

# Relating Quality of Employment to Informal Employment

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## ***1. Introduction***

Our purpose with this note is to relate the QoE framework indicators to another important cross-national concept regarding the nature and quality of employment which is *Informal Employment*. We believe this will enhance the visibility, relevance, and usefulness of the QoE statistical framework.

Informal employment has been given a statistical definition that spans *all* economies, developed as well as developing, by the International Conference of Labor Statisticians. 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 note first discusses how we see 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. We then review the criteria embedded in the ICLS definition of informal employment (IE). The next section explores the parts of the definition of informal employment we consider most relevant to the developed country context and which indicators in the Quality of Employment (QoE) 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 4a6) to existing QoE indicators, illustrating how these indicators are relevant components enabling the measure of informal employment in developed countries. The note then specifies two approaches using the existing and proposed QofE 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 QofE 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***

First, it is important to have a genuine, multi-national, description and assessment of the structure of employment across countries. Such an assessment enables international

organizations and countries to be more informed about shared patterns cross-nationally and about salient issues with regards to employment.

The definition of IE provides a direct linkage of specific job/employment dimensions to 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 QoE 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 labor standards or benefits to those operating with atypical working arrangements with some benefits.

Second, 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 arrangement results in workers falling outside the purview of the most important social protection mechanisms, or of employment and labor 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>1</sup>. Therefore, recent employment arrangements and trends indicate that there are shared patterns of employment across OECD and developing countries which warrant attention.

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<sup>1</sup> Sarosh Kuruvilla, Ching Kwan Lee and Mary E. Gallagher (2011).eds. *From Iron Rice Bowl to Informalization: Markets, Workers, and the State in a Changing China*. Ithaca, NY, and London: Cornell University Press. And Zhang, Lu. 2011. “The Paradox of Labor Force Dualism and State-Labor-Capital Regulations in the Chinese Automobile Industry.” Pp. 107-37 in *From Iron Rice Bowl to Informalization: Markets, Workers, and the State in a Changing China*, edited by Sarosh Kuruvilla, Ching Kwan Lee and Mary E. Gallagher. Ithaca: Cornell University Press.

Relating the Quality of Employment statistical framework to the ICLS definition for informal employment would broaden the uses of the QoE 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 QoE framework provide an indication of IE in developed countries, particularly Europe?*

### ***3. Relating the ICLS definition of informal employment and Indicator Sheet 4a6 to Existing Quality of Employment Indicators***

The indicator sheet for the experimental indicator on Informal Employment submitted by Rodrigo Negrete (INEGI, MX) is the point of departure for exploring this issue (Dimension 4, indicator 4a6. Appended to this note.) 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 starting with Status in Employment categories and based 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.*

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: wage workers without social protection *through their work*

*"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). It includes:

- *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 (also called 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, 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>2</sup>, those self-employed of registered micro/small business lacking any employment - based benefit face a vulnerability close to that experienced by those informal self-employed in developing countries.

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<sup>2</sup> The ICLS-ILO conceptual frame classifies the self-employed not according to their labor conditions but in terms of the conditions of the economic unit they operate; by contrast, the labor conditions criterion is at the forefront in classifying dependent (wage) workers.

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 because, 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>3</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>4</sup> Each country may decide which criterion best represents the regulatory status of a job. For example, in countries where the wage relationship is governed by written contracts, this criterion indicates whether the job is formal or informal. In countries with implicit employment contracts, another criterion would need to be chosen.

#### ***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 Dimensions 4 and Dimension 2 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.

##### **4.1. 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 QoE framework to the IE definition. However, in order to combine these indicators, that is,

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<sup>3</sup> The ICLS IE definition also includes of informal producers' cooperatives and unpaid contributing family workers regardless of the nature of the enterprise.

<sup>4</sup> Issues in Developing a Common Framework on Informal Employment," 2009. Françoise Carré and James Heintz. Revised May. WIEGO.

[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)

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 sufficient breakdown of their components to enable their use in computing Informal Employment.

4.1.1. Using Q of E indicators of employment arrangement under 4 (a) Security of Employment:

Relevant indicators include employment often described as “nonstandard”.

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

Note: To the extent that the precarious employment indicator is broken down into its component parts (e.g. short term employment, self-employed without employees and any other categories), it or parts of it may be included into informal employment, without duplication of counts.

**4a4 Percentage of employed persons who are own-account workers. FT/PT**

**(4a5) Percentage of self-employed workers with only one client- FT/PT ) – if 4a4 above not used**

**4a8 Percentage of persons employed via a temporary employment agency, FT/PT**

**4a9 Percentage of employees without a formal contract, FT/PT** [Note: as long as there is no overlap with above categories] [Note2: maybe amend the title to say “workers”]

The special case of part-time: In *some, not all*, OECD countries, notably countries with employer-based social protection systems, part-time is in practice used as a status of employment. 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, regardless of hours worked. Interpretation guidelines may note that some countries may use part-time as illustrated in the table above; 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 inclusion is *paid domestic workers in services to households*, if they do not fall within the categories above. With the availability of detailed occupation (domestic work within service occupations) and industry (services to households) statistics, this category could be enumerated (part-time and full-time) and included. While not currently a proposed indicator, this statistics can be included by those countries which report it and can include it in measuring Informal Employment.

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

	Percent in total (dependent and self-employment)	Full-time	Part-time
1	4a1. Percent with temporary/short-term employment		(a)
2	4a4. Percent of own-account self-employment		(c)
3	4a8. Percent in temporary agency work (TAW)		(d)
4	4a9. Percent without a formal contract		(e)
5	Percent of part-time in total employment */	Total PT minus (a+b+c+d+e)	
6	Percent 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

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—are computed through the current indicators and those in development.

Forms of informal employment that we expect are not explicitly included by the QoE framework indicators so far include industrial outworkers and casual/day laborers. Yet, we expect that industrial outworkers are mostly represented in the “own-account” self-employment category in developed countries. Casual/day laborers are expected to be split between: 1) temporary workers (brokered or hired directly) and 2) own-account self-employed workers.

4.1.2. 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 2) determines whether a wage worker is in informal employment and contribution to a pension plan/fund (dimension 4, item 4.b. 1.) determines whether a wage or self-employed worker is in informal employment.

The QoE indicators currently under consideration that we consider relevant to Informal Employment criteria for wage workers are the following:

- 2b1. Percent of employees entitled to paid annual leave benefit
- 2b 4. Percent of employees entitled to paid sick leave (useful in countries where sick leave is not a mandate but employer-sponsored)
- 2b 8. Percent of employees with supplemental health insurance (In some countries without national health insurance scheme, basic health insurance coverage could be considered)
- 4b3 Percent of employees covered by unemployment insurance measured *de jure* or possibly *de facto*.

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

- 4b1. Percent 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.**

#### 4.1.3. Illustration of these approaches for EU countries and exploring a means to describe the structure of employment:

##### 4.1.3.a. Initial steps:

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

- Status in employment: Dependent employment, self-employment (own-account and employers)
- Within self-employment: unincorporated own-account
- Within dependent employment: Implement the categories of employment listed above, either using the first approach of employment arrangements (from Dimension 4) or, if benefits from employment are primary indicators of the characteristics and quality of employment, use the second method (indicators drawn from Dimension 2) adapted to the particular institutional context of each country.

##### 4.1.3.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 below 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 Labor Force survey or national labor force survey. It can be implemented as follows, 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, 4a4)

A.1. With benefit access, that is, *contributing to a pension scheme* (share of total employment) (4b1). We note that comments on this indicator have recommended that it references total employment and not the entire economically active population (or provide detail for employed/unemployed).

A.2. Without benefit access, that is, without contributing to pension scheme (share of total employment)

**B. Paid dependent/wage workers**

B.1. With benefit access- contributing to pension scheme (share of total employment)

- With a formal contract of employment
  - Temporary/ short term (4a1, 4a8)
  - 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 (4a9)

B.2. Without benefit access (share of total employment)

- With a formal contract of employment
  - *Temporary/ short term (4a. 4a8)*
  - *Conditioned to the finalization of a specific task* (this is not currently an indicator but could be devised)
  - Not temporary
- *Without a formal contract (4a9)*

With appropriate disaggregation of Quality of Employment indicators, it would be possible for countries to explore the structure of employment, to report informal employment, and examine changes in employment over time. In the structure outlined above, employment included in categories A.2. -- within self-employment-- and B.2. --within wage employment-- (both underlined) represent an equivalent of informal employment. Furthermore, within B2, those categories in italics (red font) are the most vulnerable forms of informal employment.

#### 4.2. Precarious Employment and Informal Employment indicators

We clarify that precarious employment and informal employment have been proposed as experimental indicators. Precarious employment is a notion that has been recommended by the ILO in some of its work. The term itself is used in varied ways in the research world. Informal employment is defined specifically by the ICS, based on Status in Employment (ICLS) categories and on the job standing in regards to regulation. Informal employment is an international statistical definition, explicitly bridging developing and developed economies. Therefore, the two indicators are not substitutes for each other.

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 distinguish the overlap between the measure of precarious employment and 4.a.1 Percentage with Fixed-term contracts

**APPENDIX: PLEASE NOTE, WE HAVE MADE SOME EDITS TO THE EXPERIMENTAL SHEET; THEY ARE HIGHLIGHTED**

Dimension of the indicator	Dimension 4a: Security of employment
<b>Name of the indicator</b>	<b>Informal employment rate 4a6</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 status in employment; and (4) all branches of economic activity</p>

Dimension of the indicator	Dimension 4a: Security of employment
	<p>(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 labor 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>
<b>Formula</b>	$\frac{\text{Number of employed persons in informal employment}}{\text{Total number of employed persons}} * 100$

Dimension of the indicator	Dimension 4a: Security of employment
<p><b>Recommended data source(s)</b></p>	<p>A household-based LFS 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 collects information in the size of the economic unit conducted by a self-employed, so can be selected those in charge of micro economic units. In case a LFS lacks any elements necessary to identify what kind of economic unit a self-employed leads, it can be implemented the so called mixed household-establishments surveys, where the second phase is an in depth module addressed to 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>
<p><b>Target population</b></p>	<p>Employed persons</p>
<p><b>Variables used</b></p>	<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>
<p><b>Measurement objectives</b></p>	<p>The Measurement objectives can be understood in one of these three ways</p> <ul style="list-style-type: none"> <li>-To identify the most vulnerable or segment of total employment most exposed to economic risk.</li> <li>-To identify those lacking any safety net to fall back or with more disadvantages in case things go wrong either on regard their economic activity or labour relationships.</li> <li>-To identify those with the least possibilities -be the jure or</li> </ul>

<b>Dimension of the indicator</b>		<b>Dimension 4a: Security of employment</b>
		the facto- to count in their favor with the legal/institutional frame to protect them either as independent producers or as dependent workers.
	<b>Recommended metadata</b>	<p>It is recommended information on the data source, data reference period, population coverage and geographic coverage 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 on regard status in employment</li> <li>- the criteria used to identify those leading unincorporated economic units (size/registration/tax regime/account practices). In particular on regard 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/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) or at least distinguishing between agricultural an non agricultural</li> <li>-SNA's 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>	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

<b>Dimension of the indicator</b>		<b>Dimension 4a: Security of employment</b>
		<p>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 than 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 no other choice than to seek employment in the informal economy.</p> <p>Also rapid economic changes, as those experienced in the 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 context indicator: are there more temporary contracts in times of economic downturn?</p>
	<b>In relation to other indicators and context indicators</b>	<p>This indicator should be analyzed in combination with GDP, employment and unemployment rate. 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 of the economic cycle so being countercyclical.</p> <p>Moreover it should be analyzed in combination with non-standard employment and percentage of employees without formal contracts.</p>
	<b>Concerning international comparability</b>	<p>The 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 level of worker. It might be better to include as context indicator the percentage of</p>

<b>Dimension of the indicator</b>	<b>Dimension 4a: Security of employment</b>
	irregular work (from National Accounts).
<b>Recommended calculation in the EU-LFS</b>	Informal employment is not collected directly from the EU-LFS
<b>Further readings</b>	<p>ILO: Hussmans, 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/---stat/documents/publication/wcms_182300.pdf">http://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms_182300.pdf</a></p> <p>Decent Work Indicators. Concepts and definitions, ILO Manual first version, 2012, Geneva  <a href="http://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms_183859.pdf">http://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms_183859.pdf</a></p> <p>WIEGO, The Informal Economy: Definitions, Theories and Policies, Working Paper No 1, August 2012  <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>