

The informal sector and informal employment: A Brief on Statistical Concepts from the United Nations Publication, *The World's Women 2010: Trends and Statistics*.*

3. The informal sector and informal employment

In most developing countries, women who are not engaged in farming as own-account workers or contributing family workers are often employed as street vendors, independent home-based workers, industrial outworkers, contributing family workers in non-agricultural family businesses or domestic workers in the homes of others. Many women are also engaged in waste collecting or small-scale mining and construction and a few others as employers in small-scale enterprises. Although these jobs are very different in the activities performed, modes of operations and earnings, all are part of informal employment and provide the main source of work for women outside agriculture. (See box 4.5 for categories of workers included in the definition of informal sector and informal employment.)

While informal employment is also an

important source of employment for men in developing countries, it is more so for women. In the late 1990s, 84 per cent of women non-agricultural workers in sub-Saharan Africa were informally employed compared to 63 per cent of men; in Latin America it was 58 per cent of women compared to 48 per cent of men. In Asia the proportion of women and men non-agricultural workers in informal employment was roughly equal, at 65 per cent.⁷ These statistics, prepared in 2001, are based on what is called a “residual estimation method”. Until recently only a few countries directly measured informal employment and employment in informal enterprises, so an indirect approach based on existing published statistical data available in many developing countries was used.⁸

With the establishment of the definitions of informal sector and informal employment and the recognition of the importance of informal employment, an

increasing number of countries are now collecting data on informal employment and informal sector directly through household surveys, in some cases supplemented by enterprise surveys. Not many countries have fully analysed their data, but data for seven countries in different regions are shown in table 4.7 to illustrate the importance of informal employment among women as well as men in these countries – and not just in the informal sector but also outside of it.

The proportion of women’s non-agricultural employment that is informal in the seven countries ranges from a low of 18 per cent in the Republic of Moldova to a high of 89 per cent in Mali. In most of the countries, informal employment comprises more than half of women’s non-agricultural

⁷ ILO, 2002.

⁸ For details on the residual estimation method, see ILO, 2002.

Box 4.5

Defining informal sector and informal employment

The concepts of the informal sector and informal employment are relatively new in labour statistics, developed to better measure employment in unincorporated small or unregistered enterprises (informal sector) and employment that is not covered by legal and social protection (informal employment).

In 1993 the 15th International Conference of Labour Statisticians (ICLS) adopted a resolution setting out the statistical definition of the informal sector to refer to employment and production that takes place in unincorporated small or unregistered enterprises.^a Ten years later, the 17th ICLS adopted the definition for the related and broader concept of informal employment.^b Informal employment refers to all informal jobs, whether carried out in formal sector enterprises, informal sector enterprises or households. It comprises:

Persons employed in the informal sector (except those rare persons who are in the sector who may have formal employment) including:

- Own-account (self-employed) workers in their own informal enterprises;
- Employers in informal enterprises;
- Employees of informal enterprises;
- Contributing family workers working in informal sector enterprises; and
- Members of informal producers’ cooperatives.

Persons in informal employment outside the informal sector, specifically:

- Employees in formal enterprises not covered by national labour legislation, social protection or entitlement to certain employment benefits such as paid annual or sick leave;
- Contributing family workers working in formal sector enterprises;
- Paid domestic workers not covered by national labour legislation, social protection or entitlement to certain employment benefits such as paid annual or sick leave; and
- Own-account workers engaged in the production of goods exclusively for own final use by their household (e.g., subsistence farming, do-it-yourself construction of own dwelling).

^a For the full definition see Resolution concerning statistics of employment in the informal sector in ILO, 1993b.

^b For the full definition see ILO, 2003b.

The informal sector and informal employment (cont'd)*

employment. Further, in all of them except the Republic of Moldova informal employment is a greater source of employment for women than for men. It is noteworthy that in India and Mali nearly 90 per cent of women employed in non-agriculture are in informal employment with over 70 per cent in the informal sector. In India, these women are in jobs such as street vendors, garment makers in informal enterprises in the home and construction workers. (See also box 4.6, Improving statistics on informal employment in India.)

The relatively low rates of informal employment in the Republic of Moldova reflect the legacy of a centrally planned economy where informal activities were considered illegal and even forbidden. Now in countries of Eastern Europe and the CIS such activities have an important role in creating jobs, in providing income and in the production of goods and services. For example, if agriculture were included, the proportion of women's employment that is informal in the Republic of Moldova would rise to 38 per cent.⁹

Generally, women's informal jobs are more likely to be in the informal sector than outside of it. The exception again is the Republic of Moldova and, in addition, South Africa. Employment in the informal sector often is in own-account self-employment, in activities such as street vending or in smallscale production in one's home. The low rates in South Africa in part reflect the history of apartheid with its prohibition of black-owned businesses.¹⁰

⁹ ILO, 2004a.

¹⁰ Under apartheid, most informal selling in urban centres and even would-be formal black-owned businesses were defined as illegal. Restrictions on black-owned businesses have been loosened since the formal ending of apartheid (ILO, 2002).

Table 4.7

Informal employment as a percentage of total non-agricultural employment, by sex, 2003–2004 (latest available)

	Year	Informal employment		Employment in the informal sector		Informal employment outside the informal sector	
		As percentage of total non-agricultural employment					
		Women	Men	Women	Men	Women	Men
Brazil (urban)	2003	52 ^a	50 ^a	32	42	24	12
Ecuador (urban)	2004	77	73	44	36	33	37
India ^b	2004/05	88	84	73	71	15	13
Mali	2004	89 ^a	74 ^a	80	63	10	13
Republic of Moldova	2004	18	25	5	11	14	14
South Africa	2004	65	51	16	15	49	36
Turkey	2004	36	35

Sources: For all countries except India, ILO Department of Statistics; for Brazil, ILO estimates based on official data from various sources; for Mali and South Africa, ILO estimates computed from labour force survey micro data; for the rest, ILO estimates based on labour force survey data. For India, estimates provided by Jeemol Unni based on the Survey of Employment and Unemployment.

Notes

^a The sum of the components "employment in the informal sector" and "informal employment outside the informal sector" exceeds total informal employment due to the presence of formal employment in the component "employment in the informal sector".

^b Data refer to persons aged 5 or over.