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Informal work and how to measure it: A formal consensus at the 100th International Conference of Labour Statisticians

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GLU Working Paper No. 61

INFORMAL WORK AND HOW TO MEASURE IT: A FORMAL CONSENSUS AT THE 100th INTERNATIONAL CONFERENCE OF LABOUR STATISTICIANS

July 2024

Grant Belchamber and Sylvain Schetagne



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1. Introduction

Over the past fifty years, interest in and analysis of informality at work has burgeoned. Informal employment, including but not limited to un-declared work, is a core concern for unions worldwide.

In 2019, nearly 2 billion workers (about 6 in every 10) were in informal employment. Informal employment is found in all countries, but its prevalence is inversely proportional to income being highest in low income countries at around 90 per cent of total employment, and lowest in high-income countries at less than 20 per cent of total employment. The share of women in informal employment exceeds that of men in most countries.¹

Statistics on informal employment are vital for describing the structure and extent of informal employment. They are essential to identify groups of persons in employment most represented and at risk of informality, and to provide information on exposure to economic and personal risks, decent work deficits and working conditions.

For unionists and policy makers, there is a need to measure the prevalence of informality across jobs, economic units and activities; the distribution of informal and formal jobs by socio-demographic characteristics; the percentage of persons with informal main jobs in the informal and formal sectors; levels of protection for those in informal and formal employment; and contextual vulnerabilities, including poverty, inequalities, discrimination, access to land and natural resources, household composition, access to social protection. These data provide the evidentiary base to push for and implement policies that can improve the working lives of those in informal employment.

- Over the past thirty years, several resolutions, recommendations and guidelines pertaining to informality have been adopted by the International Labour Organisation (ILO)², including:
- the Resolution concerning statistics of employment in the informal sector, adopted by the 15th International Conference of Labour Statisticians (ICLS) in 1993;

¹ **Women and men in the informal economy: a statistical update**, ILO 2023, https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_869188.pdf

² The ILO is the oldest member of the UN family of organisations, and is unique amongst the specialized agencies of the UN in having tri-partite governance structure comprising governments and the social partners (worker and employer representatives). Created in 1919 under the League of Nations, it became part of the UN upon its establishment following the Second World War. The ILO is the international standard-setting body for the world of work. All member states are required to respect and uphold the ILO Declaration on Fundamental Principles and Rights at Work; member states are encouraged to ratify (and thus become bound by) ILO Conventions. Whilst other international institutions including the International Monetary Fund, the World Bank, and the OECD have a keen interest in informality for various reasons (such as compilation of National Accounts, and compliance with taxation law), the ILO is the sole standard setting body regarding informal work and its measurement.

- the Guidelines concerning a statistical definition of informal employment, endorsed by the 17th ICLS in 2003;
- the Resolution concerning decent work and the informal economy, adopted by the International Labour Conference (ILC) in 2002;
- the Transition from the Informal to the Formal Economy Recommendation, adopted by the ILC in 2015;
- the ILO Declaration on Fundamental Principles and Rights at Work, adopted by the ILC in 1998 and amended in 2022.

While there has been a general understanding of what informal work is, the terminology featured in these resolutions, such as ‘informal sector’, ‘informal employment’ and ‘informal economy’, varied significantly, without conceptual integration and definitional clarity. Tricky issues soon arose. For instance, the informal sector certainly houses much informal employment, but casual observation reveals informal employment taking place in the formal sector too. Conceptually then, could formal employment exist in the informal sector? Where, exactly, are the boundaries to be drawn?

This paper provides some insight into the revision process that led to the unanimous adoption, by the 21st International Conference of Labour Statisticians (ICLS)³, held in October 2023, of the *Resolution concerning statistics on the informal economy*⁴, and presents some of its outcomes. The first section sketches the reasons behind the need for revision. The second section outlines the process that took place to come up with a conceptual definition of Informality. The third section traces in some detail what the new resolution deals with and highlights its key features.

2. The need for revision⁵

Prior to 1970, nobody spoke about ‘informal employment’ or ‘employment in the informal sector’ of the economy. Today informality is a burgeoning field of academic debate, a hot topic for unions, and a policy concern for governments in developing and developed countries alike.

The term ‘informal sector’ was coined in 1971 by British anthropologist Keith Hart, in a study of rural migrant workers in Ghana. The term was picked up and features centrally in the Report of the first ILO World Employment Mission in Kenya in 1972. Prior to this the accepted wisdom was that with the right mix of economic policies,

³ The ICLS is constituted by statisticians from the national statistical offices and labour ministries of ILO member states, together with representatives from worker and employer organisations, other international organisations, and NGOs. For more detail see <https://ilostat.ilo.org/about/standards/icls/?playlist=4194a13&video=38313ec>

⁴ https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_901516.pdf

⁵ This section draws heavily on the excellent paper “The Informal Economy: Definitions, Theories and Policies”, by Martha Alter Chen, WIEGO Working Paper No 1, 2012, downloaded at https://www.wiego.org/sites/default/files/publications/files/Chen_WIEGO_WP1.pdf

low-income traditional economies dominated by petty trade, small-scale production, and casual jobs could be transformed and absorbed into the modern dynamic capitalist - impliedly formal - economy and, thereby, disappear. Post-war reconstruction in Europe and Japan, along with the expansion of mass production in Europe and North America seemed consistent with this view.

Chronic and rising unemployment and underemployment in developing countries, often accompanied by solid economic growth, challenged this story as the 1960s rolled on. Some economists foresaw a persistent and dangerous ‘labour market dualism’ in developing countries, with high levels of casual and intermittent employment along with open and disguised unemployment. Both Hart and the ILO Mission Report painted the ‘informal sector’ in a relatively positive light, seeing in it a route to employment growth and income generation, but that sanguine view was quickly challenged. Critical analysts saw the informal sector as peripheral, marginal, disconnected from the formal sector, disconnected from the capitalist mode of production. Some posited that the informal sector would continue to expand with industrial development in developing countries.

The rise to dominance of neo-liberal economic policies during the eighties and nineties saw the informal sector debate gain strong traction in the advanced capitalist economies.⁶ Increasingly, out-sourcing, off-shoring, right-sizing and union-busting led to production shifting to small-scale, decentralized, and ‘more flexible’ economic units with erosion of collective bargaining and fractured employment relations. By the end of the nineties the ‘informal economy’ had become a permanent, but subordinate and dependent, feature of capitalist development. Within 30 years informality came to be recognised universally as an integral feature of capitalist production, and various theoretical explanations seeking to account for its origin and nature had emerged.^{7 8}

The development of a coherent integrated framework of statistics on informality at work was clearly a pressing need.

Also pressing (and conceptually prior) was the need to overhaul long-standing statistical standards concerning work, employment and labour underutilisation⁹, and

⁶ Contributing to and reflecting this shift were the economic crisis in Latin America in the 1980s, the Asian economic crisis of the 1990s, structural adjustment policies in Africa, along with the dissolution of the Soviet Union and economic transition in Central and Eastern Europe.

⁷The contending theories crystallised into four dominant schools of thought - the Dualists, the Structuralists, the Legalists and the Voluntarists each differ sharply in their accounts of the nature and causes of informality and its connection to the formal economy. See Chen op cit for a more detailed discussion of modernization theories.

⁸ For a critique and further historical background on the emergence of the conceptual category of informality, see Aaron Benanav, “The origins of informality: the ILO at the limit of the concept of unemployment” Cambridge University Press online 14 February 2019 available at <https://www.cambridge.org/core/journals/journal-of-global-history/article/origins-of-informality-the-ilo-at-the-limit-of-the-concept-of-unemployment/5784F429875BA8151575AA5010D3712A>. We thank an anonymous referee for this reference.

⁹ Resolution concerning statistics of work, employment and labour underutilisation, 19th ICLS, 2013. For a fuller discussion, see our post in the Global Labour Column Nov 2013, “Outcomes of the 19th ICLS on Work Statistics: What counts as a job?”

then those concerning status at work.¹⁰ Both pieces were fundamental reforms which required and received detailed consideration at the 19th and 20th ICLS respectively. In short, the former narrowed the pre-existing definition of ‘employment’ (henceforth exclusively work done for pay or profit) while providing the first ever statistical definition of ‘work’ with five distinct forms of work. The latter introduced the category of ‘dependent contractor’ as a separate and distinct status in employment (alongside ‘employees’ and ‘independent workers’), and provided for alternative hierarchies of status to be compiled according to the criterion of risk on the one hand and authority on the other.

With the ground finally cleared and the two prerequisite landmark resolutions adopted, it was possible to progress the development of a new statistical framework concerning informality at work. This culminated in October 2023 with the 21st ICLS adopting the new standard for statistics concerning inequality.

3. The revision process

Immediately following the 20th ICLS the ILO Department of Statistics established a Working Group to commence and advance the overhaul of informality statistics. Comprising representatives of governments from all regions of the globe, worker and employer representatives, and observers, the Working Group met four times between 2019 and 2022 and made substantial progress in developing a draft resolution to be taken to the 21st ICLS.

Through 2022 the ILO hosted regional meetings of statisticians in all regions to widen the consultation process and obtain feedback on the proposal developed by the Working Group. These meetings focused on the relevance to the regional context, and also on the technical feasibility of the proposed new standards. The proposal received warm approval across in all regions. Regional specificities and the practical feasibility of local adaptation were discussed, resulting in a small number of changes being incorporated in the text of the draft resolution.

In February 2023 the ILO convened a tri-partite Meeting of Experts in Geneva to review the draft resolution developed through the working Group and regional consultation process. It gave strong support to the proposed draft resolution while offering suggestions for clarification and adjustment.

Throughout the preparatory and consultation process, there was minimal discord and a high degree of agreement between participating statisticians, workers and employers. The background papers prepared by the ILO department of statistics consistently set out a forensic exploration and nuanced explanation of the issues to

¹⁰ Resolution concerning statistics on work relationships, 20th ICLS, 2018. For a fuller discussion, see our post in the Global Labour Column July 2018, “Not so Boring: setting statistical standards for measuring Status in Employment.” The 20th ICLS adopted the proposed new classification of dependent contractor

be addressed and resolved. Fundamental disagreements such as had arisen in the lead up to the 19th ICLS (whether unpaid trainees, apprentices and interns should be included in the count of employment as proposed by the office and opposed by workers, employers and a critical mass of government statisticians) and the 20th ICLS (whether the new classification of dependent contractors should be introduced as a distinct status in employment, as proposed by the office and supported by both workers and governments statisticians but strongly opposed by employers) were non-existent.

At the 21st ICLS in October 2023, a committee of the Conference convened for four days to consider the draft Resolution in depth and in detail. Relatively minor amendments and clarifications were agreed through the committee's deliberations, and the final Resolution was adopted unanimously by the Conference in plenary session on Friday, 20 October 2023. Employer delegates unsuccessfully moved to have two more substantive amendments adopted: the first was to delete all references in the draft Resolution to 'digital platform work' and 'digital economy' removed from the text; the second was to have all references in the text to 'collective bargaining' subsumed within 'social dialogue'. When it became apparent that there was strong opposition and no support for the proposed amendments, the employer delegates withdrew them saying they did not wish to stand in the way of consensus.

In March 2024, the Governing Body of the ILO accepted the Report of the ICLS and the Resolution concerning informality.

4. The ICLS Resolution concerning statistics on the informal economy

The essential goals of the Resolution¹¹ are several and include:

- to assist in understanding the structure and evolution of the informal economy;
- the identification of groups of workers and enterprises likely to be found there;
- the differing situations of women and men, young people, migrants and other population groups in the informal and formal economy;
- to inform the design, implementation and evaluation of social and economic policies and programs related to the transition from the informal to the formal economy;
- to assist in identifying decent work deficits.

Reference concepts

Three basic reference concepts are required because analytical and policy interest is on the informal nature of the productive activities of (a) persons, (b) jobs or work activities, and (c) economic units.

¹¹ Paragraphs 1 through 6 of the Resolution

The concept of 'productive activities of economic units' is aligned with that in the System of National Accounts (SNA); economic units fall into three distinct groups:

- a) market units (corporations and household market enterprises)
- b) non-market units (government and non-profit institutions)
- c) households producing for own final use

The concept of 'productive activities of persons' corresponds with the definition of 'work' and its five distinct forms in the current international standards¹².

The boundaries of statistics on informality

The starting point is to establish an overarching conceptual framework for statistics on the informal economy.¹³

This is essential for the coherence and integration of statistics compiled from different sources on different aspects of the informal economy.

The first conceptual building block is '**informal productive activities**', defined as all productive activities carried out by persons or economic units that are, in law or in practice, not covered by formal arrangements.¹⁴

Next, the '**informal economy**' is defined as comprising all informal productive activities of persons or economic units, whether or not they are carried out for pay or profit¹⁵; and a major component of it - the '**informal market economy**' is defined as comprising all production for pay or profit in the informal sector and in addition all productive activities of persons in employment in other sectors who are not covered in law or in practice by formal arrangements.¹⁶

Sectors of the economy

The Resolution deals first with the location of economic units within three mutually exclusive sectors of the economy¹⁷, before addressing informality of persons and jobs. In order to place an economic unit within one of the three sectors, two tests are applied:

- a) *the intended destination of the production* - whether the economic unit's output is mainly intended for the market with the goal of generating a profit and income; and

¹² See footnote 6 above. The five forms of work are: (a) own-use production work comprising production of goods and services for own final use; (b) employment work comprising work performed for others in exchange for pay or profit; (c) unpaid trainee work comprising work performed for others without pay to acquire workplace experience or skills; (d) volunteer work comprising non-compulsory work performed for others without pay; (e) other work activities

¹³ Paragraphs 10 through 21 of the Resolution

¹⁴ Specifically, by formal arrangements established by regulations and laws that are intended to protect and regulate the productive activities of the workers and economic units concerned. Examples include labour laws, regulations stipulating rights and responsibilities of persons or entities, social security laws, commercial and taxation laws. (paragraph 11). In contrast, registration of the name of a person or business entity on a title to land per se does not bestow formality.

¹⁵ Paragraphs 13 through 17 of the Resolution

¹⁶ Paragraphs 18 through 21 of the Resolution

¹⁷ Paragraphs 22 through 52 of the Resolution

b) *the formal status of the economic unit* - whether the unit is formally recognized by the legal administrative system of the state as a distinct producer of goods or services and is thus covered by formal arrangements.

Applying these tests, economic units fall into one of three sectors.

The **formal sector** houses economic units that are formally recognized as distinct producers of goods and services for the consumption of others. It includes economic units whose production is mainly intended for the market (with the purpose of generating an income or profit, or for a non-profit purpose) as well as non-market production for use by other economic units (including government units and formal non-profit institutions).

The **informal sector** houses economic units whose production is mainly intended for the market with the purpose of generating a profit and income but which are not formally recognized as distinct producers of goods and services.

The **household own-use production and community sector** houses economic units that are not formally recognized and whose production is mainly intended for the household's own final use (or for use of other households without generating an income or profit).

Operational definitions are given for each sector.

Economic units whose intended destination of production is mainly for the market with the intention of generating profit or income fall into the formal or informal sector; where this is not the case, the economic unit falls into the household own-use production and community sector.

The definition for the formal sector is encompassing in the sense that if an economic unit meets any one of five formality criteria, it is classified within the formal sector. Thus, if an economic unit is:

- i. owned or controlled by the government; **or**
- ii. recognized as a separate legal entity from its owners; **or**
- iii. keeps a complete set of accounts for tax purposes; **or**
- iv. is registered in a governmentally established system of registration¹⁸; **or**
- v. produces for the market and employs one or more persons to work as an employee with a formal job;

Then it falls within the formal sector.

Conversely, the definition for the informal sector is residual in the sense that an economic unit must fail to meet every one of the same criteria to be included within the informal sector.¹⁹

¹⁸ And the system is used for granting benefits and carries obligations; see footnote 11 above.

¹⁹ As previously noted, these criteria are in addition to the requirement that the production needs to be **mainly** intended for the market. Importantly, this ensures that informal enterprises have market

Note in particular that the fifth test precludes the possibility that an economic unit in the informal sector (producing mainly for the market) can employ a person with a formal job. However the converse is not true – an economic unit in the formal sector may employ one or more persons to work as an employee with an informal job.

Persons working in the formal sector may include employed persons comprising: independent workers who own and operate a formal enterprise; dependent contractors who own and operate a formal enterprise; employees or contributing family workers with informal or formal jobs engaged by a formal enterprise; as well as unpaid trainees and volunteers carrying out work for a formal enterprise.

Persons carrying out work in the informal sector include: unpaid trainees and volunteers as well as employed persons comprising: 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 employees and contributing family workers who are employed in informal household unincorporated market enterprises.

The household own-use production and community sector primarily consists of 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, and which are not formally recognized as distinct producers of goods and services. Persons carrying out work in this sector include household members and volunteers, as well as domestic employees with informal or formal jobs.

Informal work and informal employment²⁰

‘Informal work’ encompasses all productive activities by persons that are not – in law or in practice – covered by formal arrangements. This comprises informal employment, and other informal productive activities.

‘Informal employment’ comprises the productive activities of employed persons who are not – in law or in practice – covered by formal arrangements such as laws and regulations stipulating the rights, responsibilities, obligations and protections of the economic units and workers concerned. It includes:

- Independent workers who own and operate an informal unincorporated household market enterprise;
- Dependent contractors without a formal status or whose activities are not effectively covered by formal arrangements;
- Employees who are not formally recognized or without effective access to formal arrangements; and
- Contributing family workers who are not formally recognized or without effective access to formal arrangements.

Statistics on informal employment are vital for describing the structure and extent of informal employment. They are essential in order to identify groups of persons in

oriented production. Under previous standards it was sufficient that **any** of the production was intended for the market.

²⁰ Paragraphs 53 through 65 of the resolution

employment most represented and at risk of informality, and to provide information on exposure to economic and personal risks, decent work deficits and working conditions.

‘*Other informal productive activities*’ include those undertaken in own-use production work, volunteer work, and unpaid trainee work.

Persons performing informal work are part of the informal economy, and may carry out this work for economic units categorized in the formal sector, informal sector, or household own-use production and community sector.

Formal employment encompasses the productive activities of employed persons who *are* effectively covered by formal arrangements. Formal employment occurs in the formal sector and the household own-use production and community sector but not in the informal sector.

Operational definitions of formal and informal jobs²¹

Several layers of complexity must be addressed to demarcate informal from formal jobs. National context (where differing legal provisions apply in different countries) comes into play. The separate classifications of status in employment also entail the use of different discriminating criteria.

The test for *independent workers* in employment is most straightforward - independent workers with formal enterprises are considered to have formal jobs and those with informal enterprises are considered to have informal jobs. This is captured in the resolution as:

- Independent workers with *formal jobs* are those who operate and own or co-own a formal economic unit. They include “owner-operators of corporations” and “independent workers in household market enterprises”;
- 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.

The test for **employees** essentially has two parts, reflecting the requirement for formal status that connection with the legal administrative framework of the country is met in law, and in practice.

- Employees are considered to have *formal jobs* if their employment relationship is, in practice, formally recognized by the employer and associated with effective access to formal arrangements such as labour legislation, social protection, income taxation or entitlement to employment benefits. The employer’s contribution to statutory social insurance on behalf of the employee is sufficient to characterize the job held by the employee as formal. Additional characteristics that may be used to identify jobs as formal for statistical purposes include access to paid annual leave and paid sick leave. Depending on national circumstances, regard may also be had to a range of other characteristics.

²¹ Paragraphs 66 through 96 of the resolution

- Employees are considered to have *informal jobs* where these tests are not met. Such employees may variously be permanent employees, fixed-term employees, short-term and casual employees, and paid apprentices, trainees and interns. A defining characteristic of informal jobs held by employees is the absence of the employer's contribution to statutory social insurance. Additional characteristics that may be used to identify jobs as informal for statistical purposes include a lack of access to paid annual leave or a lack of access to paid sick leave. Depending on national circumstances, regard may also be had to a range of other characteristics. 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).

The test for *dependent contractors* is conceptually similar to that for employees, but the newness of this classification of status at work and the fact that it shares some characteristics of both employees and independent workers, along with differing national country legal contexts, necessitates some adjustment.

- Dependent contractors are considered to have *formal jobs* if they have a formal status under the legal administrative framework of the country, and have effective access to formal arrangements aimed at reducing their exposure to economic risk. Dependent contractors that operate and own a formal economic unit or are registered for tax have formal jobs provided that they have effective access to such arrangements.
- Dependent contractors are considered to have *informal jobs* if they do not have a formal status under the legal administrative framework of the country; further, dependent contractors have informal jobs if they do have a formal status but without any effective access to formal arrangements aimed at reducing the economic risk related to holding the specific job. Depending on national context, a range of criteria for determining effective access to such arrangements is specified and may include measures that: protect their own registered company name and their physical and intellectual property; increase their ability to obtain capital; provide access to job-related occupational injury or health insurance; provide paid sick leave or paid parental leave or a job-related pension; or other types of formal arrangements intended to decrease the economic risk associated with the job.

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, nor on their placement 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.

Contributing family workers are considered to have *informal jobs* by default in most countries, where formal arrangements – such as the possibility to register for and contribute to job-related statutory social insurance – are not available to them.

However, formal arrangements of this character have been introduced in some countries. In these situations, contributing family workers are considered to have formal jobs if the economic unit they work for is formal and the job is registered with the relevant authorities and contributions are made to a job-related statutory social insurance scheme.

The Resolution also acknowledges the fact that persons with formal jobs may also perform some informal paid work in connection with those jobs, and that countries may wish to measure this reality of *persons in formal employment carrying out partly informal activities*. This occurs, for example, where some portion of earnings received and hours worked is not declared for taxation or mandatory job-related social contributions. Such information 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.

Informal productive activities and forms of work other than employment²²

Work other than employment includes work done in own-use production, by unpaid trainees apprentices and interns, and by volunteers.

These types of un-paid work can be considered informal if the activities are not effectively 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. Assessing formality and informality in respect of unpaid work is essential for achieving development goals such as attaining gender equality, social inclusion and social protection and reducing poverty.

Own-use production work may be considered *formal* where the activities carried out are covered by formal arrangements 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 work done.

However, the great majority of own-use production work carried out in most countries is *informal*, without coverage in law or in practice by formal arrangements. Prior to the 19th ICLS this work was classified as employment; global and regional estimates of informal employment included own-use production work in the count of informal employment. In line with the latest statistical standards, informal own-use production work is part of the informal economy but not of the informal *market* economy; persons engaged in own-use production are not included in the count of 'informal employment' but rather in the count of 'own-use production work'.

Similarly, the unpaid work activities performed both by *volunteers and by trainees apprentices and interns* can be considered *formal* where the activities carried out are covered by formal arrangements which bring them into the legal administrative framework of the country. Where this is not the case, the unpaid work done is *informal*. Prior to the 19th ICLS unpaid trainees, apprentices and interns were included in counts of employment. In line with the latest statistical standards, work done by

²² Paragraphs 97 through 113 of the resolution

unpaid trainees, apprentices and interns is part of the informal economy but not necessarily part of the informal market economy; unpaid trainees, apprentices and interns are not included in the count of ‘informal employment’ but rather in the count of ‘unpaid trainees, apprentices and intern work’.

Given the changes wrought by the 19th ICLS Resolution concerning statistics of work, essential categories of informal work other than employment are own-use production work and unpaid trainees apprentices and interns.

Data sources, indicators and outcomes²³

Data on informality of economic units and persons can be sourced from household, establishment and special surveys as well as administrative records. The Resolution includes a discussion of their relative merits and limitations which will be of particular interest to statisticians.

For unionists and policy makers, the indicator framework contained in the Resolution promises a rich load of information and illumination on the relationship between informality on the one hand, and poverty, disadvantage, gender disparity, rights at work and more on the other.

Decent work entails a formal job, but a formal job does not necessarily deliver decent work. The recommended suite of indicators is intended to better enable decent work deficits to be identified and quantified, supporting the development of national policies and interventions for addressing the consequences of informality and facilitating transitions to formality based on evidence.

The indicators are structured to shed light on six dimensions of informality:

- i. the *extent* of informality – the prevalence of informality across jobs, economic units and activities;
- ii. the *composition* of informality – the distribution of informal and formal jobs socio-demographic characteristics;
- iii. the *exposure* to informality – the percentage of persons with informal main jobs in the informal and formal sectors by socio-demographic characteristics;
- iv. *working conditions* and levels of protection for those in informal and formal employment;
- v. *contextual vulnerabilities* – including poverty, inequalities, discrimination, access to land and natural resources, household composition, access to social protection; and
- vi. other *structural factors*²⁴

²³ Paragraphs 114 through 142

²⁴ As defined in the 19th ICLS resolution concerning statistics of work; see footnote 6 above

5. Conclusion

The newly adopted international standard concerning statistics on informality establishes a coherent framework for the measurement of this persistent labour market reality in developed and developing economies, enabling comparisons across time and jurisdictions.

The Resolution concerning statistics on informality establishes the overarching concept of ‘informal productive activities’. This concept encompasses all productive activities that lack a substantive connection in law or in practice to the legal administrative framework of the state.

The Resolution deals separately and collectively with the productive activities of economic units, and of persons and jobs.

Economic units fall into one of three mutually exclusive sectors of the economy, namely the ‘formal sector’, the ‘informal sector’, and the ‘household own-use production and community sector’.

The three sectors are defined and distinguished using two tests: *the intended destination of production* (mainly for the market with the purpose of generating income or profit); and *the formal status* of the economic unit (whether the unit is formally recognized by the legal administrative system of the state as a distinct producer of goods or services and is thus covered by formal arrangements).

‘Informal work’ encompasses all productive activities by persons that are not – in law or in practice – covered by formal arrangements. This comprises informal employment (e.g. work done for pay or profit), and other informal productive activities.

‘Informal employment’ comprises the productive activities of employed persons (e.g. persons working for pay or profit) who are not – in law or in practice – covered by formal arrangements. Persons in informal employment may be employees, independent workers, dependent contractors, or contributing family workers, as well as persons carrying out partly informal activities.

Different informality tests are applied for each category of status in employment.

The ‘informal economy’ is the sum of all informal productive activities of economic units and persons whether or not they are carried out for pay or profit.

The ‘informal market economy’ is a major subset of the informal economy comprising all productive activities of persons in *employment* in other sectors who are not covered in law or in practice by formal arrangements.

Work activities carried out by persons engaged in production for own-use, by volunteers, and by unpaid trainees, apprentices and interns may be classified as formal or informal depending on whether or not there is a substantive connection in law or in practice to the legal administrative framework of the state.



The recommended indicator framework promises clearer identification of decent work deficits, assisting the efforts of trade unions to press for improvements through collective bargaining and to push governments for legislative reforms that create a clearer path for the transition from informality to formality.

About the authors

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