



**THE INFORMAL ECONOMY:
NEW DEFINITION AND RECENT TRENDS**

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REMARKS

- **The Informal Economy: The Concept**
 - history and debates
 - renewed interest and new definition
- **The Informal Workforce: A Global Picture**
 - size, composition, and contribution
 - links with poverty and growth

HISTORY OF CONCEPT

- 1971-72: **“discovery”**
- 1970-80s: **debates**
 - dualists
 - structuralists
 - legalists
- 1990s: **renewed interest**
 - old forms of informality: persistence
 - new forms of informality: emergence
- 2000s: **new concept**
 - all forms of informality
 - employment-based definition

EXPANDED CONCEPT OF INFORMAL EMPLOYMENT

- *Self-employment in informal enterprises*: workers in small unregistered or unincorporated enterprises, including:
 - **employers**
 - **own account operators**
 - **unpaid family workers**
- *Wage employment in informal jobs*: workers without legal protection for formal or informal firms, for households, or with no fixed employer, including:
 - **employees of informal enterprises** and formal enterprises
 - other informal wage workers such as:
 - casual or day labourers
 - domestic workers
 - contract workers
 - industrial outworkers (also called homeworkers)

Notes:

- # 1 - The international statistical definition of the “informal sector” adopted in 1993 by the International Conference of Labour Statisticians includes only those who work in informal enterprises (highlighted in **bold** above).
- # 2 – The expanded definition of “informal employment” endorsed by the 2002 International Labour Conference and the 2003 International Conference of Labour Statisticians includes both self-employment in informal enterprises and wage employment in informal jobs.

INFORMAL WORKFORCE IN DEVELOPING COUNTRIES

- Share of **non-agricultural employment**: 50-75%

Sub-Saharan Africa	72%
Asia	65%
Latin America	51%
North Africa	48%

- Share of **total employment**: 60-90%

India	93%
Ghana	90%
Mexico	62%

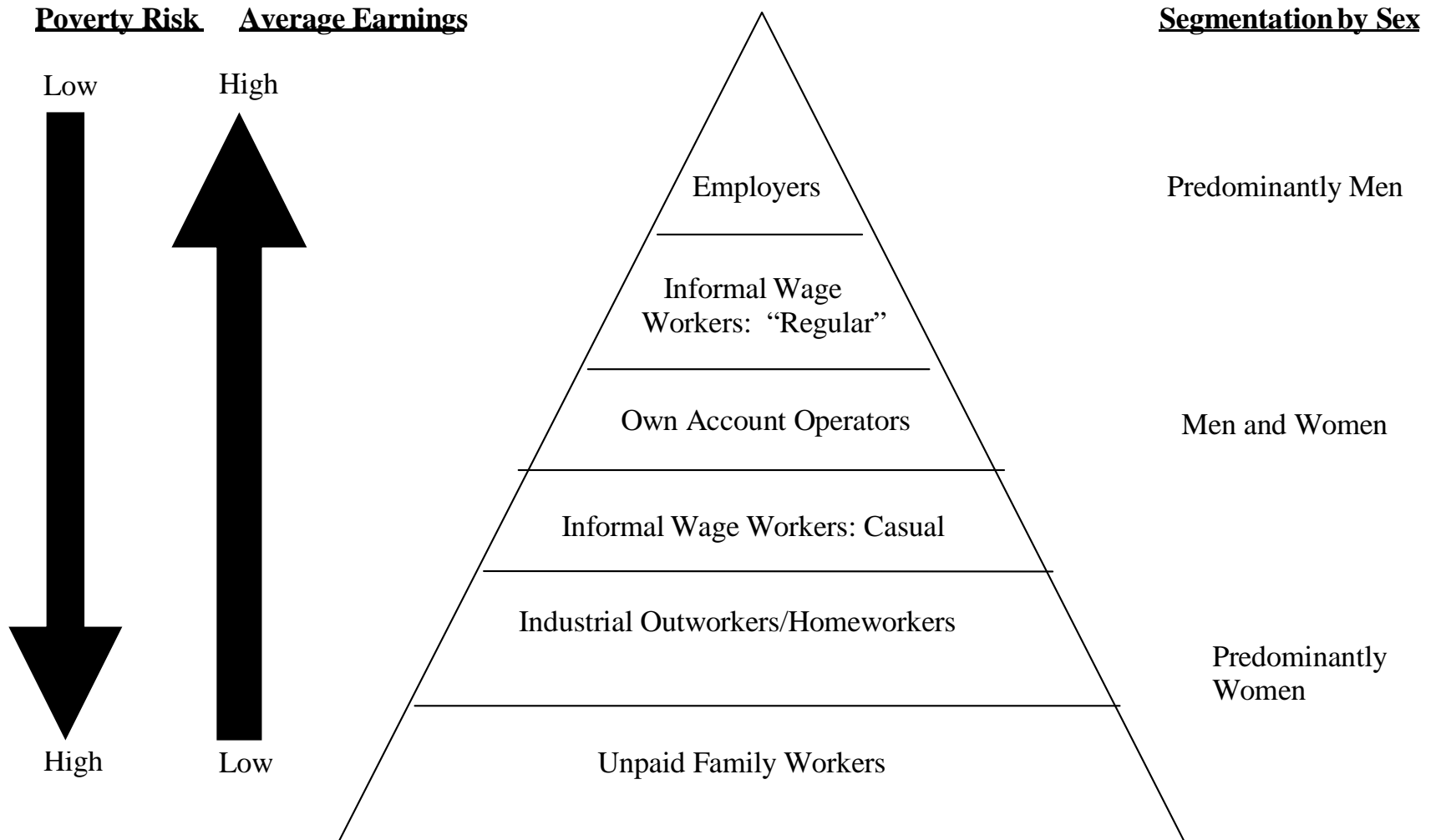
Source: ILO 2002

“INFORMAL EMPLOYMENT” IN DEVELOPED COUNTRIES

- **“non-standard” employment** in the developed world is often **“informal”** (i.e. not covered by social security)
- **three categories** of non-standard work in developed countries – temporary, part-time, and self-employment – are **significant and growing**: in the EU as a whole in the late 1990s
 - temporary employment: about 10% of total employment
 - part-time work: about 16% of total employment
 - own account work: about 11% of male employment + 7% of female employment
- **other categories** of non-standard wage work in developed countries are **even more likely to be informal/unprotected** – namely, casual day labour, industrial outwork, and other kinds of contract work

Source: Carre 2000

SEGMENTATION OF INFORMAL EMPLOYMENT: BY SEX, AVERAGE EARNINGS, AND POVERTY RISK



INFORMALITY, POVERTY, AND GROWTH

- **Informality and poverty**
 - not all informal workers are poor
 - not all working poor are informal workers
 - but overlap is significant

- **Informality and growth**
 - the informal economy is both pro- and anti-cyclical
 - **anti-cyclical**: survival activities + sub-contracting by failing firms
 - **pro-cyclical**: dynamic enterprises + sub-contracting by dynamic firms and global production system