



# Relating Quality of Employment to Informal Employment<sup>1</sup>

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## Background

Since 2005, the WIEGO Statistics Programme has participated in an initiative among developed countries to develop cross-national indicators of quality of employment. The United Nations Economic Commission for Europe (UNECE), Eurostat, and the International Labour Organization have collaborated with official statisticians, international research organizations, and selected NGOs in the design of a “Framework for Measuring the Quality of Employment.” In addition to European countries, Australia, Azerbaijan, Canada, Israel, Mexico, and the United States (since 2015) participate in the expert group. As part of its contribution to this project, the WIEGO Statistics Programme and Rodrigo Negrete of INEGI, Mexico, prepared a note which relates the Quality of Employment framework recommended and approved as of 2015 to another important cross-national concept regarding the nature and quality of employment, that is, informal employment. The note also shows how relating Quality of Employment indicators to the statistical definition of informal employment will enhance the visibility, relevance, and usefulness of the Quality of Employment Framework.

The following document provides the full list of the Quality of Employment indicators approved by the Expert Group, several of which are relevant to this brief: The UNECE Handbook for Measuring the Quality of Employment: A Statistical Framework (2015) is available at [http://www.unece.org:8080/fileadmin/DAM/stats/publications/2015/ECE\\_CES\\_40.pdf](http://www.unece.org:8080/fileadmin/DAM/stats/publications/2015/ECE_CES_40.pdf)

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# 1. Introduction

The 17th International Conference of Labour Statisticians (ICLS) has recommended guidelines concerning a statistical definition of informal employment that applies to all economies, developed as well as developing. In brief, informal employment refers to all employment arrangements that leave individuals without legal or social protection through their work and hence more exposed to economic risk than others, whether or not the economic units they are working for or which they own are formal enterprises, informal enterprises, or households.

This brief first discusses the importance and relevance of the definition of informal employment to the economies of developed countries and to studying trends in the structure of employment across all countries. It then reviews the criteria in the ICLS guidelines for measuring informal employment (IE). The next section explores aspects of the definition of informal employment that are most relevant to developed countries and which indicators in the Quality of Employment (Q of E) framework provide an indication of informal employment in developed countries, particularly Europe. For this exercise, we relate the information in the experimental indicator sheet for informal employment (indicator 4ax2) to existing Q of E indicators, illustrating how these indicators are relevant components enabling the measurement of informal employment in developed countries. The note then specifies two approaches using the existing and proposed Q of E indicators—one based on employment arrangements and the other on social protection—to measure informal employment. A final section illustrates a way to link the two approaches and in so doing provides a way for selected Q of E indicators to be used to describe informal employment and, more broadly, the structure of employment. While only a few countries may be interested and able to implement this method, it provides a way to map the structure of employment as a whole and its evolution over time.

## 2. Relating the Quality of Employment Framework to Informal Employment Analysis

It is important to have a full picture of the structure of employment spanning developing and developed economies. The definition of IE provides a direct linkage between specific job/employment dimensions and the structure of employment, enabling comparisons across countries and over time. Looking at employment arrangements (e.g. short-term rather than long term employment, provides a window into the changing structure of employment. Similarly, the Q of E indicators—presented as they are as a statistical framework with flexibility for country specificity—also include characteristics of employment arrangements.

It is important to recognize that the concept of informal employment is flexible enough to consider a wide spectrum of employment and workers. This spectrum goes from workers in an economic activity which marginalizes them from any labour standards or benefits to those operating with atypical working arrangements with some benefits.

North and South countries' economies are interdependent. Developed and developing countries increasingly share patterns of employer practices regarding jobs and employment arrangements; they also share some workforces (notably in direct service activities, e.g. domestic work, food service) through cross-border migration patterns.

There is increasing evidence that employment in OECD countries entails a steady share of jobs whose employment arrangements result in workers falling outside the purview of the most important social protection mechanisms, or of employment and labour law. Such arrangements include, for example, “non-standard/short-term” or “contracted” employment as well as own-account self-employment. These patterns—which have been studied for over 30 years and have grown—have policy implications for mechanisms of social protection and income security. These patterns also have implications for how the structure of employment is characterized and measured.

Similarly, there is increasing evidence that formal sector firms in a number of middle-income and even low-income countries are generating an increasing share of jobs which bear resemblance to non-standard arrangements of the type experienced in OECD countries. Countries where this is the case include India, Mexico, and South Africa among others; there is preliminary evidence that such is the case in China as well.<sup>3</sup> Therefore, recent employment arrangements and trends indicate that there are shared patterns of employment across OECD and developing countries which warrant attention.

Relating the Quality of Employment statistical framework to the ICLS definition for informal employment would broaden the uses of the Q of E framework and in turn represent a first step in implementing the IE definition in the context of developed countries. The benefit of doing so will be to have a harmonized approach to understanding the structure of employment across all countries, one that is relevant to both developing and developed countries. In addition, it will be useful to relate the concerns regarding the measurement of quality of employment to an existing, widely used, framework for the structure of employment.

In fact, informal employment should be seen as one of the most basic indicators of quality of employment. Many developed countries would not have the low part of the spectrum, that is, the “strong” modalities of informality (mostly pre-modern self-employment) of developing countries but, in all developed countries, the “weak” modalities of informal employment, such as atypical (or nonstandard) working arrangements, are already taking place. It is important to have both ends of the spectrum of informal employment to compare and to monitor trends and address the following: which countries experience the worst modalities of informality; which ones experience more moderate forms and which countries have little or no form of informal employment. It is also relevant to see in which part of the spectrum the greatest changes are taking place.

The question then is: *Which parts of the ICLS definition of informal employment are most relevant to the developed countries’ context? And which indicators in the Q of E framework provide an indication of IE in developed countries, particularly Europe?*

### **3. Relating the ICLS Definition of Informal Employment and Indicator Sheet 4ax2 to Existing Quality of Employment Indicators**

The indicator sheet for the experimental indicator on Informal Employment submitted by Rodrigo Negrete (INEGI, Mexico) is the point of departure for exploring this issue (Dimension 4, indicator 4ax2, appended to this brief.) This indicator sheet reviews the ICLS definition and essential components of Informal Employment.

The 2003 ICLS concept of informal employment represents a higher level of aggregation and complexity than a single indicator and is more structured than a “dimension” of employment. The ICLS defined informal employment based on Status in Employment categories and on the job arrangement in all types of enterprises, whether formal or informal or households. As noted earlier, informal employment refers to all employment arrangements that leave individuals without (or with limited) legal or social protection and, hence, more exposed to economic risk than others. All economic units they are working for, or which they own, are included: formal enterprises, informal (unregistered or unincorporated) enterprises, or households. *In reality, in developed countries, most firms/enterprises are formal (registered) and only a small share of employment is in the “household employment” category.*

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<sup>3</sup> L. Zhang, 2011. “The Paradox of Labor Force Dualism and State-Labor-Capital Regulations in the Chinese Automobile Industry.” In S. Kuruvilla, C. Kwan Lee and M. E. Gallagher, eds. From Iron Rice Bowl to Informalization: Markets, Workers, and the State in a Changing China. Ithaca, NY, and London: Cornell University Press, pp. 107-37. Ravi Srivastava (2012), “Changing Employment Conditions of the Indian Workforce and Implications for Decent Work.” Global Labor Journal, vol. 3, no.1, pp. 63-90

Thus, to illustrate how the definition of informal employment can be implemented in developed countries, the most relevant components of the definition of informal employment for developed countries, according to Negrete's indicator sheet, are the following:

**Item (i) in Informal Employment Indicator sheet** (Experimental sheet by R. Negrete)

▷ Own-account self-employed operators (unincorporated)

**Item (v) in Informal Employment Indicator sheet** (Experimental sheet by R. Negrete)

▷ Wage employment in informal jobs: Includes wage workers without social protection through their work, that is, "If their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection, or entitlement to certain employment benefits (such as advance notice of dismissal, severance pay, paid annual or sick leave)" (see indicator sheet).

These are:

- employees of formal enterprises without social protection through their work [or, in some countries, without employment contract]
- domestic workers without social protection through their work
- casual or day labourers
- industrial outworkers (include homeworkers)

It is important to note that other employment arrangements, notably those with informal, or unregistered, economic units also are included in the ICLS definition of informal employment. We do not address these here because informal economic units are a minor pattern in developed countries (whereas they dominate in developing countries) where wage employment is concerned.

In some developed countries it may be important to monitor those self-employed in registered unincorporated enterprises (i.e. those owning and working in small shops or other micro-small scale businesses operating without the institutional frame of companies or corporations)—in other words, to monitor those who work outside an institutional frame that would enable sharing risks with partners and investors. A disaggregation in terms of which self-employed are covered or not by a retirement/pension mechanism also deserves consideration. If not, strictly speaking, informal,<sup>4</sup> those self-employed of registered micro/small businesses, lacking any employment-based benefits, face a vulnerability close to that experienced by those informal self-employed in developing countries.

Examples of informal wage employment, for which we do not expect a straightforward correspondence with Quality of Employment indicators, are employees of informal enterprises without social protection through their work. In developed countries where the overwhelming share of firms are formal, determining whether a wage worker is employed by an informal (e.g. unregistered) enterprise is not easily done in household surveys, the primary employment survey mechanism.<sup>5</sup>

The operational criterion for the statistical definition for informal employment relies on the regulatory status of the job itself, that is, how it relates to the regulatory framework for employment and for social protection. Regulation is understood broadly; it ranges from state regulation, such as having a written employment contract, to non-state regulation, such as collective bargaining regimes or norms regarding employer-based benefits or personnel policy (e.g. US employer-based health insurance).<sup>6</sup> Each country may decide which criterion best represents the regulatory status of a job. For example, some countries tie access to key social protection and labour rights to the regular wage employment contract/arrangement, which may be written or be implicit and may be of indefinite duration (e.g. as in France).

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<sup>4</sup> The ICLS-ILO conceptual frame classifies the self-employed not according to their labour conditions but in terms of the conditions of the economic unit they operate; by contrast, the labour conditions criterion is at the forefront in classifying dependent (wage) workers.

<sup>5</sup> The ICLS IE definition also includes informal producers' cooperatives and unpaid contributing family workers regardless of the nature of the enterprise.

<sup>6</sup> F. Carré and James Heintz. 2009. "Issues in Developing a Common Framework on Informal Employment." Revised May 2009. WIEGO. Available at [http://wiego.org/sites/wiego.org/files/publications/files/Carre\\_and\\_Heintz\\_Common\\_Framework.pdf](http://wiego.org/sites/wiego.org/files/publications/files/Carre_and_Heintz_Common_Framework.pdf)

## 4. Quality of Employment Indicators and Informal Employment

Within the Quality of Employment framework, and its sub-dimensions, some individual indicators are relatively simple and represent a single dimension, e.g. hours worked. Other indicators are composite, meaning that they may require aggregating two or more indicators that could also be reported as free standing indicators, as, for example, with Precarious Employment (experimental) and Informal Employment (experimental).

This section examines two approaches for using the existing and proposed Quality of Employment indicators to compute informal employment. Some indicators in two of the Dimensions of the Framework as listed below are relevant for Informal Employment. They can be used to measure informal employment by **either** focusing on the employment arrangement **or** by focusing on a key social protection benefit without which a worker is considered without key social protection.

### Using existing and experimental indicators of Quality of Employment

Several indicators in Dimension 4 (Security of Employment and Social Protection) and some in Dimension 2 (Income and Benefits From Employment) will enable us to relate the Q of E framework to the IE definition. However, in order to combine these indicators, that is, aggregate them to derive a measure of the Informal Employment Indicator, the indicators below must 1) provide disaggregation by Full-time/Part-time status, and 2) be mutually exclusive or provide a sufficient breakdown of their components to enable their use in computing Informal Employment.

#### Using Q of E indicators of employment arrangement under 4(a) Security of Employment to measure informal employment:

Relevant indicators include employment often described as “nonstandard”:

**4a1 Percentage of employed persons 25 years and older with fixed term contract/arrangement, FT/PT**

**4a3 Percentage of employed persons who are own-account workers, FT/PT**

**4a4 Percentage of self-employed workers with only one client, FT/PT – if 4a3 above not used**

**4a6 Percentage of persons employed via a temporary employment agency, FT/PT**

**4a7 Percentage of employees without a formal contract or without pay slip/pay stub, FT/PT**

(Note: as long as there is no overlap with above categories)

Item 4a7 should be considered as part of informal employment in some national circumstances.

In some, not all, OECD countries, notably countries with employer-based social protection systems, part-time is, in practice, used as an employment arrangement with a specific status associated with exclusion from social protection or limited job duration. Notable examples are the United States, where part-time is primarily associated with lack of access to employer-based benefits, and Japan, where one type of part-time is an employment arrangement with little expectation of duration, regardless of hours worked. Interpretation guidelines may note that some countries may use part-time as illustrated in the table on the following page; this would be at the country’s discretion. Therefore, we underscore that reporting all relevant indicators broken down for full-time and part-time enables those countries with such arrangements to include part-time in their computations.

Another category for possible inclusion is *paid domestic workers in services to households*. If domestic workers are excluded from coverage under labour standards and social protection and if they are not already counted in categories 4a1 to 4a7 above, they would be a component of informal employment. While not currently included as a specific indicator in the Q of E framework, statistics on domestic workers can be included in measuring Informal Employment.

Thus, a computation of Informal Employment could proceed as follows:

Per cent in total (dependent and self-employment)		Full-time	Part-time
1	4a1 Per cent with fixed-term contract		(a)
2	4a3 Per cent of own-account workers		(c)
3	4a6 Per cent in temporary agency work (TAW)		(d)
4	4a7 Per cent without a formal contract/pay slip		(e)
5	Per cent of part-time in total employment */	Total PT minus (a+b+c+d+e)	
6	Per cent domestic workers in services to households**/		

**Notes:**

\*/ As noted in text, part-time is only relevant in countries where it is used as a way to limit access to benefits.

\*\*/ Domestic workers, if not included in the other categories, may be added in.

This approach relies almost exclusively on measuring *de jure* informal employment, while acknowledging that research has pointed out the links between particular employment arrangements, such as temporary agency work or short-term work, and lack of access to social protection.

Also, we realize that not all forms of employment that would be included in the ICLS definition of informal employment are encompassed in the list of indicators currently being developed as part of the Quality of Employment framework. Nevertheless, our assessment is that the most preponderant forms of informal employment—in wage as well as self-employment—can be computed with the indicators approved for the framework as of the 2015 report.

Forms of employment that we expect are not included in the existing Q of E framework indicators are industrial outworkers and casual/day labourers. Yet we expect that industrial outworkers are mostly represented in the “own-account” self-employment category in developed countries. Casual/day labourers are expected to be split between:

- 1) temporary workers (brokered or hired directly) and 2) own-account self-employed workers.

**Using Q of E indicators of benefits from employment and social protection**

This approach relies on *de facto* access to benefits from employment or key social protection. Given the variety of institutional settings relating to benefits across countries, each country could select the **one key** benefit from employment without which workers are considered bereft of protection. With this approach, actual coverage under benefits from employment (dimension 2b “Non-wage Pecuniary Benefits” and dimension 4b “Social Protection”) determines whether a wage worker is in informal employment and contribution to a pension plan/fund (dimension 4, item 4b1) determines whether a wage or self-employed worker is in informal employment.

The Q of E indicators currently under consideration that we consider relevant to *informal employment* criteria for wage workers are the following:

**2b1 Per cent of employees entitled to paid annual leave benefit**

**2b4 Per cent of employees entitled to paid sick leave (useful in countries where sick leave is not a mandate but employer-sponsored)**

**4b2 Per cent of employees covered by unemployment insurance measured de jure or possibly de facto**

**4b3 Per cent of employed persons who are active contributors to a medical insurance plan/ scheme related to their employment** (In some countries without a national health insurance scheme, basic health insurance coverage could be considered)

Also relevant in some country contexts is the following indicator for both wage and self-employment:

- 4b1. Per cent of economically active population contributing to a pension scheme

These indicators are not mutually exclusive, so they cannot be “added up”. For this reason, using this approach would require identifying the most important benefit that will serve as criterion. **At the country-level, it would be possible to report employment that is not covered by a key benefit, and employment that is not covered by any benefit.**

## **Describing the structure of employment: an illustration for European countries**

### **a) Initial steps:**

Using the national labour force survey, or the European Labour Force Survey if appropriate, it is possible to use the following variables:

- Status in employment: wage/dependent employment, self-employment (own-account and employers)
- Within self-employment: unincorporated own-account
- Within wage/dependent employment: Implement the categories of employment listed above, either using the first approach of employment arrangements (from Dimension 4 “Security of Employment”) or, if benefits from employment are primary indicators of the characteristics and quality of employment, use the second method (indicators drawn from Dimensions 2b “Non-wage Pecuniary Benefits” and 4b “Social Protection”) adapted to the particular institutional context of each country

### **b) Describing the structure of employment:**

It is possible to *go further than the recommendations above* and explore a way to fully describe the structure of employment using **both** the characteristics of employment arrangements and the extent of coverage by a key social protection benefit. The key benefit that spans both self-employed and the dependent/wage employed is *contribution to a pension scheme*.

We illustrate on the following page how the structure of employment can be described—including the distinction between informal and formal employment—should countries decide to do so, using the statistics necessary for the Quality of Employment indicators. This task can be accomplished using indicators computed from the European Labour Force survey or the national labour force survey.

With appropriate disaggregation of existing Q of E indicators, it would be possible for countries to explore the structure of employment, to report informal employment, and to examine changes in employment over time. In the list outlined on the following page, employment included in the categories A.2.—within self-employment—and B.2.—within wage employment—(both underlined) represent an equivalent of informal employment. Furthermore, within B.2., those categories in ***bold italic font*** are the most vulnerable forms of informal employment.

## ILLUSTRATION: INDICATORS OF THE STRUCTURE OF EMPLOYMENT

Implementation can be carried out as follows below as long as countries choose to disaggregate indicators for pension contribution and other employment arrangement (Security of Employment) indicators in the following ways:

### A) Self-employed in unincorporated enterprises or micro-small economic units (proxied by own-account self-employment, 4a3):

A1) With benefit access, that is, contributing to a pension scheme (share of total employment) (4b1)

A2) Without benefit access, that is, without contributing to pension scheme (share of total employment)

### B) Paid dependent/wage workers

B1) With benefit access—contributing to a pension scheme (share of total employment)

- With a formal contract<sup>7</sup> of employment
  - Temporary/short term (4a1, 4a6)
  - Conditioned to (dependent on) the finalization of a specific task e.g., a building construction project (this is not currently an indicator but could be devised)
  - Not temporary
- Without a formal contract of employment (4a7)

B2) Without benefit (employment-related social protection) access (share of total employment)

- With a formal contract of employment
  - **Temporary/short term (4a1, 4a6)**
  - **Conditioned to the finalization of a specific task** (this is not currently an indicator but could be devised)
  - Not temporary
- **Without a formal contract (4a7)**

## Indicators of Precarious Employment and of Informal Employment

Both precarious employment (4ax1) and informal employment (4ax2) have been proposed as experimental indicators in the Quality of Employment framework. While the terms are similar, the two indicators are not substitutes for each other. Precarious employment<sup>8</sup> is defined by the ILO in paragraph 14 d of the Resolution concerning the International Classification of Status in Employment (ICSE), adopted by the Fifteenth International Conference of Labour Statisticians (January 1993). Workers in precarious employment can either (a) be workers whose contract of employment leads to the classification of the incumbent as belonging to the groups of “casual workers”, “short-term workers”, or “seasonal workers”; or (b) be workers whose contract of employment will allow the employing enterprise or person to terminate the contract at short notice and/or at will, with the specific circumstances to be determined by national legislation and custom. Notwithstanding this definition, the term “precarious employment” is used in different ways and with different definitions by researchers and policy advocates.

As currently formulated, the indicator worksheet for precarious employment does not recommend disaggregation by type of employment (short-term, seasonal, casual, intermittent, as appropriate for each country). Such disaggregation would help to show the overlap between the measure of precarious employment and 4a1 – Percentage with fixed-term contracts.

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<sup>7</sup> Here, the term “contract of employment” refers to the employment arrangement that governs the terms of employment, eligibility for employment-related social protection, and labour rights.

<sup>8</sup> Available at: [http://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS\\_087562/lang--en/index.htm](http://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS_087562/lang--en/index.htm).



# APPENDIX: Indicator Sheet for Informal Employment — 2015 Version<sup>9</sup>

This sheet was prepared prior to the development of this statistical brief and is included in the 2015 Framework report. It describes the concept and definition of informal employment, and general points about its implementation within the Quality of Employment framework. The present brief takes this objective one step further by illustrating how to use specific indicators already specified in the framework to implement a measurement of informal employment. Several edits were made to the version of the experimental sheet available in the 2015 Framework report and are underlined>.

Dimension of the indicator	Dimension 4a: Security of employment
<b>Name of the indicator</b>	<b>Informal employment rate 4ax2</b>
<b>Description</b>	<p>The 17th ICLS in 2003 published a definition of the concept of informal employment within the informal economy. This concept remains the standard definition of informal employment within the framework of the ILO. Informal employment is defined as the total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises or household during a given reference period.</p> <p>The key characteristics of informal employment are that it is a job-based concept (focus on characteristics of the job) that includes (1) all jobs (main and secondary jobs); (2) jobs in all types of production units; (3) workers in all statuses of employment; and (4) all branches of economic activity (agriculture and non-agriculture).</p> <p>Informal employment, which encompasses all of the jobs included in the concept of employment in the informal sector (except those which are classified as formal jobs in informal sector enterprises), refers to those jobs that generally lack basic social or legal protections or employment benefits and may be found in formal sector enterprises, informal sector enterprises, or households.</p> <p>Informal employment includes the following types of jobs: (i) own-account workers employed in their own informal sector enterprises; (ii) employers employed in their own informal sector enterprises; (iii) contributing family workers, irrespective of whether they work in formal or informal sector enterprises; (iv) members of informal producers' cooperatives; (v) employees holding informal jobs in formal sector enterprises, informal sector enterprises, or as paid domestic workers employed by households with no access to a key labour benefit; (vi) own-account workers engaged in the production of goods exclusively for own final use by their household, if they are considered employed given that the production comprises an important contribution to total household consumption. For operational reasons the concept is measured as the number of persons employed (and not the number of jobs) in informal employment in their main job. Where they exist, employees holding formal jobs in informal sector enterprises should be excluded from informal employment. As regards (v) above, employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (such as advance notice of dismissal, severance pay, paid annual or sick leave).</p> <p>The informal employment rate is defined as the percentage of persons in total employment who are in informal employment.</p>

<sup>9</sup> Available at p. 210 in UN-ECE (2015). UNECE Handbook for Measuring the Quality of Employment: A Statistical Framework (2015) is available at [http://www.unece.org:8080/fileadmin/DAM/stats/publications/2015/ECE\\_CES\\_40.pdf](http://www.unece.org:8080/fileadmin/DAM/stats/publications/2015/ECE_CES_40.pdf)

Dimension of the indicator	Dimension 4a: Security of employment
<b>Formula</b>	$\frac{\text{Number of employed persons in informal employment}}{\text{Total number of employed persons}} \times 100$
<b>Recommended data source(s)</b>	<p>A household-based Labour Force Survey is the recommended data source as it has all the elements in order to distinguish employment by status and thus allowing to apply the criteria concerning self-employed as well the one pertaining dependent workers. Some LFS collect information on the size of the economic unit conducted by a self-employed worker, so those in charge of micro economic units can be selected. In case a LFS lacks any elements necessary to identify what kind of economic unit a self-employed worker leads, they can be implemented in the so-called mixed household-establishments surveys, in which the second phase is an in-depth module addressing those already identified as self-employed in the household survey.</p> <p>National Accounts estimate the underground economy including both unregistered residents and non-resident foreigners. The underground economy is defined in terms of legal productive activities that are not registered to avoid tax and social contribution obligations.</p>
<b>Target population</b>	Employed persons
<b>Variables used</b>	<ul style="list-style-type: none"> <li>• Employed persons: Employment defined according to the XIII ICLS resolution (1982).</li> <li>• Status in Employment as established by the XV ICLS resolution (1993).</li> <li>• Size of the economic unit a self-employed (own account worker/employer) has. Alternatively, type of registration or tax regime is a resource to identify the type of economic unit.</li> <li>• Access to social security or to the most basic services in virtue of the employment a dependent worker has; alternatively, the existence or not of a written contract giving basic labour protection or guarantees as a worker.</li> </ul>
<b>Measurement objectives</b>	<p>The measurement objectives can be understood in one of the following three ways:</p> <ol style="list-style-type: none"> <li>1. To identify the most vulnerable or the segment of total employment most exposed to economic risk.</li> <li>2. To identify those lacking any safety net to fall back on or with more disadvantages in case things go wrong either in regard to their economic activity or labour relationships.</li> <li>3. To identify those with the least possibilities—be they de jure or de facto—to count on the legal/institutional framework to protect them either as independent producers or as dependent workers.</li> </ol>

Dimension of the indicator		Dimension 4a: Security of employment
<b>Recommended metadata</b>		<p>Information on the data source, data reference period, population coverage and geographic coverage should be made available to data users. Moreover, it is essential that data users be informed regarding the operational definition used to define informal employment:</p> <ul style="list-style-type: none"> <li>• Job coverage (main jobs or all jobs).</li> <li>• The criteria used in distinguishing different categories in regards to status in employment</li> <li>• The criteria used to identify those leading unincorporated economic units (size/registration/tax regime/account practices). In particular in regard to the self-employed in unincorporated economic units it is important to specify if independent professionals (such as medical doctors, dentists, accountants, or lawyers) were included or not,</li> <li>• The criteria used to identify the less protected segment of paid dependent workers: for example the most basic labour benefit or the most basic labour guarantee they can count on.</li> </ul>
<b>Recommended disaggregation</b>		<ul style="list-style-type: none"> <li>• Sex, age groups, and education.</li> <li>• Area of occupation (urban/rural).</li> <li>• Status in employment: self-employed (own account and employers), non-paid auxiliary family workers, and employees (paid dependent workers).</li> <li>• Economic Activity (ISIC/NACE/NAICS)<sup>10</sup> or at least distinguishing between agricultural and non-agricultural.</li> <li>• SNA's<sup>11</sup> institutional sectors (if possible), placing paid domestic workers within the household sector but in a different place of those in household enterprises.</li> <li>• Full-time, part-time.</li> </ul>
<b>Interpretation guidelines</b>	<b>In general</b>	<p>The existence of an informal economy and informal employment in a particular country is strongly influenced by such factors as the specific historical background, cultural influences, levels of development, characteristics of the economic system, and the overall political and economic environment. Besides that, many similarities can be drawn between such countries. People are often simply unable to find a job in the formal part of the economy due, for example, to a shortage of employment opportunities or a low level of formal education. Such workers have generally no other choice but to seek a job within the informal economy since they cannot afford to be unemployed.</p> <p>High taxes, bureaucratic procedures, and corruption can make formal employment complicated and expensive.</p> <p>Inadequate and not-carefully-targeted employment policies can constrain employment in the formal sector and push workers towards informality. Low levels of job creation, combined with high unemployment and social assistance benefits below the basic level of subsistence, leave workers with no other choice than to seek employment in the informal economy.</p> <p>Also, rapid economic changes, as those experienced in transition periods, are often to the disadvantage of low skilled workers who cannot adapt to the new requirements in the formal economy and are squeezed out into the informal economy. The economic situation as a context indicator: are there more temporary contracts in times of economic downturn?</p>

<sup>10</sup> International Standard Industrial Classification of All Economic Activities (ISIC), Statistical Classification of Economic Activities in the European Community (NACE), North American Industry Classification System (NAICS).

<sup>11</sup> System of National Accounts (SNA)

Dimension of the indicator		Dimension 4a: Security of employment
<b>Interpretation guidelines</b>	<b>In relation to other indicators and context indicators</b>	<p>This indicator should be analyzed in combination with GDP, employment and unemployment rates. When the share of informal employment remains more or less stationary during normal periods, it is expected it increases with recessions and decreases during the pick-up of the economic cycle, and so is countercyclical.</p> <p>Moreover, this indicator should be analyzed in combination with non-standard employment and the percentage of employees without formal contracts.</p>
	<b>Concerning international comparability</b>	<p>National legislation influences the proportion of informal employment. As this indicator cannot be calculated with the LFS variables, the international comparison is rather difficult.</p> <p>It is very difficult to measure mainly at the level of the worker. It might be better to include, as a context indicator, the percentage of irregular work (from National Accounts).</p>
<b>Recommended calculation in the EU-LFS</b>		Informal employment is not collected directly from the EU-LFS
<b>Further readings</b>		<p>ILO, Hussmanns, Ralf. Measuring the informal economy: from employment in the informal sector to informal employment. Working Paper No. 53. Geneva, December 2004.</p> <p>ILO, Resolution concerning statistics of employment in the informal sector, XV ICLS, Geneva, January 1993</p> <p>ILO, Guidelines concerning a statistical definition of informal employment, XVII, ICLS, Geneva, December 2003</p> <p>ILO, A comparative Overview of Informal Employment in Albania, Bosnia and Herzegovina, Moldova and Montenegro, 2011</p> <p>ILO, Measuring Informality: a Statistical Manual on the informal sector and informal employment, October 2012 <a href="http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_222979.pdf">http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_222979.pdf</a></p> <p>ILO, Decent Work Indicators. Concepts and definitions, ILO Manual first version, 2012, Geneva <a href="https://www.scribd.com/document/137359758/Decent-Work-Indicators-Concepts-and-definitions">https://www.scribd.com/document/137359758/Decent-Work-Indicators-Concepts-and-definitions</a></p> <p>Chen, Martha. August 2012. The Informal Economy: Definitions, Theories and Policies, WIEGO Working Paper No 1 <a href="http://wiego.org/sites/wiego.org/files/publications/files/Chen_WIEGO_WP1.pdf">http://wiego.org/sites/wiego.org/files/publications/files/Chen_WIEGO_WP1.pdf</a></p>

**About WIEGO:** Women in Informal Employment: Globalizing and Organizing is a global network focused on securing livelihoods for the working poor, especially women, in the informal economy. We believe all workers should have equal economic opportunities and rights. WIEGO creates change by building capacity among informal worker organizations, expanding the knowledge base, and influencing local, national and international policies. Visit [www.wiego.org](http://www.wiego.org).