing household or households or the members of the non-formal non-profit organization (households and non-formal non-profit organizations).

27. Economic units in the formal sector, the informal sector and the household own-use and community sector may use different forms of informal paid and unpaid work as input to their formal or informal production (table 1).

► **Table 1. Informal productive activities by economic units in the informal economy**

Economic units		Informal production				
Sector		Formal sector	Informal sector *	Household own-use and community sector		
Informal productive activities by economic units		Production in the formal sector is formal	All production by informal household unincorporated market enterprises	Production by informal employees engaged by households and non-formal non-profit organizations	Informal household own-use production, non-formal non-profit organizations and direct volunteer work	
Form of informal work as input to production	For pay or profit	Informal employment *	Informal employment *	Informal employment *		
		Partly informal productive activities of persons in formal employment *		Partly informal productive activities of persons in formal employment *		
	Not for pay or profit	Informal unpaid trainee work	Informal unpaid trainee work	Informal unpaid trainee work	Informal volunteer work	
		Informal volunteer work	Informal volunteer work		Informal own-use production work	
Relation to SNA production boundary		Goods and services			Goods	Services
		SNA production boundary				
		SNA general production boundary				

* Components of the informal market economy.

Operational definitions of the three sectors

Formal sector

28. The formal sector comprises all economic units that are formally recognized as producers of goods and services and are thus covered by formal arrangements. These formal economic units are characterized by:
- (a) having a formal status as distinct producers of goods or services by:
 - (i) being owned 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 governmentally 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;
 - (b) the intended destination of the production being:
 - (vi) mainly for the market with the purpose of generating an income and profit or with a non-profit purpose, or non-market production for use by other economic units.

29. For the operationalization of the criteria listed in paragraph 28(a), the requirements set out in paragraphs 30–36 below should be taken into account.
30. **Economic units that are owned or controlled by the government** (paragraph 28(a)(i)): Economic units that are owned or controlled by the general government include units that are part of the central, state or local government and economic units owned and operated by the State with the purpose of producing goods and services for the population, such as state healthcare, public schools, defence, public order and safety, or producing market goods and services (public corporations). This excludes situations where the general government might control access to the market or similar but does not own and control the economic units carrying out the production.
31. **Economic units that are recognized as separate legal entities from their owners** (paragraph 28(a)(ii)): Economic units that are incorporated (such as a limited liability corporation or limited partnership) and therefore recognized as legal entities separate from their owner are formally recognized producers of goods and services. The incorporated status of the economic unit implies a separation of assets and income between the owner and the enterprise and a limited legal liability for the owner in relation to, for example, any debts or other obligations held by the enterprise.
32. **Economic units that keep a complete set of accounts for tax purposes** (paragraph 28(a)(iii)): Enterprises that keep a complete set of accounts (including balance sheets, assets, liabilities, flows of income and capital between the enterprise and the owner) for the purpose of aligning to tax regulations or other relevant regulations are defined as formally recognized enterprises and thus included in the formal sector.
33. **Economic units that are registered in a governmentally established system of registration used for granting access to benefits and that carries obligations** (paragraph 28(a)(iv)): Registration implies formal recognition of the economic unit as an entity producing for the market distinct from the own-use production of the owner-operators' household, irrespective of whether this separation is a de facto legal separation or a financial separation. Registration should refer to a register or registers in the given country used for granting access to benefits such as tax deductions, obtaining a separate legal identity for enterprises, granting access to statutory social insurance (if it implies a formal status of the economic unit) and carrying obligations such as paying business tax and keeping accounts. The register or registers would typically be at a national level, but could also be at a local level if the register is governmentally established and controlled, but locally administrated.
34. Depending on the national context, the existence of simplified accounts for tax purposes can be an indication of registration, if keeping these accounts implies a registration of the economic unit and thereby a formal recognition of the economic unit. In countries where registering an enterprise might not necessarily carry any obligations or benefits, there might be a need to combine different registers such as, for example, the business register and the tax register, to ensure that a certain degree of formal arrangements comes with the formal status of the economic unit.
35. In case countries have special regulations and registers targeting a specific type of production, such as agricultural activities, registration may also refer to these specialized national registers. However, registers used for purposes other than production or the operation of a business, such as those related to land tenure, are not assumed to imply the existence of a formal enterprise.
36. **Economic units that employ one or more persons to work as an employee with a formal job** (paragraph 28(a)(v)): Economic units that employ one or more persons under conditions that meet

the requirements of a formal job held by an employee, as defined in paragraphs 83–86, are considered to be formally recognized economic units and thus form part of the formal sector, unless the economic unit is a household in the household own-use and community sector. Economic units that employ one or more persons to work under conditions that meet the requirements of an informal job, as defined in paragraphs 76–80, may be defined as formal economic units, informal household unincorporated market enterprises or households, depending on the formal status of the economic unit and the intended destination of the production.

37. Formal economic units can carry out economic activities in any type of industry. The production by formal economic units is, by default, considered formal production, but could include informal productive activities carried out by persons when informal work is used as input to that production. This includes formal economic units engaging informal employees, formal employees carrying out partly informal productive activities and persons carrying out informal work other than employment.

Workers in the formal sector

38. Persons carrying out work in the formal sector include employed persons in the formal sector, unpaid trainees and volunteers carrying out work for a formal economic unit.
39. Persons employed in the formal sector include independent workers who own and operate a formal enterprise, dependent contractors who own and operate a formal enterprise or are registered for tax, employees and contributing family workers with informal or formal jobs carrying out work for a formal economic unit.

Informal sector

40. For statistical purposes, the informal sector is defined as comprising economic units that are producers of goods and services mainly intended for the market to generate income and profit and that are not formally recognized by government authorities as distinct market producers and thus not covered by formal arrangements. These informal household unincorporated market enterprises are characterized by:
- (a) not having a formal status as a market producer, by:
 - (i) not being owned or controlled by the government; and
 - (ii) not being recognized as separate legal entities from their owners; and
 - (iii) not keeping a complete set of accounts for tax purposes; and
 - (iv) not being registered in governmentally established system of registration; 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 and profit for the owner or owners of the enterprise.
41. For the operationalization of the criteria listed in paragraph 40(a), the requirements set out in paragraphs 30–36 should be taken into account.
42. A characteristic of informal household unincorporated market enterprises is that their production is mainly intended for the market with the purpose of generating an income or profit for the owner or owners of the enterprise. This ensures that the main purpose of an informal household

market enterprise is to generate income and employment for the persons concerned. Economic units with production mainly intended for own final use, or whose market production is not intended to be a source of income and profit, are therefore excluded from the informal sector.

43. Informal household unincorporated market enterprises can engage in production in all industries, agriculture as well as non-agriculture, insofar as the production is mainly intended for the market to generate an income and profit. All productive activities of informal household unincorporated market enterprises are, by definition, informal productive activities.
44. Informal household unincorporated market enterprises, which are thus in the informal sector, can be viewed as a subsector of the household sector as defined by the SNA. Informal household unincorporated market enterprises share characteristics with households as defined by the SNA and there is no clear separation in practice between the assets and liabilities of the informal household unincorporated market enterprise and the owners.

Multiple informal household unincorporated market enterprises

45. A single household can include multiple informal household unincorporated market enterprises and may also engage in different types of production in parallel, including production for own final use and production in relation to one or more informal household unincorporated market enterprises.
46. Informal household unincorporated market enterprises can be owned and operated by one person only or in partnership with members of the same household or other households. Different unrelated market activities carried out by different household members are defined as separate informal household unincorporated market enterprises. Different unrelated market activities that involve different kinds of productive activities, as defined by the International Standard Industrial Classification of All Economic Activities, and different skill requirements and occupations, as defined by the International Standard Classification of Occupations, carried out by the same person can, if feasible and relevant, be defined as separate informal household unincorporated market enterprises.

Workers in the informal sector

47. Persons carrying out work in the informal sector include employed persons in the informal sector, unpaid trainees and volunteers carrying out work for an informal household unincorporated market enterprise.
48. Persons employed in the informal sector include independent workers who own and operate an informal household unincorporated market enterprise, dependent contractors who do not own and operate a formal economic unit and are not registered for tax, employees and contributing family workers who are employed in informal household unincorporated market enterprises.

Household own-use and community sector

49. The household own-use and community sector comprises all households producing goods or services that are mainly intended for own final use or for the use of others without the purpose of generating an income or profit by undertaking direct volunteering and all non-formal non-profit organizations serving households. These units are characterized by:
 - (a) not being formally recognized as distinct producers of goods or services; and
 - (b) the production that takes place being mainly intended for:
 - (i) the own final use of the household; or

- (ii) the use of other households without the purpose of generating an income or profit for the members of the household or non-formal non-profit organization.

Workers in the household own-use and community sector

50. Persons carrying out work in the household own-use and community sector include:
- (a) persons employed in the household own-use and community sector, including domestic workers;
 - (b) household members carrying out own-use production of goods and services; and
 - (c) volunteers carrying out direct volunteer work or organization-based volunteer work for a non-profit organization that is not formally recognized.
51. Persons employed in the household own-use and community sector include employees with informal or formal jobs engaged by the household to produce goods or provide services to be consumed by the household and employees with informal jobs engaged by non-formal non-profit organizations.

Subsectors of the household own-use and community sector

52. The household own-use and community sector may, if feasible and relevant in the national context and depending on statistical objectives, be further categorized into the pairs of dichotomous subsectors set out below.
- (a) Households producing for own final use versus non-profit organizations that are not formally recognized by the legal administrative framework of the country.
 - (i) This dichotomy is relevant in relation to statistics on volunteer work.
 - (ii) The identification of the two subsectors requires additional information on the degree of organization of the volunteer work carried out for use by other households.
 - (b) Household own-use and community sector within the SNA production boundary versus household own-use and community sector outside the SNA production boundary (but within the SNA general production boundary).
 - (i) This dichotomy enables a comprehensive measurement of all informal productive activities in the informal economy that are within the SNA production boundary.
 - (ii) The goods and services to include in the two different subsectors should follow the latest recommendations defining the SNA production boundary.
 - (c) Households and non-formal non-profit organizations with employees versus households and non-formal non-profit organizations without employees.
 - (i) This dichotomy enables the identification of households and non-formal non-profit organizations as employers, for example households engaging domestic employees.
 - (ii) It requires information on whether households producing for own final use and non-formal non-profit organizations engage employees and thereby constitute an employer.
 - (iii) If non-formal non-profit organizations are not separately identified these are to be treated as households thereby creating the dichotomy of households producing for own final use with employees versus households without employees.

Informal work

53. Informal work consists of productive activities performed by persons that are – in law or in practice – not covered by formal arrangements. It comprises:
- (a) productive activities carried out by persons in employment that are, in law or in practice, not covered by formal arrangements such as regulations and laws that stipulate the responsibilities, obligations and protection of the economic units and the workers; and
 - (b) productive activities carried out in relation to:
 - (i) own-use production work;
 - (ii) volunteer work;
 - (iii) unpaid trainee work; and
 - (iv) other work activities,
- as defined by the latest standards on work and where the activities 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.
54. Persons carrying out informal productive activities in the informal economy may carry out this work for economic units categorized in the formal sector, informal sector or household own-use community sector (table 2).

► **Table 2. Informal productive activities by persons in the informal economy**

Persons	Informal work				
Main intention of the productive activities	For pay or profit		Not mainly intended to generate pay or profit		
	Informal productive activities in relation to employment		Informal productive activities in relation to forms of work other than employment		
Informal productive activities by persons	Formal employment with partly informal activities *	Informal employment *	Informal unpaid trainee work Informal organization-based volunteer work Informal other work activities	Informal own-use production work Direct volunteer work	
Sector of the economic unit for which the work is provided	Formal sector	Formal sector	Formal sector		
		Informal sector *	Informal sector *		
	Household own-use community sector	Household own-use community sector	Household own-use community sector	Household own-use community sector	
Relation to SNA production boundary	Goods and services			Goods	Services
	SNA production boundary				
	SNA general production boundary				

* Components of the informal market economy.

Informal employment

55. Statistics on informal employment aim at:
- (a) establishing whether the productive activities defined as employment are, in law and in practice, covered by formal arrangements and the formal status of the economic unit for which this work is carried out; and

- (b) describing the structure and extent of informal employment, identifying groups of persons in employment most represented and at risk of informality, and providing information on exposure to economic risk, decent work deficits and working conditions.
56. Informal employment is defined as any activity of persons to produce goods or provide services for pay or profit that is not effectively covered by formal arrangements such as commercial laws, procedures to report economic activities, income taxation, labour legislation and social security laws and regulations providing protection against economic and personal risks associated with carrying out the activities. Informal employment comprises activities carried out in relation to informal jobs held by:
- (a) independent workers who operate and own or co-own an informal household unincorporated market enterprise;
 - (b) dependent contractors who do not have a formal status in relation to the legal administrative framework and whose activities are not effectively covered by formal arrangements;
 - (c) employees, if their employment relationship is not, in practice, formally recognized by the employer in relation to the legal administrative framework of the country and associated with effective access to formal arrangements; and
 - (d) contributing family workers whose work relationships are not formally recognized in relation to the legal administrative framework of the country and associated with effective access to formal arrangements.
57. All tasks and duties carried out in relation to an informal job are considered to be informal productive activities by nature.
58. Informal productive activities performed by persons may also be carried out in relation to formal jobs, if a subset of the tasks and duties carried out are not effectively covered by formal arrangements.
59. Persons may have one or several formal or informal jobs, or both, during a given reference period. Dependent workers have an informal or formal job for each economic unit on which the worker is dependent. Independent workers have an informal or formal job for each informal or formal economic unit they operate and own or co-own.
60. Employed persons with an informal main job comprise all employed persons with an informal main job where the main job is the job with the longest hours usually worked as defined in the latest international statistical standards on working time. In the absence of information regarding hours usually worked, other information such as income from each job could be used to identify the main job.
61. Employed persons with an informal secondary job comprise all employed persons with an informal second job or additional jobs.
62. The status in employment categories are defined according to the latest version of the International Classification of Status in Employment according to type of authority (currently ICSE-18).
63. Persons holding informal jobs may be categorized in the informal sector, formal sector or household own-use community sector, depending on the sector of the economic unit for which

the work is carried out or, in the case of dependent contractors, on their formal status in relation to the legal administrative framework of the country (table 3).

Formal employment

64. Formal employment is defined as any activity of persons to produce goods or provide services for pay or profit in relation to a formal job, where the activities are effectively covered by formal arrangements. Formal employment comprises productive activities carried out in relation to formal jobs held by:
- (a) independent workers in employment who operate and own or co-own a formal economic unit;
 - (b) dependent contractors who have a formal status in relation to the legal administrative framework of the country and whose activities are associated with effective access to formal arrangements;
 - (c) employees, if their employment relationship is, in practice, formally recognized by the employer in relation to the legal administrative framework of the country and associated with effective access to formal arrangements; and
 - (d) contributing family workers carrying out work for a formal economic unit and whose work relationships are formally recognized in relation to the legal administrative framework of the country and associated with effective access to formal arrangements.
65. Persons holding formal jobs may be categorized in the formal sector or household own-use community sector depending on the sector of the economic unit for which the work is carried out or, in the case of dependent contractors, on their formal status in relation to the legal administrative framework of the country (table 3).

► **Table 3. Informal and formal jobs by status in employment and sector**

Sector of the economic unit for which the work is carried out	Independent workers (employers, own-account workers)			Dependent workers					
	Owner-operators of corporations	Independent workers in household (unincorporated) 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 blue refer to jobs, which, by definition, do not exist in economic units located in the specific sector. Cells shaded in light blue refer to formal jobs. Informal employment consists of the informal jobs in cells 1–8.

* The sector of dependent contractors does not reflect the sector of the economic unit on which they depend but their formal status in relation to the legal administrative framework of the country. ** The existence of formal jobs among contributing family workers carrying out work for an economic unit in the formal sector depends on the national context (see paragraphs 89–91).

Operational definitions of informal and formal jobs

Independent workers

Informal jobs held by independent workers

66. Independent workers with informal jobs are “independent workers in household market enterprises” who operate and own or co-own an informal household unincorporated market enterprise.

Formal jobs held by independent workers

67. Independent workers in employment with formal jobs are workers in employment who operate and own or co-own a formal economic unit. They include:
- (a) “owner-operators of corporations”; and
 - (b) “independent workers in household market enterprises”, who operate and own or co-own a formal economic unit.

Dependent contractors

Informal jobs held by dependent contractors

68. Dependent contractors are considered to have informal jobs if they do not have a formal status in relation to the legal administrative framework of the country or if they do have a formal status but are not associated with any effective access to formal arrangements aimed at reducing the economic risk related to holding the specific job.
69. This includes dependent contractors that:
- (a) do not own or co-own a formal economic unit and are not registered for tax and thereby do not have a formal status; or
 - (b) own or co-own a formal economic unit or are registered for tax, and thereby have a formal status but without effective access to formal arrangements intended to reduce the economic risk related to the job.
70. Depending on the national context, effective access to formal arrangements intended to reduce the economic risk for dependent contractors could include measures that protect their own registered company name and their physical and intellectual property, that increase their ability to obtain capital and that provide access to job-related occupational injury insurance, health insurance, paid sick leave or paid parental leave and a job-related pension, or other types of formal arrangements intended to decrease the economic risk associated with the job.
71. For the purposes of operationalization, the considerations below should be taken into account.
- (a) In countries where owning and operating a formal enterprise or being registered for tax implies effective access to such arrangements, having a registered enterprise or being registered for tax is sufficient for the job to be considered formal, while not being registered thus defines the job as informal.
 - (b) In countries where the registration of the enterprise or registration for tax is not directly linked to such measures, registration in and contribution to other voluntary or mandatory statutory social insurance schemes should be used as an additional criterion to ensure that the formal job held by the dependent contractor carries protections aiming at reducing the

economic risk holding the specific job. The lack of such protection would thus define the job as informal.

Formal jobs held by dependent contractors

72. Dependent contractors are considered to have formal jobs if they have a formal status in relation to the legal administrative framework of the country and have effective access to formal arrangements aimed at reducing the economic risk related to holding the specific job.
73. This includes dependent contractors that:
 - (a) operate and own or co-own a formal economic unit or are registered for tax; and
 - (b) have effective access to formal arrangements, as defined in paragraphs 70–71.
74. Being registered for tax implies that the dependent contractor is, on their own account or through the economic unit on which they are dependent, registered for tax in relation to the profits made from the activities carried out in relation to the job. Depending on the national circumstances, this may refer to a register that implies registration of the worker and the activities carried out by the worker and that obliges the worker to declare the income and expenses related to carrying out the activities for tax purposes as well as any additional obligatory contributions depending on national regulations and laws.
75. The formal status of the economic unit on which the dependent contractor is dependent does not have a direct impact on the informal or formal status of the job held by the dependent contractor or on the categorization of dependent contractors in, respectively, the informal sector or the formal sector. Dependent contractors categorized in the informal sector holding informal jobs and dependent contractors categorized in the formal sector holding informal jobs or formal jobs can thereby have a dependency on an informal economic unit, a formal economic unit or a household.

Employees

Informal jobs held by employees

76. 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 is not effectively covered by formal arrangements such as labour legislation, social protection, income taxation or entitlement to employment benefits.
77. Employees with informal jobs 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.
78. A defining characteristic of informal jobs held by employees is the absence of the employer's contribution to statutory social insurance. "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 and voluntary contributions made by the employer or employee, if this does not imply a formal status of the economic unit and the worker.

- (a) When operationalizing this criterion, countries should take the national context and social security laws into account as well as the requirements set out in paragraph 81. The operationalization should be based on one or more specific statutory social insurance schemes.
 - (b) Typically, the employer's contribution to a pension fund on behalf of the employee would be relevant for operational identification. Other types of insurance, such as occupational injury insurance, health insurance or unemployment insurance, could also be of relevance, depending on the national context.
79. 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.
- (a) Access to paid annual leave is the employee's entitlement and ability to take paid time off granted by the employer or to be compensated for unused annual leave. The number of days granted by the employer may vary between countries and also within the same country (for instance, between different industries and occupations), depending on national labour laws and regulations. It is not sufficient to have a legal right to paid annual leave if the worker does not have access to it in practice.
 - (b) Access to paid sick leave is the employee's entitlement and ability to take paid sick from employment due to personal sickness or injury. The number of days for which the worker can receive payment during sickness or injury may vary between countries and also within the same country (for instance, between different industries and occupations), depending on national labour laws and regulations. It is not sufficient to have a legal right to paid sick leave if the worker does not have access to it in practice.
80. Depending on the national circumstances, additional characteristics such as the non-existence of a written contract, the non-deduction of income tax by the employer and the lack of access to severance pay, advanced notice of dismissal, maternity leave, paternity leave or parental leave might be relevant to support the definition of informal jobs held by employees.
81. The criteria used for defining informal jobs held by employees need to be further operationalized in accordance with national circumstances. The following requirements for a given criterion used should be considered:
- (a) Job specific: The criterion used must be dependent on holding a particular job and not universal.
 - (b) In relation to the legal administrative framework of the country: Meeting the criterion should reflect a formal recognition of the job by the employer in relation to the legal administrative system of the country and imply that both the economic unit and the job held by the employee can be considered formal in relation to the legal administrative system of the country.
 - (c) Capture the situation in practice: The operationalization of a given criterion should, to the extent possible, reflect that the employer in practice fulfils a given obligation.

82. Employees holding an informal job can carry out activities in any type of industry, in any place of work for any type of economic unit (formal, informal or a household producing for own final use).

Formal jobs held by employees

83. Employees are considered to have formal jobs if their employment relationship is, in practice, formally recognized by the employer in relation to the legal administrative framework of the country and associated with effective access to formal arrangements such as labour legislation, social protection, income taxation or entitlement to employment benefits.
84. “Employer’s contributions to statutory social insurance” on behalf of the employee, as defined in paragraph 78, characterize the job held by the employee as formal.
85. Additional characteristics that may be relevant for the statistical identification of formal jobs held by employees are access to paid annual leave and access to paid sick leave.
86. Depending on the national circumstances, additional characteristics such as the deduction of income tax by the employer on behalf of the employee, eligibility for severance pay, advanced notice of dismissal and access to maternity leave, paternity leave or parental leave might be relevant to support the definition of formal jobs held by employees.
87. An employee holding a formal job by definition carries out work for a formal economic unit, unless the employer is a household in the household own-use and community sector.
88. Like all other categories of workers in employment, countries should ensure that formal jobs and informal jobs held by employees are mutually exclusive categories. The same set of criteria should therefore be applied to define jobs as formal and informal. Irrespective of any national adaptation of the operational definition, it is recommended to include employer’s contribution to statutory social insurance, access to paid annual leave and paid sick leave to enable an assessment of the coverage of formal arrangements for employees holding informal and formal jobs and for facilitate the creation of regional and global estimates.

Contributing family workers

Informal and formal jobs held by contributing family workers

89. In countries where formal arrangements, such as the possibility to register and contribute to job-related statutory social insurance, are not available for contributing family workers, such workers can be considered to have informal jobs by default.
90. In countries that have such formal arrangements in place for contributing family workers, these workers can be considered as having:
- (a) informal jobs if their job is not, in practice, formally recognized in relation to the legal administrative framework. This includes contributing family workers who:
 - (i) carry out work for an informal household unincorporated market enterprise; or
 - (ii) whose job is not registered, or for whom contributions are not made to job-related statutory social insurance;
 - (b) formal jobs if:
 - (i) the economic unit for which the work is carried out is formal; and
 - (ii) the job is registered in relation to the legal administrative framework of the country; and

(iii) contributions are made to a job-related statutory social insurance scheme.

91. Registration of the job held by the contributing family worker and contribution to a job-related statutory social insurance scheme implies that the worker is employed formally in that job. The type of statutory social insurance relevant for operationalizing the criterion depends on the national context but would include mandatory or voluntary statutory social insurances such as a pension fund if this implies a formal status of the worker.

Persons in formal employment carrying out partly informal activities

92. Depending on the national context and need, countries may identify the number of persons with formal jobs carrying out partly informal productive activities and hours spent on or earnings received from paid informal activities in relation to formal jobs.
93. This would complement data on persons in informal employment and provide input to the SNA for a more comprehensive measurement of informal productive activities in the informal market economy.
94. Partly informal paid activities include activities in relation to formal employment carried out by:
- (a) employees where part of the paid hours or tasks carried out in relation to the formal job are not covered by formal arrangements, for example when earnings and hours worked are not declared for taxation or mandatory job-related social contributions.
 - (b) independent workers and dependent contractors where part of the activities carried out in relation to the formal job are not covered by formal arrangements, for example when income is not declared for taxation.
95. Statistics on partly informal paid activities in formal jobs can include estimates of the number of paid working hours in formal jobs and related earnings and income for both formal and informal activities.
96. Depending on the national context and need, statistics on paid informal activities in relation to formal jobs should be complemented with estimates on unpaid hours for employees whose remuneration is directly dependent on the number of hours worked.

Informal productive activities and forms of work other than employment

97. Work other than employment is considered informal work if the activities are not effectively covered by formal arrangements. This comprises informal productive activities in relation to own-use production work, volunteer work, unpaid trainee work and other work activities where the unpaid work is 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.
98. Measuring the informal or formal nature of work other than employment supports the recognition and valuation of all forms of work, essential for achieving development goals such as attaining gender equality, social inclusion and social protection and reducing poverty.

Informal and formal own-use production work

99. Informal own-use production work comprises activities carried out in relation to own-use production work that are not effectively covered by formal arrangements. It includes productive activities carried out in relation to a work activity defined according to the latest version of the International Classification of Status at Work as being carried out by:
- (a) workers in own-use provision of services; and

(b) workers in own-use production of goods,

who are not effectively covered by formal arrangements that aim to promote or facilitate the work and protect and regulate their actions and functions.

100. Depending on the national context, own-use production work can be considered formal if the activities carried out are covered by formal arrangements in relation to the legal administrative framework of the country, such as registration of the activities, access to insurance against work-related injuries or accidents, access to social insurance such as a pension fund, cash transfers to support the work or other measures aiming to protect the worker and regulate and facilitate the activities carried out.

Informal and formal volunteer work

101. Informal volunteer work comprises activities carried out in relation to volunteer work that are not effectively covered by formal arrangements. It includes productive activities carried out in relation to a work activity defined according to the latest version of the International Classification of Status at Work as being carried out by:

(a) direct volunteers; or

(b) organization-based volunteers, when:

(i) the volunteer carries out work for or through a non-profit organization or other economic unit that is not considered a formal economic unit; or

(ii) carries out work for or through a non-profit organization or other economic unit that is considered a formal economic unit when the volunteer is not covered by formal arrangements that aim to protect the worker and regulate and facilitate the activities carried out.

102. A person carrying out informal volunteer work can carry out work for a household or non-formal non-profit organization in the household own-use and community sector, an informal household unincorporated market enterprise or a formal economic unit.

103. Volunteer work can be considered formal if:

(a) the work activity is defined as organization-based volunteer work; and

(b) the work is carried out in a formal economic unit; and

(c) the volunteer and the activities carried out are covered by formal arrangements in relation to the legal administrative framework of the country such as registration of the activities, access to insurance against work-related injuries or accidents and access to health insurance or other measures aiming to protect the worker and facilitate and regulate the work.

Informal and formal unpaid trainee work

104. Informal unpaid trainee work comprises activities carried out in relation to unpaid trainee work as defined by the latest standards of work and employment that are not effectively covered by

formal arrangements aiming to protect the worker and facilitate and regulate the work carried out by worker.

105. Informal unpaid trainee work can be performed by a person working for a household, an informal household unincorporated market enterprise or a formal economic unit.
106. Unpaid trainee work carried out for an informal household unincorporated market enterprise is, by default, considered to be informal unpaid trainee work.
107. Unpaid trainee work carried out for a formal economic unit or an household can, depending on the national context, be considered formal if the worker and the activities carried out are covered by formal arrangements in relation to the legal administrative framework of the country, such as registration of the activities, formal recognition of the experience and skills acquired, access to social insurance and insurance against work-related injuries or accidents, or other measures aiming to protect the worker and facilitate and regulate the work.

Other work activities

108. Other work activities, such as compulsory work performed without pay, can, depending on the national context, be considered formal work if it is recognized by and conducted under the control of the national authorities and general government. If not recognized by the legal administrative framework of the country, then the activities should be considered informal.

Essential categories

109. According to the national context, countries should produce statistics on essential categories of informal work other than employment, where those activities are prevalent. The identification of essential categories of informal productive activities should highlight important groups of persons engaged in informal production not intended to generate pay or profit that might be exposed to a high degree of economic risk without coverage by formal arrangements to facilitate the work, protect the person and regulate the productive activities carried out by the person.
110. Essential categories of informal work other than employment include subsistence foodstuff producers and workers carrying out informal unpaid trainee work.
111. The identification of informal subsistence foodstuff producers in countries where this is significant is an important complement to the identification of informal employment and contributes to creating a more comprehensive statistical picture of the structure of informality within the country. The separate identification of subsistence workers and a distinction between those who might be covered by arrangements aiming to support and facilitate the work or to extend social protection would allow an assessment of the outreach of such schemes.
112. The identification of informal unpaid trainee work as an essential category of informal productive activities enables countries to provide information on the prevalence of informal and formal paid and unpaid trainee work, thus facilitating a better understanding of school-to-work transitions and the formal and informal nature of trainees within the country.
113. Additional categories or domains of informal work can be identified, depending on the national need and context and on specific analytical or policy interest. These could include categories or domains for which there is a demand for analysis from a gender perspective, such as informal and formal care work across different forms of work or domains of particular focus, such as informal and formal work in relation to agricultural production or digital platform work. Different

analytical domains of the informal economy can be extended to other priority areas, industries and vulnerable groups.

Data sources and guidelines for data collection

114. The standards for statistics on the informal economy described in this resolution provide the conceptual basis for statistics on informal productive activities carried out by persons and economic units to be compiled in a harmonious and comparable manner from different data sources. The sources and data collection methods will depend on national priorities, measurement objectives and the relevant reference unit.
115. The scope of data on the informal economy to be collected at the national level should reflect national priorities. Given the broad scope of the standards, complete coverage of the desired elements might require the use of multiple sources. A close collaboration between different national institutions, including the main users of the data, national statistical offices and other national data producers, and between producers of economic statistics and labour statistics, is therefore of importance to ensure harmonization across sources and institutions.
116. Different data sources each have their own strengths and limitations and can be viewed as complementary, to provide data on different aspects of the informal economy. Regardless of the data source, in order to facilitate international comparability, data on the informal economy should be produced according to the most recent relevant ILO methodological guidance.
117. For any data source the quality of the data generated will be determined by the combination of methodologies used and concepts applied. Differences in survey sample sizes, population coverage, unit of observation, ability to apply definitions comprehensively and range of data generated, among others, will have implications in respect of precision, bias and comparability across sources. When planning the system of statistics on informality, close attention should be paid to the methodologies used to ensure that estimates generated are as representative as possible of the target population, that the coverage of indicators produced is in line with objectives, and that samples are adequate to achieve desired levels of precision.
118. To enable clear and appropriate interpretation of the statistics it is crucial that data quality is assessed and reported on transparently. Metadata describing the source, the concepts, the methodologies, and the results generated should be published alongside any published data.
119. In general, household-based surveys, particularly labour force surveys, are important data sources for producing statistics with persons and jobs as reference units. Labour force surveys, generally characterized by detailed sequences of questions on the characteristics of jobs, are typically the recommended source of statistics for monitoring the extent of informal and formal jobs, assessing levels of informality and formality and levels of protection and vulnerability, identifying persons most exposed to and most represented among informal jobs, and assessing the working conditions of persons in formal and informal jobs. They are also a useful source to identify drivers of informality associated with the structure of the labour market. A combined household-establishment survey (mixed-survey, 1–2 survey or 1–2–3 survey) may be able to meet the same objectives.
120. Other household surveys, such as surveys on poverty and living standards, or household income and expenditure surveys, generally include less detailed sequences of questions on labour, and may be designed with smaller sample sizes than a typical labour force survey. When such surveys include questions to identify persons having informal and formal jobs according to the criteria defined in this resolution, they can be particularly suited to the production of data to analyse the relationship between informality and the main topics covered by the survey such as poverty, the

level and composition of income and expenditure, and access to social protection beyond job-related contributory social security.

121. Other specialized household surveys, such as time-use surveys and household-based surveys on agriculture, education and training, or specialized surveys on digital platform employment and labour migration, may be better suited for the measurement of specific working activities, or for focusing on specific subgroups of the population. Time-use surveys can be an important source for the production of statistics on participation and time spent in informal unpaid work such as the own-use provision of services (in particular informal unpaid domestic work and care work). Surveys targeting specific subgroups of the population might be more appropriate for groups whose total number might be small in labour force survey samples, limiting the possibility to produce reliable statistics. It should be taken into account that the constraints of sample surveys often mean that certain groups at greater risk of informality, such as persons with a disability, migrant workers or digital platform workers, are also those likely to be under-represented in the sample.
122. National population censuses are an important source of statistics on employment and often provide the basis for designing survey samples, integrating national data sources and producing small area estimates. Including questions to classify those employed according to the formal or informal nature of their job, can allow the generation of estimates of informality for small geographical areas as well as for small population groups. The need to limit the number of questions that can be included in most population censuses could require the number of criteria to define formal and informal jobs be limited to a smaller set among those defined in this resolution.
123. Economic censuses, enterprise-based surveys and mixed surveys are the main data sources for the analysis of informal sector and formal sector economic units, their production and contribution to GDP, and their characteristics. In general, due attention should be paid to ensuring that the scope of activities and type of economic units covered (in terms of size, place of work, economic activity and institutional sector) do not imply an exclusion of economic units likely to be informal (for example, own-account workers, units under a certain size threshold, units carrying out agricultural activities, units with non-fixed premises or home-based activities). To achieve comprehensive coverage of informal sector units, special attention should be paid to the sampling methods and frame used. The use of area-based sampling frames can be a useful method to establish an exhaustive list of units covering household-based activities and activities taking place in non-fixed locations.
124. Mixed surveys, that is combined multi-stage household and establishment surveys, are specifically designed to identify and target economic units in the informal sector. Deriving their sample from a representative household survey, such as the labour force survey, ensures the inclusion of all types of activities within the informal sector, home-based activities, activities carried out from fixed locations as well as non-fixed locations. This requires an identification of economic units in the informal sector, through their owner(s), in the first phase. Care should be taken to ensure a sufficient sized representative sample of economic units in the informal sector.
125. Administrative records can be used as part of an indirect estimation of informal employment and of the informal sector, by providing estimations of formal employment and the formal sector. The number of persons covered by formal arrangements can, for example, be estimated in taxation systems, employment services and social security schemes. The size of the formal sector could be estimated by the use of business registers, tax registers and the like. The possibilities to do so depend on the structure and content of the country-specific administrative sources. Priority should however, in general be given to direct methods based on household surveys and

enterprise-based surveys or mixed surveys for more accurate estimations of informal employment and the informal sector. Administrative information such as legal identity of the economic unit, taxation, declared earnings or income and contributions to social insurance in relation to a specific job can also be used as relevant auxiliary information in surveys to further support the identification of formal jobs and formal economic units. This requires that a direct linkage at the level of persons and jobs or economic units is feasible in the country.

Indicators

126. To support the development of national policies and interventions for addressing the consequences of informality and facilitating transitions to formality based on evidence, a set of indicators should be selected reflecting the national context, priorities and objectives. The indicators to be produced will depend on the specific component of the informal economy under scrutiny, data sources and national policy goals. The indicators recommended in this resolution are supported by the broader Informal Economy Indicator Framework, which provides a complete set of indicators and measures that might be relevant, depending on the national settings.
127. The indicators linked to the different components of the informal economy, as defined by this resolution, are structured to provide information on six dimensions of informality:
- (a) the extent of informality – the prevalence of informality across jobs, economic units and activities;
 - (b) the composition of informality – the distribution of informal and formal jobs and economic units by socio-demographic, employment-related characteristics and characteristics of the economic units and socio-demographic characteristics of the owner or owners;
 - (c) the exposure to informality – the percentage of persons with informal main jobs and of economic units in the informal sector by socio-demographic, employment-related characteristics and characteristics of the economic units and socio-demographic characteristics of the owner or owners;
 - (d) working conditions and levels of protection for those in informal and formal employment, productivity and factors constraining or enhancing the development and sustainability of informal economic units and formal ones;
 - (e) contextual vulnerabilities – including in respect of poverty, income and social protection from all sources and for all household members and in respect of the composition of households, such as households with people in formal employment or households with at least one member contributing to social security; and
 - (f) other structural factors ¹.

Informal employment ²

128. All countries are encouraged to produce headline indicators referring to the extent (the dimension described in paragraph 127(a)) and the composition (the dimension described in

¹ Indicators relating to structural factors are not defined in the resolution as these refer to the indicators defined in the latest statistical standards on work, employment and work relationships.

² As defined in paras 56–63.

paragraph 127(b)) of informal employment and the exposure to informality (the dimension described in paragraph 127(c)), with a regular frequency, as set out below.

- (a) Number of persons with an informal main job and the percentage of informal main jobs in relation to total employment, by economic activity and by sex.
 - (b) Number and distribution of persons with an informal main job by informal sector, formal sector, household own-use community sector³ and status in employment and by sex.
 - (c) Distribution of persons with an informal or formal main job by socio-demographic characteristics and employment-related characteristics and by sex.
 - (d) Percentage of employed persons with an informal main job by socio-demographic and employment-related characteristics and by sex.
129. Depending on feasibility and on national needs and priorities, it is recommended that countries provide the indicators relating to the dimensions described in paragraph 127(d) and (e), as outlined below, with some regularity (for example, every 1–5 years). This will facilitate a better understanding of working conditions and contextual vulnerabilities associated with informal and formal jobs.
130. The recommended indicators for assessing levels of protection, decent work deficits associated with informality, and whether formal jobs are associated with decent working conditions are set out below.
- (a) Indicators to provide information on levels of protection among workers with informal main jobs and formal main jobs are:
 - (i) Percentage of independent workers, respectively, with an informal or a formal main job, who contribute on a voluntary or mandatory basis to job-related statutory social security insurance.
 - (ii) Percentage of contributing family workers, respectively, with an informal or a formal main job, who contribute on a voluntary or mandatory basis to job-related statutory social security insurance.
 - (iii) Percentage of dependent contractors, respectively, with an informal or a formal main job, who contribute on a voluntary or mandatory basis to job-related statutory social security insurance.
 - (iv) Percentage of employees with a formal main job that have effective access to employment benefits such as paid annual leave and paid sick leave or other relevant national employment benefits.
 - (v) Percentage of employees with an informal main job that have effective access to some employment benefits such as paid annual leave or paid sick leave or other relevant national employment benefits.
 - (b) Indicators to provide information on working conditions among workers with informal main jobs and formal main jobs are:
 - (i) Monthly and hourly average employment income among workers with informal main jobs and formal main jobs, by status in employment.

³ As defined in paras 22–27.

- (ii) Percentage of persons with informal main jobs and formal main jobs earning less than the defined benchmarks (for example, the minimum wage or 50 per cent of the median wage), by status in employment.
 - (iii) Distribution of employees with informal and formal main jobs, by type and duration of employment agreement.
 - (iv) Distribution of persons with informal and formal main jobs, by place of work and status in employment.
 - (v) Distribution of persons with informal and formal main jobs, by actual hours worked (hour bands) in main job per week and by status in employment.
 - (vi) Average number of actual hours of work per week in main job, by persons with informal and formal main jobs and by status in employment.
 - (vii) Time-related under-employment among workers working less than a set number of hours with informal and formal main jobs, by status in employment.
 - (viii) Percentage of persons with informal and formal main jobs affiliated to a union, a professional organization, a workers' association or a member-based organization of workers, by status in employment.
 - (ix) Percentage of employees with informal and formal main jobs covered by one or more collective agreements.
131. The set of indicators in paragraphs 128 and 130 should be provided in reference to the main job. Depending on national needs and objectives, the indicators can also be applied with informal and formal secondary jobs as reference. By convention, the terms "informal main job" and "formal main job" may be replaced by the terms "informal employment" and "formal employment" when producing and presenting the indicators.
132. Specific indicators in relation to informal second jobs can be produced for all workers or in relation to some specific type of activities likely to be carried out as secondary activities, depending on feasibility and national needs as set out below:
- (a) Percentage of persons with informal second jobs by status in employment.
 - (b) Percentage of persons with informal main job and formal main job with informal second jobs.
133. To provide contextual information on the degree of vulnerability within households, the indicators set out below are recommended.
- (a) Percentage of persons with informal main jobs who are living in households with at least one household member in formal employment.
 - (b) Percentage of persons with informal main jobs who are living in households with at least one household member contributing to social security.
 - (c) Percentage of persons living in households below the national poverty line with informal main jobs and formal main jobs.
 - (d) Percentage of persons with informal main jobs, living in poor households and non-poor households.

Partly informal productive activities ⁴

134. To the extent it is considered a national priority to measure partly informal productive activities in relation to formal jobs the following indicators would be recommended:
- (a) Percentage of employees in a formal main job where a part of the paid hours and earnings is not declared for taxation or mandatory job-related social security contributions.
 - (b) Volume or value of partly informal paid hours from employees in a formal main job.
 - (c) Percentage of respectively independent workers and dependent contractors in a formal main job where part of their income is not declared for taxation.
 - (d) Value of partly informal productive activities carried out by independent workers and dependent contractors in relation to formal main jobs.

Essential categories of informal work other than employment ⁵

135. In countries where subsistence foodstuff producers or unpaid trainees are significant, countries are recommended to provide information about the levels of participation in these essential categories of informal unpaid work as described below.
- (a) The number of informal subsistence foodstuff producers and percentages in relation to: (i) the sum of informal employment and subsistence foodstuff producers; and (ii) total employment and subsistence foodstuff producers.
 - (b) The number of informal unpaid trainees and percentage in relation to total unpaid trainees.
 - (c) The number of informal trainees, paid and unpaid, and percentage in relation to total trainees, paid and unpaid.

Informal sector ⁶

136. The indicators referring to the informal sector are organized around the reference units of economic units. They reflect the extent (the dimension described in paragraph 127(a)) and the composition (the dimension described in paragraph 127(b)) of informal household unincorporated market enterprises, the exposure to informality (the dimension described in paragraph 127(c)) and productivity (the dimension described in paragraph 127(d)). The recommended indicators are set out below.
- (a) Number and percentage of informal household unincorporated market enterprises in relation to the total number of economic units in the informal and formal sector, by economic activity.
 - (b) Distribution of informal household unincorporated market enterprises and formal economic units by economic unit characteristics and by socio-demographic characteristics of the owner or owners.
 - (c) Percentage of informal household unincorporated market enterprises in relation to economic unit characteristics and by socio-demographic characteristics of the owner or owners.
 - (d) Value added and output in informal household unincorporated market enterprises compared to formal economic units per worker, by economic activity.

⁴ As defined in paras 92–96.

⁵ As defined in paras 109–113.

⁶ As defined in para. 26(b).

Contribution of the informal economy to GDP

137. The types of indicators covering the contribution of the informal economy to GDP are organized around the reference units of economic units and productive activities of persons. They reflect the extent of the informal production (the dimension described in paragraph 127(a)) and the productivity of economic units in the informal economy (the dimension described in paragraph 127(d)). The indicators produced should cover the following components:
- (a) Contribution of the informal sector to GDP, by economic activity.
 - (b) Contribution of informal production in the household own-use community sector within the SNA production boundary to GDP.
 - (c) The contribution by informal employees, formal employees carrying out partly informal productive activities and persons carrying out informal work other than employment to the production by economic units in the formal sector.
138. The indicators included in this resolution are supported by the Informal Economy Indicator Framework, which includes additional indicators to further support the national production of informality statistics for analysis and use in policymaking.

Disaggregation and analysis

139. Indicators should be produced for the overall target population and for specific categories of workers or economic units relevant to areas of policy concern, such as persons with disabilities, migrant workers, home-based workers, digital platform workers, micro and small economic units or workers and economic units in specific sectors. The range of indicators that can be generated and degree of possible disaggregation will depend on the sample design of the data source and the statistical precision of the estimates.
140. When producing and analysing these indicators, particular attention should be paid to the gendered dimensions of informality. A high demand for gender data calls for the systematic disaggregation by sex of all indicators related to persons and jobs, and all enterprise-related indicators related to the owner of the economic units. Further to disaggregation, the indicator framework includes specific gender indicators, such as the gender pay gap, time spent on unpaid domestic and care work, and the situation of workers in male or female-dominated economic activities, occupations or places of work. Further guidance on measuring informality from a gender perspective is available from the ILO through published guides and technical support.
141. Indicators related to persons and jobs should be disaggregated by sex and by other relevant socio-economic characteristics, including by age, educational level, area of residence (urban or rural) and geographical region. Indicators should also be produced disaggregated by employment-related characteristics, including status in employment, economic activity, occupation, place of work, size of enterprise, duration of the employment agreement and number of hours worked (hour bands). Where sample size and the representativeness of results allow, it is recommended to have multiple levels of disaggregation to highlight intersectionality. The accompanying indicator framework provides more guidance on recommended disaggregation.
142. Indicators related to economic units should be disaggregated by industry of economic activity, size of enterprise (number of employees and business owner), level of output or sales, level of output or of value added per worker, level of profits and place of work. They should also be disaggregated by the socio-demographic characteristics of the owner or owners, including sex, age, educational level, area of residence (urban or rural) and geographical region, as relevant in the country. The accompanying indicator framework provides more guidance on recommended disaggregation.