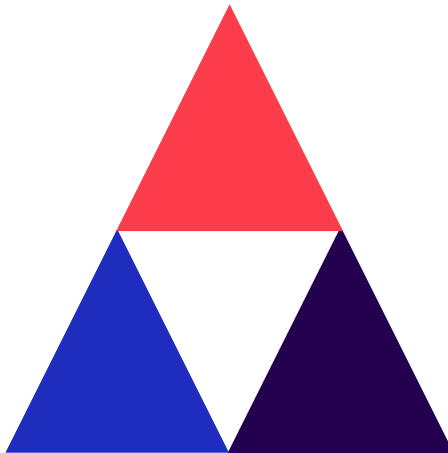




# ► Contextualising informality: The Informal Economy Indicator Framework *(draft)*

Room document to support the discussions at the Meeting of Experts on Labour  
Statistics in Preparation for the 21st International Conference of Labour  
Statisticians

(Geneva, 7–10 February 2023)



# Table of Contents

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<b>Introduction .....</b>	<b>4</b>
<b>1 Objective and structure of the framework of indicators .....</b>	<b>4</b>
1.1 The situation .....	4
1.2 The objectives and associated questions.....	5
1.3 The structure of the “stock of indicators”: a matrix along dimensions and units of observation allowing for flexibility.....	6
1.4 Headline, main and additional indicators .....	8
1.5 Transversal issues .....	9
1.5.1 The gender dimension .....	9
1.5.2 Specific groups of workers.....	10
<b>2 Persons, jobs and work activities.....</b>	<b>10</b>
2.1 Informal and formal employment .....	11
2.1.1 Dimension 1. Extent of informal employment .....	11
2.1.2 Dimension 2. Composition of informal and formal employment.....	12
2.1.3 Dimension 3. Workers most exposed to informal employment.....	18
2.1.4 Dimension 4. Working conditions and levels of protection for those in informal versus formal employment .....	21
2.1.5 Dimension 5. Contextual vulnerabilities .....	30
2.1.6 Dimension 6. Other structural factors of informality .....	38
2.2 Informal work activities .....	39
<b>3 Economic units: informal sector and productive activities (contribution of the informal economy) .....</b>	<b>40</b>
3.1 Dimension 1. Extent of informality of economic units .....	40
3.2 Dimension 2. Composition of the informal and formal sector.....	41
3.3 Dimension 3. Exposure to informality of economic units .....	42
3.4 Dimension 4. Productivity, obstacles and opportunities for the development and sustainability of economic units .....	44
3.5 Dimensions 5 and 6. Regulatory framework and structural factors.....	46
<b>4 Contribution of the informal economy to GDP .....</b>	<b>46</b>
<b>5 The supporting indicator framework: from questions to indicators .....</b>	<b>47</b>
5.1 Describing the extent and structure of the informal economy, highlighting decent work deficits .....	47
5.2 Supporting the development of policies, measures and interventions .....	49
5.2.1 What are the prevalent drivers of informality? .....	50
5.2.2 Does formalization and formality mean protection against personal and economic risks? .....	50
5.2.3 From what protections (including social protection) do workers in informal employment benefit? .....	52
5.2.4 How to identify groups of workers and economic units according to their ability/capacity or potential to formalize in the short term and those for whom the priority should be on reducing decent work deficits and vulnerabilities .....	54
5.2.5 Assessing the risk of informalization / preventing informalization .....	55
<b>6 References .....</b>	<b>56</b>

## List of tables

---

<b>Table 1.</b>	Extent of informal employment   Proposed headline and additional indicators .....	11
<b>Table 2.</b>	Composition of informal and formal employment   Proposed headline and additional indicators.....	12
<b>Table 3.</b>	Exposure to informal employment   Proposed headline and additional indicators (table 3) .....	18
<b>Table 4.</b>	Levels of protection and working conditions of workers in informal employment compared to workers in formal employment   Proposed indicators (included in the resolution and additional) .....	23
<b>Table 5.</b>	Sources of informality according to regulation scope and enforcement .....	31
<b>Table 6.</b>	Contextual vulnerabilities   Proposed indicators (included in the resolution and additional) .....	33
<b>Table 7.</b>	Essential categories of informal work other than employment   Proposed indicators (included in the resolution and additional).....	39
<b>Table 8.</b>	Extent of informality of economic units   Proposed indicators (included in the resolution and additional) .....	40
<b>Table 9.</b>	Composition of the informal and formal sector   Proposed indicators (included in the resolution and additional) .....	41
<b>Table 10.</b>	Exposure of economic units to informality   Suggested indicators .....	43
<b>Table 11.</b>	Performance indicators and productivity, obstacles and opportunities for the development and sustainability of economic units   Suggested indicators .....	44
<b>Table 12.</b>	Contribution of the informal economy to GDP   Suggested indicators.....	46
<b>Table 13.</b>	Describing the extent and structure of the informal economy, assessing working conditions among workers in informal employment compared to workers in formal employment: from questions to indicators (some examples).....	48
<b>Table 14.</b>	Does formalization mean protection against personal and economic risks? Are formal jobs decent jobs? Are formal enterprises more productive and sustainable?.....	51
<b>Table 15.</b>	From what protections (including social protection) do workers in informal employment benefit? .....	53

## Introduction

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1. Measuring informality and collecting data on informality should support the better understanding of the informal economy in its diversity and the development and implementation of policies to address the challenges associated with informality and support formalization processes.
2. The immediate objective of this paper is twofold. The first objective is to provide the background for and complement the dedicated section on indicators in the *draft Resolution concerning Statistics on the Informal Economy*<sup>1</sup> (ILO, 2023a). The second objective is to set the basis for the development of additional resources to support the implementation and complement the statistical standard, including a dynamic Informal Economy Indicator Framework that will evolve over time, beyond the adoption of the statistical standard. All or some of these indicators on the informal economy usually make up the quantitative component of national diagnoses of the informal economy (See Appendix 1 and ILO 2021a).
3. The paper is constructed around 5 main sections. The first section sets the scene by presenting the objectives and main components of the indicator framework on the informal economy, namely (i) indicators organised along 6 dimensions of informality across 3 reference units, linked to (ii) questions to describe the informal economy and to guide the development and implementation of policies and interventions. Sections 2 to 4 deal specifically with indicators, those included in the (draft) resolution and suggested first set of additional indicators as part of the Informal Economy Indicator Framework.
4. Section 2 is about persons, jobs and work activities and is by far the most developed. It covers in particular indicators on formal and informal employment and, to a large extent yet to be developed, indicators on work activities (other than employment). Section 3 and section 4 present in a more succinct manner the indicators relating to the informal sector as well as the few indicators retained in the draft resolution to assess the contribution of the informal economy to the overall economy. Each section is organized along the identified six dimensions of informality and whether the indicators are included in the resolution (in which case they are referred to as headline and main indicators) or proposed as additional indicators that can be included in the supporting indicator framework on the informal economy. This list of indicators does not claim to be exhaustive. The last section provides some examples to illustrate the approach that will guide the development of the broader indicator framework that links questions to a set of indicators. This can support the development of an online tool providing entry points (questions, reference unit, dimensions of informality) to select relevant indicators and associated metadata and resources (such as templates to compile data and compute indicators, guidance to analyse and interpret results).

## 1 Objective and structure of the framework of indicators

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### 1.1 The situation

5. An increasing number of countries are collecting data on informality. However, for many countries, questions remain about which data and indicators to produce and how to use them. Moreover, even if they collect data, produce indicators and disseminate the results, not all countries are necessarily engaged (yet) in addressing the situation of workers and economic units in the informal economy and in facilitating their transition to formality, even though their number is also increasing.
6. The proposed framework of indicators should be applicable in all contexts and, at the same time, sensitive to the national context. It should allow for flexibility to serve the objectives of all countries whatever their stage of engagement and priorities in terms of describing informality, addressing decent work deficits and supporting transitions to formality. In order to meet these different needs, the framework of indicators on the informal economy provides a set of headline and main indicators included in the draft resolution on dimensions considered essential for most countries to measure and monitor, while offering a broader range of dimensions and indicators for countries wishing to go further.

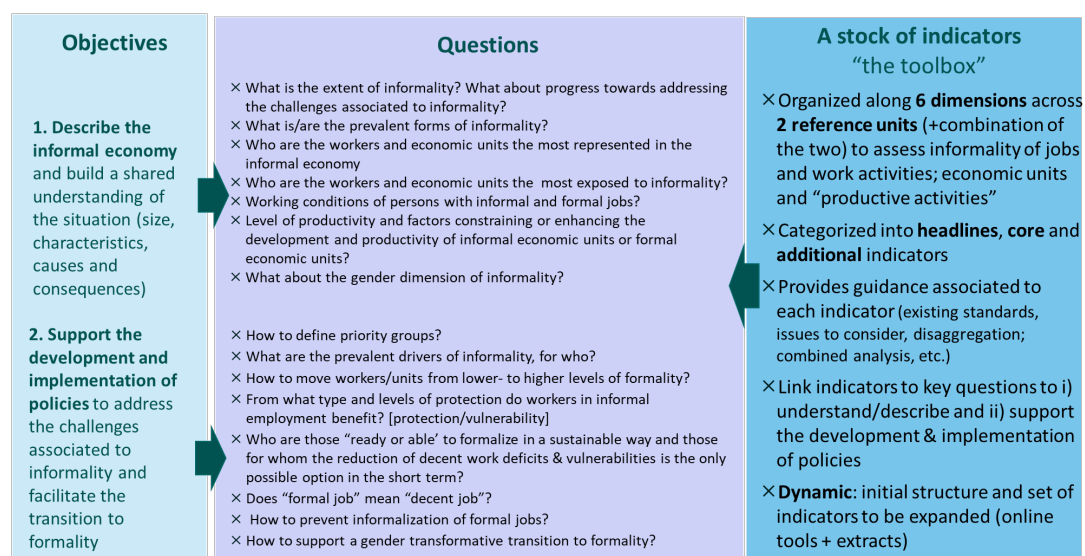
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<sup>1</sup> See Appendix in *Statistics on the informal economy. Report for discussion at the Tripartite Meeting of Experts in Labour Statistics on the Revision of the Standards for Statistics on Informality* (Geneva, 7–10 February 2023). The terms draft resolution in this document refer to the *Draft 21st International Conference of Labour Statisticians resolution concerning statistics on the informal economy*.

## 1.2 The objectives and associated questions

7. The main two interlinked objectives of the framework of indicators are to provide indicators and guidance to:
  - i. describe the situation of workers and economic units in the informal economy, highlight the heterogeneity and diversity of needs, deficits and opportunities and their contribution to the economy; (in order to)
  - ii. support the development of policies taking into account the various stages, at the country level, in terms of understanding of the informal economy and political engagement in addressing the consequences of informality and facilitating transitions to formality.
8. In order to meet these two objectives, the framework of indicators is composed of i) a set of questions (evolving) and ii) a set of indicators accompanied by some guidance on how to link indicators to questions, to analyse, combine and interpret indicators in order to develop and monitor interventions, measures and policies.

**Figure 1.** Main components of the framework of indicators on the informal economy



9. A first set of questions aims to **describe** the situation of workers and economic units in the informal economy. These questions are of relevance for all countries but especially, as "main questions" in countries whose main objective is primarily to get a better understanding of the extent and characteristics of their informal economy. This first set includes notably questions such as:<sup>2</sup>
  - What is the extent of informality and how does it evolve over time?
  - What is the composition of the informal economy and the prevalent forms of informality of jobs, economic units and activities in the country?
  - Who are the workers and economic units the most exposed to informality?
  - What are the working conditions (and decent work deficits) in the informal compared to the formal economy; what about levels of productivity and factors constraining or enhancing the development and productivity of informal economic units versus formal ones?
  - What is relative situation of women compared to men?
10. A second set of questions aiming explicitly at linking indicators to policy, i.e. to address the challenges associated to informality, support the gradual process of transition to formality including the reduction of decent work deficits in the informal economy along the process. Those additional questions are of particular relevance in countries willing to or already engaged in formalization processes and interested in the following questions:
  - How to define priority groups?
  - What are the prevalent drivers of informality for who or for what type of economic units?
  - What are the prevalent drivers of informality?

<sup>2</sup> Those questions are also the main questions raised in the quantitative component of national diagnoses of informality as presented in annex 1 and available in ILO,

- How to move workers and economic units from lower- to higher-levels of formality? [coverage & compliance with formal arrangements]
  - From what type and levels of protection do workers in informal employment benefit? [protection/vulnerability]
  - Who are those “ready or able” to formalize in a sustainable way and those for whom the reduction of decent work deficits & vulnerabilities is the only possible option in the short term?
  - Are formal jobs decent jobs?
  - What are the drivers of informalization and how to prevent the informalization of formal jobs?
  - How to support a gender transformative transition to formality?
11. These questions to understand and to support the development of interventions can apply to all or to particular categories of workers and economic units such as the youth, digital platform workers, domestic workers, home-based workers, particular sectors or types of economic units (e.g. micro and small).

### 1.3 The structure of the “stock of indicators”: a matrix along dimensions and units of observation allowing for flexibility

12. The proposed set of indicators is organized as a matrix around **six dimensions** (see below) analysed across **three main reference units**, namely 1. persons, jobs and work activities; 2. economic units; and 3. the combination of the two allowing to produce indicators on informal productive activities within the System of National Accounts (SNA) production boundaries. This structure links the indicators to the observation unit and the associated statistical source. It provides flexibility so that the questions we seek to answer, the dimensions and the topics covered can develop over time. The main objective at this stage is to illustrate the approach. A concrete operationalisation could be the development of a database of “indicators” and a search/selection module according to the main objectives, questions, units of reference and dimensions.
13. The indicators are organized (so far) around **six dimensions** of informality (see para. 125 in the draft resolution):
- Extent of informality** – the prevalence of informality across jobs and work activities, economic units and activities. It refers to the number and proportions of persons in informal employment, of persons with informal work activities, of economic units in the informal sector; it also refers to the contribution of the informal sector and of the informal market economy to the overall economy. For jobs, this includes measuring and monitoring SDG indicator 8.3.1 “Proportion of informal employment in total employment, by sector and sex”.<sup>3</sup> The main objectives of these indicators, beyond assessing the extent of informality at the national level, are to raise awareness and monitor trends.
  - Composition of informality** – the distribution of informal and formal jobs and economic units by socio-demographic, employment-related characteristics and characteristics of the economic units and socio-demographic characteristics of the owner(s). This is about the identification of categories of workers and economic units that are most represented, i.e. that make up the largest numbers and the largest proportions among those in informal employment, in informal work activities or as part of the informal sector compared to their representation in formal employment, formal work or in the formal sector. This is also about the identification of groups for whom informality and formalization (in line with the statistical definition) have a different meaning and as a result call for different policy responses (mix of formalization of jobs and formalization of economic units for instance). This refers primarily to the composition of informal employment according to the type of production unit (formal sector, informal sector and household own-use community sector) and status in employment. This second dimension of indicators sheds light on some of the main characteristics of workers with informal jobs and economic units in the informal sector and can also support the definition of priority groups.
  - Exposure to informality** – the percentage of persons with informal main jobs and of economic units in the informal sector by socio-demographic, employment-related characteristics and characteristics of the economic units and socio-demographic characteristics of the owner(s). The objective is to identify groups of workers and categories of economic units more at risk of operating informally compared to the average.

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<sup>3</sup> [Indicator 8.3.1: Proportion of informal employment in total employment, by sector and sex](#)

Adopting a workers' perspective, this includes indicators such as share of informal employment in total employment for different groups according to their socio-demographic and employment related features. From an economic unit perspective, this covers differences in the incidence of informality depending on characteristics of economic units (including economic performance indicators) and socio-demographic and economic features of the owner. This third block of indicators allows the identification of some of the drivers associated with socio-demographic and employment related and economic unit features. They also support the definition of priority groups.

- iv. **Working conditions and levels of protection for those in informal versus formal employment, productivity and factors constraining or enhancing the development and sustainability of informal economic units versus formal ones.** The assessment of working conditions includes indicators related to dimensions such as income security, employment security, working time, health and safety issues, access to training and retraining and employment mobility and levels of representation. This assessment of working conditions is to be complemented with the fifth dimension on contextual vulnerabilities to provide a broader assessment of vulnerabilities, beyond those directly linked to individuals' own work. Indicators on working conditions for workers contribute to identify various levels of vulnerability and/or of protection associated to informal and formal jobs. They obviously also contribute to identify the extent of decent work deficits, including whether formal jobs mean decent jobs. As far as economic units are concerned, this includes productivity and the identification of some of the main obstacles or opportunities for them to develop, be sustainable and to provide a living and decent working conditions for the owner and employees. Those indicators contribute to making the distinction between economic units able to transition in a sustainable way from others that require first to set up the conditions for this transition to be possible and sustainable. They also shed light on the type of support required given the nature and extent of the current constraints, obstacles or opportunities to build on.
- v. **Contextual vulnerabilities** including poverty, income and social protection from all sources and all household members, composition of households such as households with people in formal employment or households with at least one member contributing to social security. A number of indicators under this fifth dimension refer to the household dimension in order to capture sources of intra-household vulnerabilities or possibly protections with respect to household composition, access to social protection and income (other than individual labour income and employment related social protection). Those indicators complement the indicators related to individuals' working conditions under dimension 4. This fifth dimension also includes indicators on the regulatory framework and its implementation in order to identify the source of the "deficit of protection" between legal and implementation gaps.<sup>4</sup> The household perspective adds to the analysis of vulnerabilities; indicators relating to the regulatory framework contribute to the identification of different levels of informality.
- vi. **Other structural factors.** The last dimension concerns other structural factors and contributes to the identification of drivers of informality and of informalisation. It focuses on factors associated with the macroeconomic context (structure of employment in terms of employment status, sectors, forms of employment more likely to be informal; and growth and sectoral composition of growth).

14. For each of the six dimensions (with exceptions), indicators can refer to different **units of observation** and **sources** of data:

- i. **Persons, jobs and work activities** as units of reference for indicators related to informal and formal employment; informal and formal work activities. Household-based surveys and in particular labour force surveys are best suited sources of data. Given the proposed set of indicators, labour force surveys are likely to be the main source of information for most indicators under dimensions 1, 2, 3, 4 and 6 and part of dimension 5. The section on 'jobs' in mix-surveys will also meet the same objectives. As far as income and expenditure and social protection related indicators are concerned (with the exception of the criteria on "contribution to social security" used to define informal wage employment), general household surveys covering related topics such as living standards, household income and expenditure, and household budget are the best suited source. This is obviously conditional to the inclusion of appropriate questions to identify

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<sup>4</sup> A good illustration of the decomposition of the source of informality between legal gaps (not covered by laws) and implementation gaps (covered legally but not in practice) is provided for domestic workers in ILO 2021 [Making decent work a reality for domestic workers: Progress and prospects ten years after the adoption of the Domestic Workers Convention, 2011 \(No. 189\)](#).



workers in informal employment. This mainly concerns dimension 5 (contextual vulnerabilities). Specialized household surveys such as time-use surveys will be more appropriate for the production of statistics on participation and time spent in own-use production work (in particular unpaid domestic and care work, see indicator A.1.6) and volunteer work. Specific surveys on particular groups whose total number might be too limited in usual labour force surveys samples to ensure representative reliable results might also be best suited in case some focus are needed (e.g. migrant workers; workers with disabilities, digital platform workers). Finally, administrative records can be used as part of indirect estimation of informal employment and possibly informal work activities by providing estimations of formal employment and formal work activities. To this end, the number of persons covered by formal arrangements can, for example, be estimated in taxation systems, employment services and social security schemes (see paragraph 123). Priority should be given to direct methods based on household surveys for more accurate estimations of informal employment and informal work activities.

- ii. **Economic units** as unit of observation for indicators referring to the informal and formal sector. Enterprise- and establishment-based surveys, mixed surveys and economic censuses are the main data sources for the analysis of informal sector and formal sector economic units, their production and contribution to GDP, and their characteristics. Due attention should be paid to ensure that the scope of activities and type of economic units covered (in terms of size, place of work, economic activity, and institutional sector) do not imply an exclusion of economic units likely to be informal (e.g., own-account workers, units under a certain size threshold, units carrying out agriculture activities, units with non-fixed premises or home-based activities) (see paragraph 122 in the draft resolution). Administrative records can be used as part of indirect estimation of informal sector by providing estimations of the formal sector (see paragraph 123). The size of the formal sector could be estimated by the use of business registers, tax registers and the like. The possibilities to do so depend on the structure and content of the country-specific administrative sources. As mentioned above, priority should be given to direct methods based on enterprise-based surveys or mixed-surveys for more accurate estimations of the informal sector and beyond, its characterization.
- iii. **Contribution of the informal sector or of the informal market economy to GDP**, the combination of previous sources related to ‘economic units’ and ‘persons, jobs and work activities’ are relevant in addition to indirect methods and modelization.

## 1.4 Headline, main and additional indicators

15. The indicators in the resolution are supported by the (broader) informal economy indicator framework. This framework should be considered as a dynamic or ‘living-toolbox’ to be used according to needs, priorities and data availability and that will benefit from future developments and experience. Indicators included in the draft resolution are a subset of indicators related to the informal economy. Whether in the broader indicator framework or in the draft resolution, indicators are organized along the six dimensions across the 3 units of observation.
16. Indicators included in the resolution are either *headline indicators* or *main recommended indicators*. Any other indicator will be presented in this document as ‘additional indicator’ (part of the indicator framework but not included in the draft resolution). Not all indicators need to be produced by all countries. Yet, one of the main criteria to define headline indicators is the availability of information and the ability for most countries to meet this “minimum core set of indicators”. All headline indicators can be produced based on a typical labour force survey. As presented in figure 3, headline indicators are about the analysis of informal and formal employment in terms of extent, composition of informality and exposure to informality.

**Figure 2.** Indicators mentioned in the resolution: a subset of the broader indicator framework on the informal economy

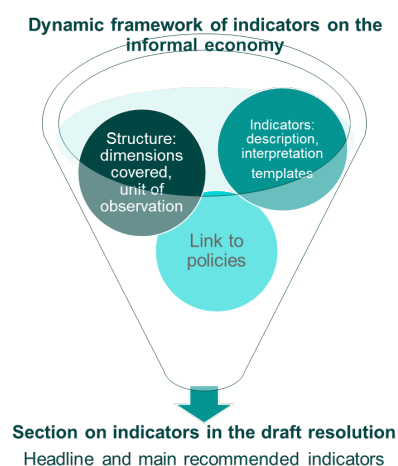
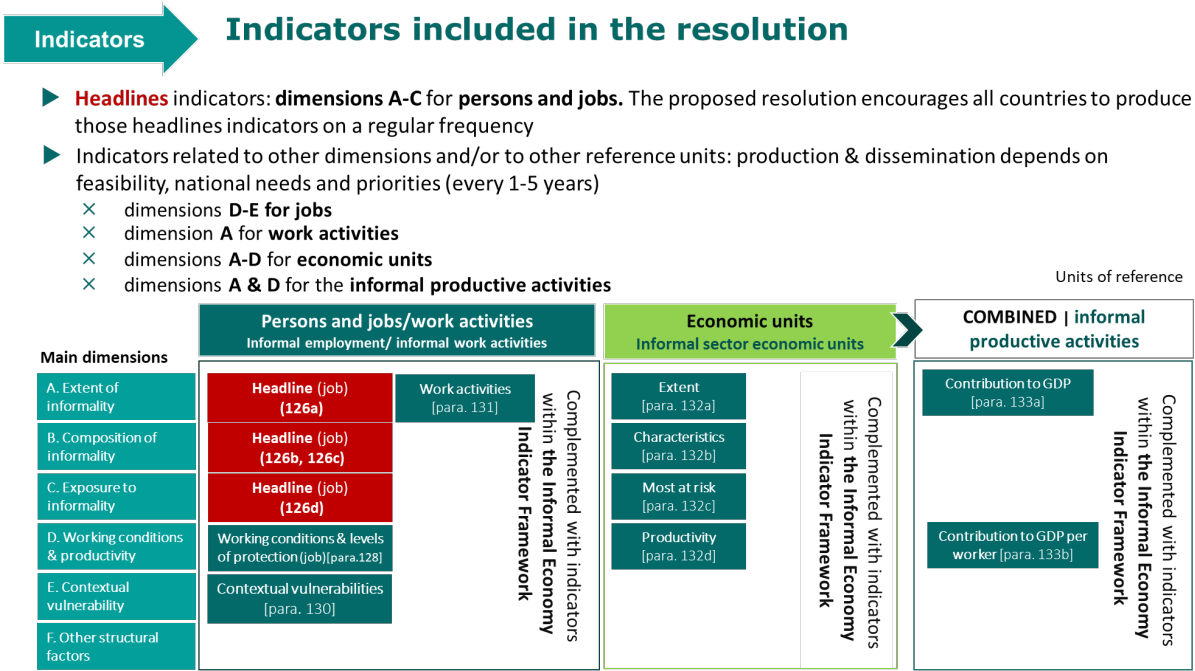




Figure 3. Indicators included in the draft resolution and how they fit in the informal economy framework



Note: Numbers in brackets are the references to indicators and corresponding paragraphs in the draft resolution (see ILO, 2023a, Appendix).

## 1.5 Transversal issues

### 1.5.1 The gender dimension

17. The framework of indicators should pay particular attention to the inclusion of indicators able to highlight the gender dimension of informality through its 6 dimensions and across, at least the first two units of observation.<sup>5</sup> Gender data mainstreaming includes the systematic disaggregation of all indicators by sex for indicators related to persons and jobs and by sex of the owner for enterprises-related indicators, preferably together with the size of economic units. While considering the sample size and the representativeness of results, the disaggregation by gender will apply to other levels of disaggregation (as suggested below or for specific indicators presented in section 2). This results in multiple level of disaggregation (e.g., sex, status in employment, place of work, etc.) to identify the most vulnerable groups as well as to tackle intersectionality. In addition, indicators should include specific indicators able to capture the particular vulnerable situation of women or men such as indicators related to the gender pay gap (indicator A.4.8), time spent on unpaid domestic and care work (A.1.6), the identification of female-headed household (A.5.7). This includes as well some disaggregation by sector or occupation allowing for the identification of those obviously women- or men-dominated.
18. The broader indicator framework and notably the online database of indicators linking key questions to sets of suggested indicators and specific guidance will include specific questions on the gendered dimension of informality.

*Gendered dimension of informality: see paragraph 136 in the Draft resolution*

«When producing and analysing these indicators, particular attention should be paid to the gendered dimensions of informality. A high demand for gender data calls for the systematic disaggregation by sex of all indicators related to persons and jobs, and, for all enterprise-related indicators related to the owner of the economic units. Further to disaggregation, the indicator framework includes specific gender indicators such as the gender pay gap, time spent on unpaid domestic and care work, and the situation of workers in male or female-dominated economic activities, occupations, or places of work. Further guidance on measuring informality from a gender perspective is available from the ILO through published guides and technical support.»

<sup>5</sup> The contribution of women and men to GDP is not compiled by most countries. Nonetheless the need for those data should be underscored.

## 1.5.2 Specific groups of workers

19. Depending on country circumstances and priorities, some countries can decide to apply (most of) the proposed indicators to particular groups of workers. This can apply to workers in particular sectors or occupations or place of work (such as domestic workers, home-based workers, street vendors). It can also apply to groups whose situation is not necessarily well captured in labour force surveys that may provide unreliable results given the small number of workers concerned within the sample. This is in particular the case of digital platform workers, on-call workers, workers with disabilities or migrant workers. The treatment as 'special groups' is of particular relevance when dedicated surveys are available and able to overcome some of the main challenges associated to labour force surveys.

See paragraph 135 in the Draft resolution

«Indicators should be produced for the overall target population and, for specific categories of workers or economic units relevant to areas of policy concern, such as persons with disabilities, migrant workers, home-based workers, digital platform workers, micro and small economic units or workers and economic units in specific sectors. The range of indicators that can be generated and degree of possible disaggregation will depend on the sample design of the data source and the statistical precision of the estimates.»

20. The following sections 2 to 4 provide an overview of the indicators included in the resolution and a first set of additional indicators for illustration and as a basis for future developments. Following the structure adopted in the *Section on Indicators* in the draft resolution, it is organized around units of observations and dimensions of informality as follows:
- i. Section 2 Persons, jobs and work activities (para 126-131 in the resolution)
    - Informal and formal employment (paras. 126-130)
    - Informal work activities (para. 131)
  - ii. Section 3 Economic units: informal sector (para. 132)
  - iii. Section 4 Productive activities: contribution of the informal economy to GDP (para. 133).

## 2 Persons, jobs and work activities

21. This first category of indicators focuses primarily on persons with informal and formal jobs and, yet to be developed further, on persons carrying out informal work activities other than employment.
22. The set of indicators referring to jobs (notably those included in paragraph 126-130 of the draft resolution) should be provided in reference to the main job. Depending on national needs and objectives the indicators can also be applied with informal and formal secondary jobs as reference. By convention, the terms informal main job and formal main job may be replaced with the terms informal employment and formal employment when producing and presenting the indicators.
23. By default, all indicators apply to people aged 15 and over. However, the analysis could be extended to lower age categories to analyse the situation of child labour.
24. Indicators related to persons and jobs should be disaggregated by sex and other relevant socio-economic characteristics, including by age, educational level, area of residence (urban/rural), and geographic region. Indicators should also be produced disaggregated by employment-related characteristics including status in employment, economic activity, occupation, place of work, size of enterprise or economic unit, duration of the employment agreement, number of hours worked (hour bands). Where sample size and the representativeness of results allow, it is recommended to have multiple levels of disaggregation (such as sex and status in employment) to highlight intersectionality (see draft resolution, paragraph 137). The accompanying indicator framework will provide more guidance on recommended disaggregation.
25. Given the different implications in terms of policy depending on status in employment (the distinction between dependent workers and independent workers in particular) and the type of production unit, it is crucial whenever possible to analyse the respective situation of independent workers and employees, dependent contractors and contributing family workers (in the informal sector, the formal sector or in the household own-use community

sector). Additional recommended disaggregation will be provided in the supporting indicator framework for each indicator (e.g. considering the sectoral dimension when assessing the health and safety issues).

## 2.1 Informal and formal employment

26. This subsection on informal and formal employment is the most developed. It benefits from years of experience in the collect (through labour force surveys or other similar household-based surveys) and analysis of those issues by an increasing number of countries. Unlike the other sections (or subsections), some indicators listed below will be discussed and illustrated with examples. The primary purpose of this resolution is to guide countries in the collection, measurement and analysis of data on the informal economy at the national level. Yet a number of figures below do present global or regional estimates. The idea is not to focus on international comparisons or to lose the link to the primary focus of this resolution: the national level. The objective in presenting these global estimates is rather to highlight the availability of these data and the capacity of the majority of countries to produce many of the indicators proposed in the resolution, and in particular, the vast majority of headlines indicators (as listed in paragraph 126 of the draft resolutions).

### 2.1.1 Dimension 1. Extent of informal employment

#### × Suggested list of indicators

**Table 1.** Extent of informal employment | Proposed headline and additional indicators

Nb	Indicators	Reference in resolution
Dimension 1 - Extent of informality		
	▶ <b>Headline indicators [included in the resolution]</b>	
A.1.1	Number of persons with an informal main job and the percentage of informal main jobs in relation to total employment, by economic activity by sex (SDG 8.3.1)	126a
	▶ <b>Additional indicators</b>	
A.1.2	Transitions between formal and informal employment, unemployment and outside of the labour force (panel data)	

#### × Spotlight on some of the indicators

27. **Headline indicator A.1.1.** *Number of persons with an informal main job and the percentage of informal main jobs in relation to total employment, by economic activity by sex* (SDG 8.3.1). No further development is provided here as this is covered in meta data associated to SDG indicator 8.3.1, including reference to existing standards (ILO, 1993 and ILO, 2003a) and their revision.<sup>6</sup>
28. **Indicator A.1.2:** *Transitions between formal and informal jobs; between jobs and 'non-employment'.* Being or becoming formal is not given for ever. Enterprise and job creation and destruction as well as transition in both directions between the formal and the informal economy; in and out of employment determine the size of the informal economy. Informality is a dynamic process that depends on multiple factors and forms of work that evolve over time. Policies should be responsive to such evolutions. There is an increasing interest in analysing transitions to assess the impacts of crises (on job losses, risk of informalization), the sustainability of transitions to formality, the improvement (or not) of working and living conditions while transitioning from informal to formal. The proposed indicators assess transitions between formality and informality; between employment, unemployment and being outside of the labour force. A deeper analysis could also assess the effects of transitions on working and living conditions. Panel data is the most appropriate method to assess transitions, to track the same sample over a period of time and determine the transitions between formal and informal employment (in or outside of the informal sector) or from formal/informal employment and unemployment/outside of the labour force. The main limitations stand in their availability but also on the periods considered, usually too short to assess some expected longer-term effects of transitions (especially in the context of transition from informal to formal).

<sup>6</sup> See for instance the note on meta data associated SDG 8.3.1, available at: <https://unstats.un.org/sdgs/metadata/files/Metadata-08-03-01.pdf> and [ILO, 2018c](#).

## 2.1.2 Dimension 2. Composition of informal and formal employment

29. The objective of this second dimension is to answer to two main sets of questions:

- i. What are prevalent forms of informality? The mapping of persons in informal employment by type of production unit (informal sector, formal sector, household own-use community sector) and status in employment<sup>7</sup> (employees, employers, own-account workers, contributing family workers and the new category of dependent contractors) is a simple link to policies, pointing out to groups for whom formalization involves different mix of policies.
  - ii. Who are the workers in informal employment? The identification of the largest groups (in numbers) but also those that are over-represented in informal employment compared to their overall representation in total employment (or in formal employment) depending on who they are (level of education, age, sex, etc.), where they live and work or in which sectors, size and type of economic units they are employed/operate, are important inputs for the understanding of the diversity of profiles and situations and for the discussion about priority setting in countries engaged in addressing the consequences of informality and/or supporting formalization processes. They are also important inputs on how best to reach workers in informal employment given their personal and employment characteristics.
30. To interpret indicators on the distribution of workers in informal employment by socio-demographic and economic features, the distribution of informal employment should be compared to the corresponding distribution among i) workers in formal employment; ii) all workers. Indicators on the distribution (dimension 2 on the composition) and on the incidence of informality (dimension 3 on exposure to informality) are complementary and should be analysed jointly.

### × Suggested list of indicators

**Table 2.** Composition of informal and formal employment | Proposed headline and additional indicators

Nb	Indicators	Reference in resolution
<b>Dimension 2 – Composition of informality</b>		
	► <b>Headline indicators [included in the resolution]</b>	
<b>A.2.1</b>	Number and distribution of persons with an informal main job by informal sector, formal sector, household own-use community sector and status in employment by sex	126b
	Distribution of persons with an informal or formal main job by sex and by	126c
	i) socio-demographic characteristics	
<b>A.2.2</b>	• age group	
<b>A.2.3</b>	• educational level	
<b>A.2.4</b>	• area of residence or area of work (urban/ rural); geographic region (as relevant in the country)	
	ii) employment related characteristics	
<b>A.2.5</b>	• status in employment (covered by A.2.1)	
<b>A.2.6</b>	• economic activity (ISIC)	
<b>A.2.7</b>	• occupations (ISCO)	
<b>A.2.8</b>	• place of work	
<b>A.2.9</b>	• size of economic unit (number of workers, incl. business owner)	
	► <b>Additional indicators</b>	
	Distribution of persons with an informal or formal main job by sex and by	
<b>A.2.10</b>	• disability status	
<b>A.2.11</b>	• migrant workers (citizenship)	
<b>A.2.12</b>	Distribution of informal and formal employment by socio-demographic and socio-economic features (as proposed above) <b>within particular categories of workers</b> (e.g. domestic workers, home-based workers, youth, digital platform workers, migrant workers, workers with disabilities or any other group depending on country priorities and prevalent forms of informality)	

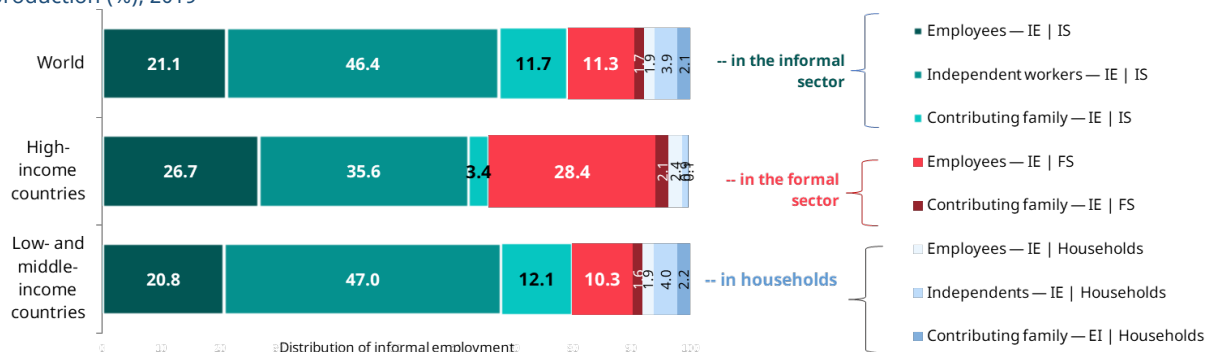
Note: Due attention should be paid to the sample and representativeness of results for the level of disaggregation.

<sup>7</sup> See Conceptual Framework: Informal Employment in annex of ILO, 2003a.

## × Spotlight on some indicators

31. **Indicator A.2.1.** *Composition of informal employment by production unit and employment status.* This decomposition allows to link groups of workers to what the process of transition to formality may mean for them.

A.2.1 [126b]<sup>8</sup> Composition of informal employment, by country-income group, status in employment and type of unit of production (%), 2019



Note: IE = informal employment; IS = informal sector. For example, the category “Employees — IE | IS” refers to employees in informal employment in the informal sector.

Source: ILO, 2023. Women and men in the informal economy: A statistical update.

32. As per the definition of informal employment:

- Formalization of jobs for **employees** is about the formal recognition and the declaration of their employment relationship and attached to it, an effective access to social and labour protections. Depending on protections attached to the different forms of employment agreements (or possibly work-agreements), the recognition of the employment relationship (and possibly work relationship), being declared and having a contract are necessary but not always sufficient to effectively access adequate labour protection and social protection. For employees in informal employment in formal economic units, to some extent for domestic workers in households and possibly for some dependent contractors, formalization calls primarily for the recognition and the declaration of the employment relationship and ensuring an effective access to social and labour protections associated to it. For employees in informal employment in the informal sector, the formalization of the economic unit that employs them is a pre-condition for the formalization of their job. The legal identification and recognition of the economic unit is a necessary step for the employer to be in a position to declare hired employees to labour administration and to social security and pay contributions on their behalf.
- Formalization of jobs for **independent workers** is a matter for formalizing economic units. This refers to policies and measures aiming at facilitating the transition of economic units to formality by reducing the cost of becoming and remaining formal and increasing the advantages associated with being formal and/or increasing the cost of being and remaining informal. Not all of them are about “formalization” per se (being covered and comply with fiscal, social and labour obligations) but support this process. This includes a range of incentives (simplification of registration, access to social security for them and their employees, access to markets, including public procurement, access to financial resources, assets and property) and deterrent measures to detect or sanction informal behaviour. It includes also a range of complementary measures to address the root causes of informality such as measures to improve productivity to create the conditions for formalization by providing a degree of income security in terms of stability and predictability. For independent workers, for instance, the extension of social security as such is not directly about formalisation but linking the access to social security for them and their employees to the registration of their unit can represent an important incentive for the formalisation of their activity and the extension of social protection to all is in all circumstances an objective in itself.
- Based on the proposed definition of formal jobs for **contributing family workers**, formalization may involve an effective access to protection<sup>9</sup> or a change in their status in employment (ideally a shift to the employee

<sup>8</sup> For each illustrative graph both the reference to the indicator number in this document (in blue) and the reference to the paragraph in the resolution (in red) are provided.

<sup>9</sup> See ILO, 2023. Potential changes to measuring contributing family workers in informality statistics. Working paper to support revision of the standards for statistics on informality.

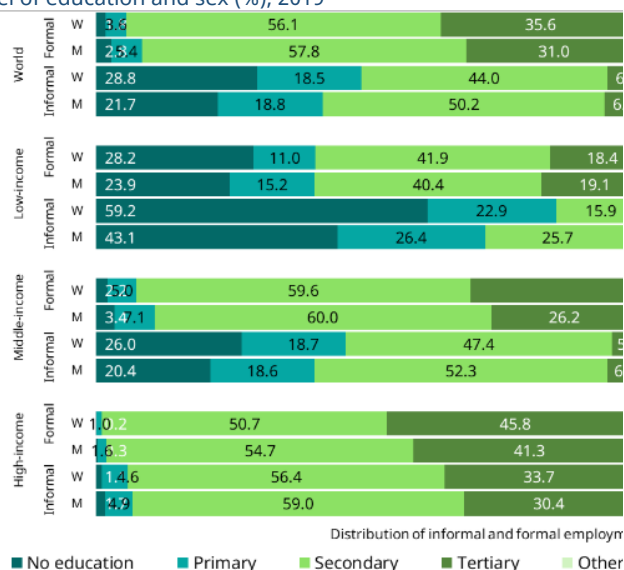
status), with in the meantime a reduction of decent work deficits; and the formalization of the economic unit that they are contributing to in the case of informal sector units.

- iv. As per the new category of **dependent contractors**, all options may apply: shift to the status of employee (in cases of the recognition of previously disguised employment relationships), formalization of economic units as a condition for the formalization of jobs, with an expanded notion of a “formal economic unit” for dependent contractors to open the possibility that the worker per se can be registered and hence constitute a formal economic unit; and formalization of jobs providing access to protections that reduce economic risks.<sup>10</sup> As for employees, being registered (either the worker or the economic unit) and as such part of the formal sector can be viewed as an important first step to be considered formal. It is the starting point for being covered by formal arrangements intended to reduce the economic risk related to the job. Thus, while dependent workers in the informal sector have informal jobs, dependent contractors in the formal sector can have informal jobs.
- v. A last category falling outside the scope of the new definition of employment (and of informal employment): **own-account workers** producing goods or services that are not mainly intended for the market with the purpose of generating an income or profit. For them, the question is about formalization of work other than employment and yet, the possibility for some, to develop their activity on a commercial basis to move from work activities to employment, preferably formal employment.

33. This analysis of informal employment by type of production unit and status in employment is central from a policy perspective. However, this is only possible if both informal employment and employment in the informal sector and in the household own-use community sector can be measured for all workers (independently of employment status) avoiding unfortunate filters that restrict questions to assess the informal nature of economic units to independent workers.

34. **Indicator A.2.3. Distribution of informal employment by the highest level of education.** The informal economy tends to absorb less-educated people in all but developed countries. This indicator assesses the educational profile of workers in informal employment. The distribution of workers in informal employment (total and for specific groups: sex, status in employment and type of production unit) by the highest level of education is informative from a policy perspective, shedding light on some of the consequences of a relatively low-level of education. This is (among others) one of the drivers of low levels of productivity in the informal economy and can explain some of the obstacles workers in informal employment may face regarding formal procedures.

A.2.3 [126c] Distribution of formal and informal employment by level of education and sex (%), 2019

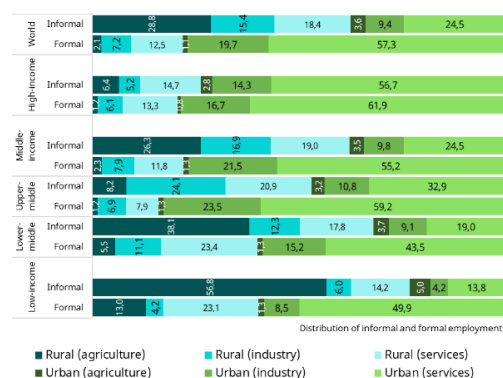


Source: ILO 2023. Women and men in the informal economy: A statistical update.

<sup>10</sup> See ILO 2023. *Dependent Contractors and the framework of the informal economy*. Room document to support the discussions at the Meeting of Experts on Labour Statistics in Preparation for the 21st International Conference of Labour Statisticians (Geneva, 7–10 February 2023)



#### A.2.4. [126c] Distribution of formal and informal employment by area of residence (%), 2019

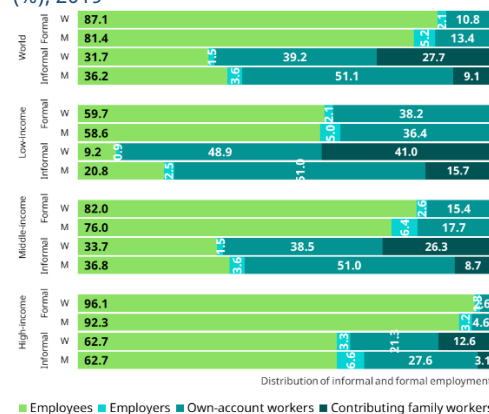


Source: ILO 2023. Women and men in the informal economy: A statistical update

36. **Indicator A.2.5. Distribution of informal employment by employment status.** This information is already covered by indicator A.2.1. Employment statuses most represented among workers in informal employment i) refer back to the type of formalization policies needed; and ii) is to be linked with the overall structure of employment by status in employment at the national level (covered by indicators under 6. Other structural factors). First, it points out to the prevalent form of informality in the country (and possible causes). Second, countries where own-account workers and contributing family workers make up the majority of total employment will not only be more likely to have even higher representation of those two more vulnerable employment statuses among workers in informal employment but will also be more likely to have a higher proportion of informal employment in total employment at the national level.

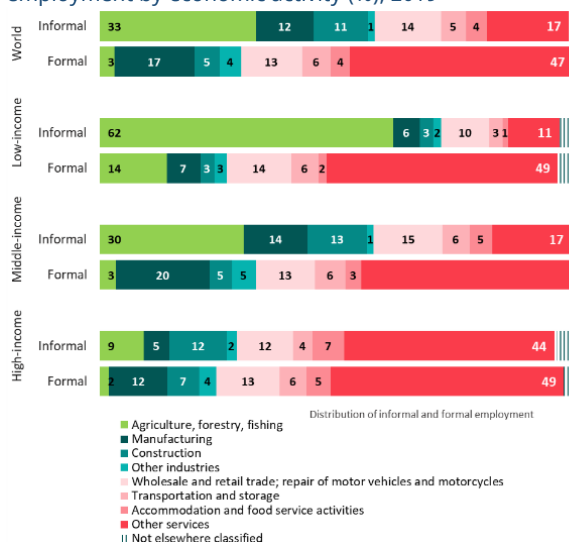
35. **Indicator A.2.4. Distribution of informal employment by area of residence (urban/rural) or as appropriate at the national level, by relevant geographical areas (regions, provinces, districts, etc.).** By experience, some countries decide to start the process of formalization focusing on certain geographical areas. This indicator can provide arguments (with other indicators) to orient the selection of a particular regional focus. This indicator A.2.4 should be analysed jointly with indicator A.2.6 on the distribution by sector to assess notably to what extent the extent of informality in agriculture sector explains some of the urban / rural informality divide.

#### A.2.5 [126c] Distribution of informal and formal employment by status in employment and sex (%), 2019



Source: ILO 2023. Women and men in the informal economy: A statistical update

#### A.2.6 [126c] Distribution of formal and informal employment by economic activity (%), 2019



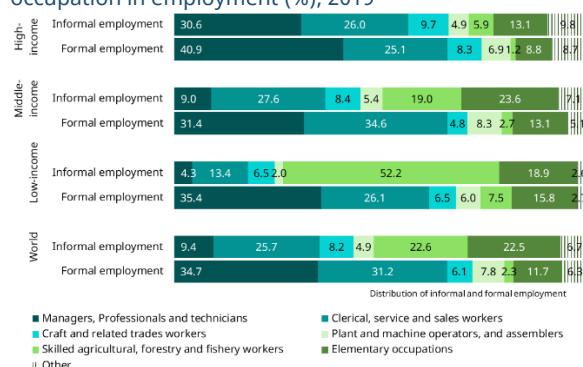
Source: ILO 2023. Women and men in the informal economy: A statistical update

37. **Indicator A.2.6. Distribution of informal employment by sector.** The identification of sectors most represented among workers in informal employment (together with indicator A.3.6: sectors most exposed to informality) provide arguments for the adoption of a sectoral approach. Many countries opt for such an approach benefiting from structures and actors active in particular sectors as well as from existing sectoral policies. Providing the fact that results are representative, using ISIC 2 digits or more detailed disaggregation, allows to point out to the situation of particular groups of workers that can be meaningful at the national level such as domestic workers (ISIC 4 code 97).



38. **Indicator A.2.7. Distribution of informal employment by occupations (ISCO).** Similarly to sectors, occupations can point out to already well-identified (in some cases organized) groups of workers. The analysis of the distribution of formal and informal employment by occupations offers also an entry point to discuss the issue of skills which should be analysed together with indicator A.2.3 related to the educational profiles of workers in informal employment and in formal employment.

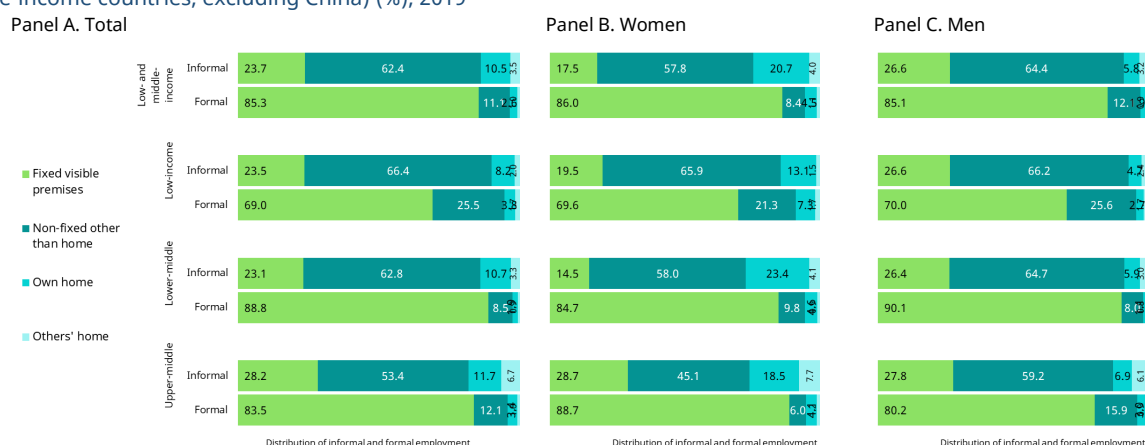
A.2.7. [126c] Distribution of informal and formal employment by occupation in employment (%), 2019



Source: ILO 2023. Women and men in the informal economy: A statistical update

39. **Indicator A.2.8 Distribution of informal and formal employment by place of work.** The categories of place of work should follow the ones presented in paragraph 100 of the [Resolution concerning statistics on work relationships](#).<sup>11</sup> However, the answer modalities provided in the 20th ICLS resolution concerning work relationships might be too detailed to be used directly in the indicator framework. A proposed way forward could be to further compile them and separate between those carrying out work in own-home, open space and others. The place of work has obvious consequences which include: the visibility of workers in informal employment and the complexity to reach out to them; hazardous conditions associated to certain workplaces; implications regarding productivity; or possible legal limitations in some cases (e.g. in the case of 'households' considered as part of the private sphere). This indicator offers the opportunity to assess the situation of home-based workers<sup>12</sup> and street vendors (combined with ISCO at the four-digit level) as particular groups. It is proposed that place of work should be included as a disaggregation of most indicators (see paras. 137 and 138 in the draft resolution).

A.2.8 [126c] Distribution of informal and formal employment, by place of work, sex and country income group (low- and middle-income countries, excluding China) (%), 2019



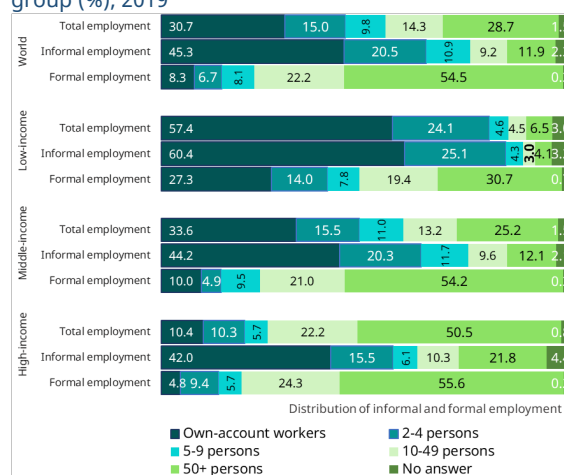
Source: ILO 2023. Women and men in the informal economy: A statistical update

<sup>11</sup> Work at home (own home - or area outside); own household farm; no fixed place of work (water, air or land-based vehicle; door-to-door; street or other public space; market); with a fixed place of work outside the home (client's or employer's home; employer's workplace or site; own business premises; client's workplace or site; no single type of location); other type of location (ILO, 2018a).

<sup>12</sup> Home-based work refers to not only work in one's own dwelling but in structures attached to or near own dwelling as well as open area adjacent to own dwelling (ILO, 2002c; WIEGO, 2015).

40. **Indicator A.2.9. Distribution of informal employment by size of enterprise (or economic unit).** Globally, about 75 per cent of informal employment and 80 per cent of employment in the informal sector is concentrated in economic units of fewer than ten workers (ILO/OECD, 2019; ILO 2023b). For this indicator, this is of particular importance to consider the distribution of informal employment by size of economic units but also, the distribution of employment in the informal sector by size. It provides information about a possible focus (or not) on micro and small economic units (including own-account workers) with particular policy measures targeting this group. While analysing data on informality and size of economic units, based on an overview of country practices, it appears that attention should be paid to filters that may exclude a significant number of persons in employment (e.g. own-account workers, independent workers or employees depending on countries).

**A.2.9. [126c] Distribution of total, informal and formal employment, by enterprise size and country income group (%), 2019**



Source: ILO 2023. Women and men in the informal economy: A statistical update

41. **Indicators A.2.10 (and A.3.12). Distribution of informal employment (and incidence of informal employment) by disability status.** Disability is one of the variables required for disaggregating many SDG indicators and disaggregating data by disability status should become standard practice. Persons with disabilities need to be accurately identified in order to avoid underestimations of actual numbers. In building this indicator existing guidance and tools should be used. Those include statistical tools developed notably by the Washington Group on Disability Statistics, in collaboration with partners,<sup>13</sup> and by the ILO.<sup>14</sup> Particular attention to the the situation of workers with disabilities (and of migrant workers, below) is raised through proposed additional dedicated indicators. In the meantime, persons with disabilities (as well as migrant workers) are also specifically mentioned as ‘specific categories’ of workers whose situation would be better assessed through specific surveys ensuring the reliability of results and in-depth analysis. The main concern about this additional indicator (A.2.10) is the possible limitations of labour force surveys to provide reliable results about workers with disabilities (reference to a design issue, sample size and sampling errors) and the need to consider specifically designed surveys (see paragraph 135 in the draft resolution concerning specific categories of workers).
42. **Indicators A.2.11 (and A.3.13 below). Distribution of informal employment/ and incidence of informal employment by migrant and non-migrant workers.** Similar issues related to the availability and representativeness of data if based on labour force survey data (sample size and sampling errors) as the ones mentioned for persons with disabilities apply for the assessment of the situation of migrant workers. Whether covered by specific additional indicators or as a special group analysed through the six different dimensions included in the Informal economy indicator framework, the [UN Handbook on Measuring International Migration through Population Censuses](#) is an important reference.
43. **Indicators A.2.12 (and A.3.14 below). Distribution of informal and formal employment (A.2.12)/ incidence of informal employment (A.3.14 in table 3) by socio-demographic and socio-economic features within particular categories of workers.** Illustrations of this approach can be found for instance in ILO, 2021c. [Making decent work a reality for domestic workers](#), especially in Chapter 9 that presents the particular situation of domestic workers in terms of exposure to informality and the consequences of informality on their working conditions. Whenever possible, the

<sup>13</sup> The Washington Group on Disability Statistics, in collaboration with partners. has developed statistical tools that capture people’s ability to function in everyday life, and the degree of difficulty they may have in performing routine activities. This includes a variety of disability data tools, of which the Washington Group Short Set (Washington Group, 2020) of six questions is recommended for use in identifying people with disabilities for the purpose of disaggregating the SDGs. In addition, for national sources of statistics on employment characteristics of persons with disabilities see Volume 11 of Sources and Methods: Disability statistics (ILO, 2015b).

<sup>14</sup> To explain the main drivers for the observed differences in the labour market outcomes, and identify the areas for improvements, the ILO, in collaboration with the Washington Group on Disability Statistics, developed an ILO module on Functional difficulties and barriers to employment (available at: <https://ilostat.ilo.org/resources/lfs-resources/>).

assessment of the situation of a particular group will benefit from the comparison with another group of reference or with all workers, which may not be an option in the case of specific surveys focusing on one category of workers for an in-depth analysis.

### 2.1.3 Dimension 3. Workers most exposed to informal employment

44. Indicators referring to the exposure to informality are about the incidence of informality for different groups. Workers most exposed to informality do not necessarily represent the majority of workers in informal employment. For instance, the percentage of domestic workers in informal employment (or incidence of informality among domestic workers) is often among the highest but this is not the case for their representation in total informal employment. By contrast workers in agriculture in low- and many middle-income countries are not only among the exposed to the risk of informality and often also, the largest group among workers in informal employment. However, whatever their representation among all workers in informal employment, a high level of exposure to informality — together with the fact that they are a clearly identified group in the case of domestic workers for instance — may call for priority action.

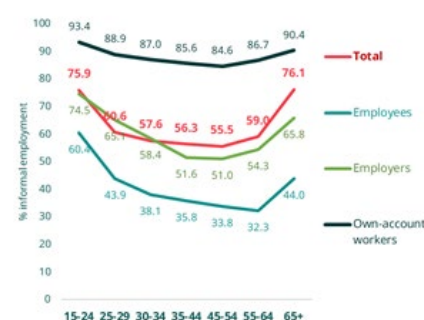
**Table 3.** Exposure to informal employment | Proposed headline and additional indicators

Nb	Indicators	Reference in resolution	
Dimension 3 – Exposure to informality			
► <b>Headline indicators [included in the resolution]</b>			
<b>A.3</b>	Percentage of persons with an informal main job by sex and by:	126d	
	i) socio-demographic characteristics		
<b>A.3.2</b>	• age group		
<b>A.3.3</b>	• educational level		
<b>A.3.4</b>	• area of residence or area of work (urban/ rural); geographic region (as relevant in the country)		
	ii) employment related characteristics		
<b>A.3.5</b>	• status in employment		
<b>A.3.6</b>	• economic activity (ISIC)		
<b>A.3.7</b>	• occupations (ISCO)		
<b>A.3.8</b>	• place of work		
<b>A.3.9</b>	• size of economic unit (number of workers, incl. business owner)		
<b>A.3.10</b>	• duration of the employment agreement		
<b>A.3.11</b>	• number of hours worked (hour bands)		
► <b>Additional indicators</b>			
<b>A.3.12</b>	Percentage of informal employment by socio-demographic and socio-economic features (as proposed above) within particular categories of workers (e.g. domestic workers, home-based workers, youth, digital platform workers, migrant workers, workers with disabilities or any other group depending on country priorities and prevalent forms of informality)		

### × Spotlight on some indicators

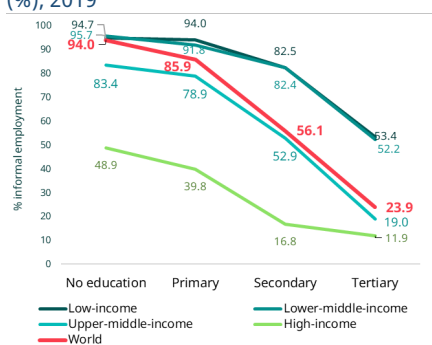
45. **Indicator A.3.2. Percentage of informal employment and age group.** In most countries the youth and older workers are more exposed to informality than others (ILO, 2018b; ILO, 2020b; ILO, 2023b). For both young and senior workers, additional indicators can help to identify some of the underlying reasons for high exposure to informality. Such reasons may include the over-representation of employment statuses highly exposed to informality (covered under dimension 6. *Other structural factors*); income insecurity (covered under dimension 4 and 5 about working conditions and contextual vulnerabilities); or exclusion (by law) from social security and/or labour protection after statutory retirement age.

**A.3.2 [126d] Percentage of informal employment by age group and employment status; world (%), 2019**



Source: ILO 2023. Women and men in the informal economy: A statistical update.

**A.3.3 [126d] Percentage of informal employment by level of education and country income group (%), 2019**

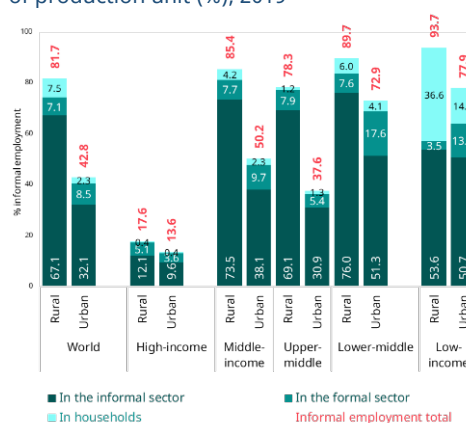


Source: ILO 2023. Women and men in the informal economy: A statistical update

**46. Indicator A.3.3. Percentage of informal employment by highest level of education by employment status and sex** assesses whether the level of education is an important driver of informality (or formality) by comparing the share of informal employment according to increasing levels of education for different groups of workers. In most countries, especially low- and middle-income countries, the percentage of workers in informal employment decreases with the increase of the level of education. This is particularly true for employees and employers and less so for own-account workers (ILO, 2018b; ILO, 2023a).

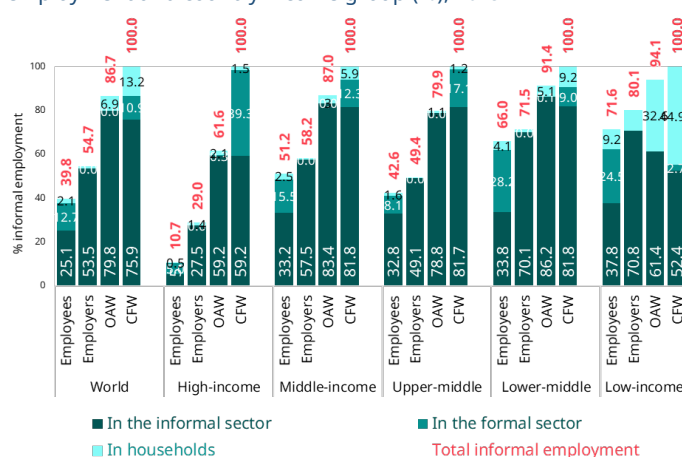
**47. Indicator A.3.4. Percentage of informal employment by area of residence (urban/rural).** This indicator should ideally be complemented by another indicator on geographical location (regions/provinces as relevant in the country). As far as the distinction rural/urban is concerned, the indicator should be analysed jointly with the results on informality by economic sector (A.2.6 and A.3.6) to assess, as mentioned earlier, to what extent the higher exposure of agricultural workers to informality explains the urban rural differences. Other factors may include the institutional and economic environment (e.g. limited access to public infrastructure and services, and differences in quality of services and local governance); the personal and employment characteristics of the rural population (including higher incidence of poverty, lower education levels or over-representation of employment status the most at risk of informality); in addition to other norms more difficult to quantify such as traditions and rural actors' perceptions of laws and regulations and social norms.

**A.3.4 [126d] Percentage of informal employment, by urban/rural residence and type of production unit (%), 2019**



Source: ILO 2023. Women and men in the informal economy: A statistical update.

**A.3.5 [126d] Percentage of informal employment by status in employment and country income group (%), 2019**



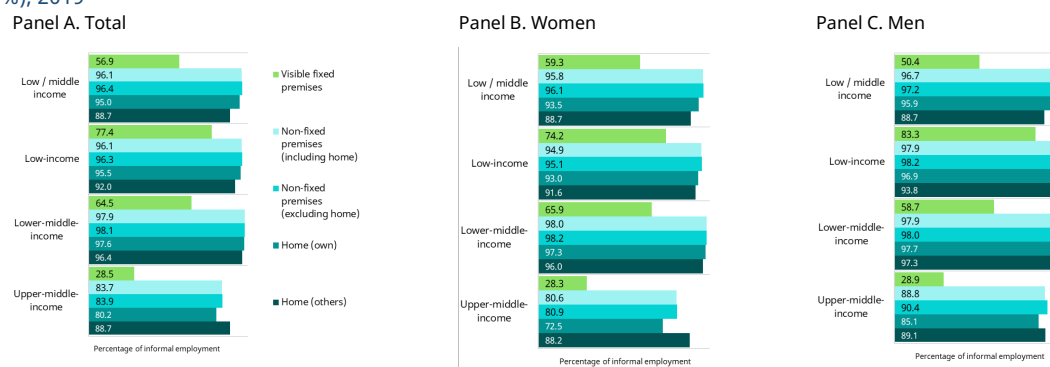
Source: ILO 2023. Women and men in the informal economy: A statistical update

**48. Indicator A.3.5. Percentage of informal employment by status in employment.** Some employment statuses are more exposed to informality than others. Contributing family workers (by definition considered in informal employment, at least until a revision), own-account workers and dependent contractors are usually more exposed to informality than employees. The different levels of exposure by status and the representation of each status in employment (total or for certain sectors, occupation, groups of workers) form part of the reasons to explain the overall proportion of informal employment (total or for specific groups).

**49. Indicator A.3.8 Percentage of informal employment by place of work.** To complement information provided for indicator A.2.8, the analysis of the incidence of informality depending on the place of work highlights the distinct

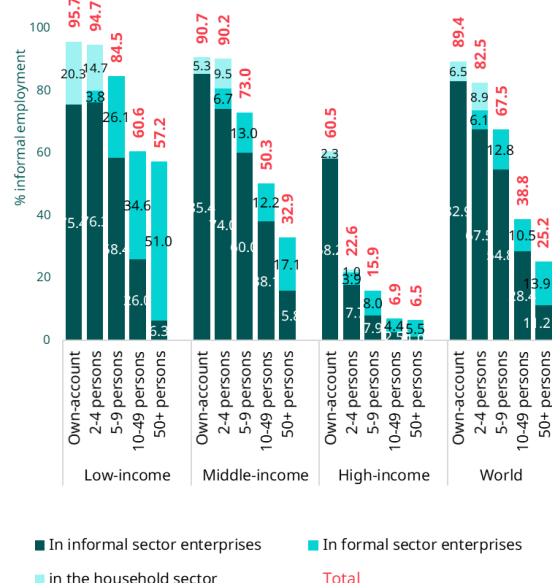
situation of workers in fixed-visible places of work (less likely to be in informal employment) compared to all other places. This is not a surprising result, including because most, if not all administrations and large enterprises, (where informality of jobs tends to be lower) fall under this category.

**Indicator A.3.8 [126d].** Percentage of informal employment by place of work and sex in low- and middle-income countries (%), 2019



Source: ILO 2023. Women and men in the informal economy: A statistical update

**A.3.9 [126d]** Percentage of informal employment by size of enterprise and country income group (%), 2019

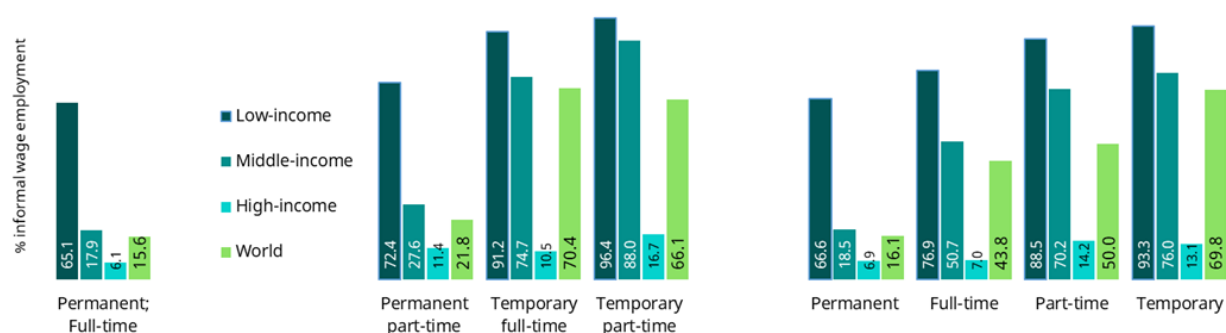


Source: ILO 2023. Women and men in the informal economy: A statistical update.

**50. Indicator A.3.9. Percentage of informal employment by size of enterprise.** The comparative analysis of informal employment depending on the size of economic units shows that the share of total informal employment decreases with increased size of economic units (ILO/OECD 2019; ILO 2023b). For this indicator in particular, the distinction between informal employment in informal sector economic units and in formal enterprises is important. While the share of informal employment in the informal sector tends to decrease significantly with the increased size of economic units, by contrast, there may be a significant share of informal employment in the formal sector, including in larger enterprises. Despite the greater ability of large enterprises to cover formalisation costs and more easily interact with government administrations, it is important to assess whether there is a substantial share of informal employment in large formal enterprises and the reasons (for instance, existence of employment agreements that provide no social protection and other benefits). When analysing this indicator, one should keep in mind and possibly quantify the number of workers in informal employment with disguised employment relationships who are subcontracted by formal enterprises but misclassified as own-account workers.

**51. Indicators A.3.10 et A.3.11. Percentage of informal wage employment by type of employment arrangement and number of hours worked per week.** Certain characteristics of employment, such as the type of employment arrangement (temporary or permanent) or the number of hours worked per week (allowing notably a distinction between full-time and part-time workers) make it possible to identify categories of workers in forms of employment other than 'full-time permanent employment'. These two indicators aim in particular to assess the extent to which employees other than those in permanent full-time employment are more exposed to informality. A related question that helps to explain a higher risk of informality for certain groups is whether the same levels of protection (labour and social protection) are attached to different types of employment arrangements and number of hours.

Indicators A.3.10-A.3.11 [126d] Percentage of informal wage employment by type of employment arrangement and country income group (%), 2019



Source: ILO 2023. Women and men in the informal economy: A statistical update

52. For employees, the informal nature of their main job means primarily the absence of social security coverage gained through their employment relationship. The reasons why employees under certain employment agreements are prone to informality are either a) the fact that they are outside the scope of current laws and regulations (“legal gap” which can result from the type of employment agreement) or b) if legally covered, that those legal provisions are not effectively implemented in practice (“implementation gap”). In the case of legal gap, the exclusion can be explicit for certain groups based on their characteristics or type of employment agreement. It can also be implicit, workers being excluded because they do not meet the qualifying thresholds in terms of criteria based notably on the length of the employment agreement, the number of hours worked or levels of earnings. Thus, the analysis and interpretation of those indicators will benefit from the review of laws and regulations to identify the source of informality (see “Regulation scope and enforcement” in dimension 5 Contextual vulnerabilities).

#### 2.1.4 Dimension 4. Working conditions and levels of protection for those in informal versus formal employment

53. The main objective of indicators under dimension 4 is to assess the state of working conditions and the extent of decent work deficits among workers in informal employment compared to those in formal employment. The assessment of working conditions should not be limited to workers in informal employment or in the informal sector. The analysis of the working conditions of workers in formal employment provides a reference for the relative assessment of working conditions of workers in informal employment. This comparison also makes it possible to assess whether formality is indeed synonymous with decent working conditions or whether the transition from informal to formal employment results not only in better working conditions, but in good working conditions (ie a transition to a decent job).
54. Indicators under dimension 4 *Working conditions and levels of protection* are to be complemented with indicators under dimension 5 *Contextual vulnerabilities*, in particular for sources of income and social protection other than those derived from individuals’ job. The combined analysis of work-related indicators as presented here with other sources of income and protection presented under dimension 5 supports the assessment of various levels of protections and vulnerabilities faced by workers (and economic units) being in informal or in formal employment. This contributes in turn, for those still in the informal economy, to capture their capacity or readiness to formalize in the short term and complements the analysis of the level of informality by taking into consideration additional dimensions that represent either obstacles or opportunities for the improvement of working and living conditions and formalization.
55. This section includes two broad categories of indicators: a first one assessing various levels of labour and social protection (gained through employment for workers with different employment status). This first category aims to analyse in more detail the situation of employees in terms of access to social and labour protection on the basis of the criteria recommended for the statistical definition of formal employment. It also aims to assess the



extent to which independent workers and contributing family workers are covered by social security. The second category of indicators is on working conditions or the main dimensions of decent work (ILO, 2013b):

- i. **(Labour-) income security.** This includes the level, the regularity and predictability of income from labour, including job-related social protection. A broader assessment of income security, including poverty and the capacity to cover basic needs is covered under dimension 5 Contextual vulnerabilities to include income security from other sources (e.g. non-labour related income, non-job-related social protections) considering both the individual and household levels.
  - ii. **Employment security.** Employment security refers to different realities depending on status in employment. For employees, it can include the existence and type (and when relevant, the duration) of employment agreement. The meaning for other employment status (independent workers, dependent contractors and contributing family workers) is less clear and should be explored;
  - iii. **Health and safety issues.** Health and safety covers issues such as the exposure to hazardous working conditions, the access to protective equipment, the incidence of occupational injuries, access to health care and financial compensation in case of injury;
  - iv. **Working time.** Assessment of working time in terms of actual and usual hours of work and working time arrangements (e.g. night work) among workers in informal employment compared to those in formal employment to identify whether they are more likely to work outside normal hours of work<sup>15</sup> and exposed to associated risks. This includes also the assessment of time spent on own-use production of goods and services, in particular unpaid domestic and care work.
  - v. **Skills-security.** Skills security is about skill enhancement. It complements the analysis of levels of education by assessing if workers in informal employment have access to training and retraining and if so, to what type of training. By extension, this could also include the issue of ability to progress and pursue a career.
  - vi. **Representation security.** Identify the level and forms of organisation of workers in informal employment and in formal employment (including business owners and their economic unit).
56. The indicators proposed below should be analysed respectively for women and men and when relevant by employment status and type of production unit (formal sector, informal sector, household own-use community sector). With a few exceptions, all of them refer to the main job.
57. Available information on a number of those dimensions refers to employees. For some, it is because they are the only ones concerned. For others, this results from a lack of corresponding 'widely available indicators' to capture the situation of other employment statuses or other forms of work. This is obviously a point for discussion on (i) how best to cover all people in employment; ii) whether some of those indicators could and should be extended to other forms of work and what needs to be done to gradually close this gap. This will be part of the ongoing efforts to expand the indicator framework, beyond the resolution and its dedicated section on indicators.
58. Of the indicators presented in Table 4, the draft resolution recommends 11 indicators: 4 indicators assessing different levels of protection and 7 indicators on some dimensions of working conditions (labour-income, employment security, working time and representation). Most of these indicators can be produced from a standard labour force survey, yet they are not considered as headline indicators.

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<sup>15</sup> Normal hours of work are typically referring to 35h to 48h a week for pay or profit (see ILO 2023c).



## × Suggested main and additional indicators

**Table 4.** Levels of protection and working conditions of workers in informal employment compared to workers in formal employment | Proposed indicators (included in the resolution and additional)

Nb	Indicators	Reference in resolution
<b>Dimension 4 – Working conditions of workers in informal employment and in formal employment</b>		
+ Levels of protection among workers with informal main jobs and formal main jobs		
▶ Main indicators		
<a href="#">A.4.1</a>	Percentage of independent workers, respectively, with an informal or a formal main job, who contribute on a voluntary or mandatory basis to job-related statutory social security insurance in relation to independent workers with informal or formal main jobs.	128a(i)
<a href="#">A.4.2</a>	Percentage of contributing family workers, respectively, with an informal or a formal main job, who contribute on a voluntary or mandatory basis to job-related statutory social security insurance in relation to contributing family workers with informal or formal main jobs.	128a(ii)
<a href="#">A.4.3</a>	Percentage of employees with a formal main job that have effective access to employment benefits such as paid annual leave and paid sick leave or other relevant national employment benefits, in relation to total employees with formal main jobs.	128a(iii)
<a href="#">A.4.4</a>	Percentage of employees with an informal main job that have effective access to some employment benefits such as paid annual leave or paid sick leave or other relevant national employment benefits, in relation to total employees with informal main jobs.	128a(iv)
▶ Additional indicators		
<a href="#">A.4.5</a>	Percentage of workers with multiple jobs and with an informal or a formal <i>main</i> job, who contribute on a voluntary or mandatory basis to job-related statutory social security insurance in an additional job.	
+ Working conditions among workers with informal main jobs and formal main jobs		
▶ Income security		
▶ Main indicators		
<a href="#">A.4.6</a>	Monthly and hourly average labour earnings among workers with informal main jobs and formal main jobs, by status in employment.	128b(i)
<a href="#">A.4.7</a>	Percentage of persons with informal main jobs and formal main jobs earning less than the defined benchmarks (for example, the minimum wage or 50 per cent of the median wage), by status in employment.	128b(ii)
▶ Additional indicators		
<a href="#">A.4.8</a>	Gender pay gap among workers in informal employment and formal employment (whenever possible, beyond wages and thus by employment status)	
<a href="#">A.4.9</a>	Form of remuneration: (a) Distribution of workers in informal and formal employment by form of remuneration (e.g. daily workers, piece-rate workers, paid on a monthly basis, profit) and (b) Percentage of informal employment by form of remuneration by employment status	
▶ Employment security		
▶ Main indicators		
<a href="#">A.4.10</a>	Distribution of employees with informal and formal main jobs, by type and duration of employment agreement.	128b(iii)
▶ Additional indicators		
<a href="#">A.4.11</a>	Distribution of workers with informal and formal main jobs by type and duration of employment, commercial or work agreement by status in employment.	
▶ Working time		
▶ Main indicators		
<a href="#">A.4.12</a>	Distribution of persons with informal and formal main jobs, by actual hours worked (hour bands) per week and by status in employment.	128b(iv)
<a href="#">A.4.13</a>	Average number of actual hours of work per week, by persons with informal and formal main jobs and by status in employment.	128b(v)
<a href="#">A.4.14</a>	Time-related under-employment among workers working less than a set number of hours with informal and formal main jobs, by status in employment.	128b(vi)

Nb	Indicators	Reference in resolution
	<p>► <b>Additional indicators</b></p> <p><b>A.4.15</b> Working time arrangements: Proportion of workers in informal employment who work in shifts compared to those in formal employment</p> <p><b>A.4.16</b> Working time arrangements: Proportion of workers in informal employment working usually, sometimes or never i) in the evenings; ii) at night; iii) on Saturdays; iv) on Sundays</p> <p>► <b>Representation</b></p> <p>► <b>Main indicators</b></p> <p><b>A.4.17</b> Percentage of persons with informal and formal main jobs affiliated to a union, a professional organization, a workers' association or a member-based organization of workers, by status in employment.</p> <p>► <b>Additional indicators</b></p> <p><b>A.4.18</b> Percentage of employees in informal employment with a trade union at their workplace</p> <p>► <b>Skills: access to training and re-training and career development</b></p> <p>► <b>Additional indicators</b></p> <p><b>A.4.19</b> Proportion of workers in informal employment (compared to those in formal employment) who benefited from training/ retraining for work, by type of training (e.g. Informal training on the job; apprenticeship; courses in school/training institution; Government retraining programme; etc.), by employment status</p> <p>► <b>Occupational Safety and Health</b></p> <p>► <b>Additional indicators</b></p> <p><b>A.4.20</b> Exposition to hazardous conditions of work of workers in informal employment compared to workers in formal employment (depending on economic sector and type of production unit)</p> <p><b>A.4.21</b> Proportion of workers in informal employment (compared to workers in formal employment) having access to and using protective equipment by sector, occupation, place of work</p> <p><b>A.4.22</b> Incidence of occupational injuries and diseases (assess the ability of having access to reliable data, especially for workers in informal employment) by sector, occupations, place of work</p> <p><b>A.4.23</b> Social protection in case of occupational injury and disease (health and employment injury insurance and access to health care)</p>	128b(vii)

Note: Due attention should be paid to the sample, sampling errors and representativeness of results.

## × Spotlight on some of the indicators

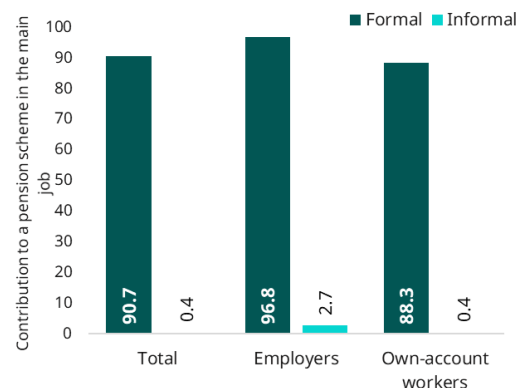
### ► Levels of protection

59. **Indicators A.4.1. and A.4.2.** concern contributory social security coverage at the individual level. The distinction between voluntary and compulsory membership (the self-employed being generally more likely to be members on a voluntary basis) and the reference to specific contingencies (e.g. pension<sup>16</sup> or health) reinforce the significance of these two indicators.

<sup>16</sup> If one contingency should be prioritized, this should be pensions for at least two reasons: (a) the fact that pension schemes (including old-age, invalidity and survivors pensions) exist in the majority of countries for at least some groups of workers, which is not the case for unemployment benefits, which still do not exist in many countries; and (b) pension benefits, more than any other branch of social security, are provided mainly or largely through contributory schemes (at least for some groups) and involve the employer's contribution. This is not the case for other types of benefit, such as family or health benefits, which are often provided through tax-financed mechanisms or highly subsidized.

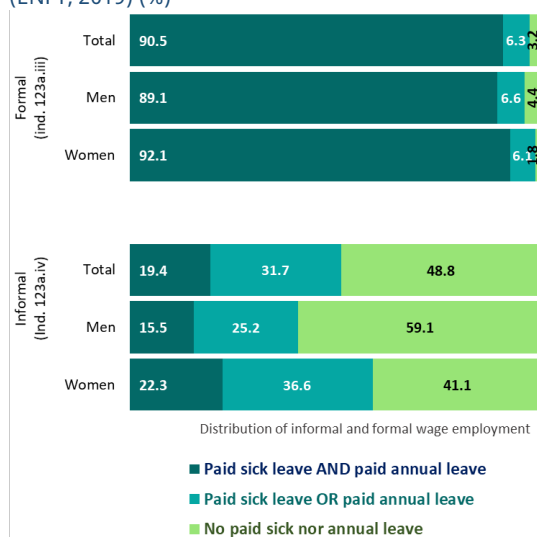
60. The focus is on categories of workers for whom contributory social security coverage is not a recommended statistical criterion to define job formality but an issue of extension of social security, improved income security or at least reduced income insecurity. **Indicator A.4.1. Percentage of independent workers (formal and informal) contributing to social security.** Contribution to social security is not part of the definition of formality of a job for independent workers but provides protection and increases the level of income security. This indicator contributes to identify, among independent workers, different groups based on levels of protection irrespective of the formal nature of their job. Indicators A.4.1 and A.4.2 apply primarily to the main job. It might be of interest in the context of identifying sources of protection to assess affiliation to job-related social security in the context of additional jobs (see additional indicator A.4.5. *Percentage of workers with multiple jobs and with an informal or a formal main job, who contribute on a voluntary or mandatory basis to job-related statutory social security insurance in an additional job*).

**A.4.1 [128a(i)] Uruguay.** Percentage of independent workers, with an informal or a formal main job, who contribute on a voluntary or mandatory basis to job-related statutory social security (ECH 2019)



Source: ECH 2019.

**A.4.3-A.4.4 [128a(iii-iv)] Dominican Republic.** Percentage of employees with an formal or an informal main job with effective access to labour protection (employment benefits) (ENFT, 2019) (%)



Source: ENFT 2019

61. **Indicators A.4.3 and A.4.4.** Percentage of employees with a formal main job (A.4.3) or an informal main job (A.4.4) that have effective access to employment benefits such as paid annual leave and paid sick leave or other relevant national employment benefits. The percentage of employees with or without access to labour protection in addition to contributions to social security (for those in formal employment) or without (for those in informal employment) aims to categorise employees depending on various levels of protection and vulnerabilities. For employees in informal employment, it acknowledges that some levels of protection exist (including coverage by some formal arrangements) that reduce vulnerabilities, at least for some. For employees in formal employment, indicator A.4.3. highlights the fact that the measure of formal employment does not necessarily mean access to the full range of labour protections.

## ► Labour income security

62. The analysis of indicators on labour income security should ideally be complemented by the analysis of income-related indicators as covered under dimension 5 *Contextual vulnerabilities* in order to take into account all sources of income (property income; income from the production of household services for own consumption; and current transfers received; for more details see ILO, 2003b) and income from all household members or household-based.
63. Income security covers not only the level of income but also the regularity and predictability of income. Information on the forms and frequency of remuneration (piece rate basis, daily, weekly, monthly) alone or combined with information on employment security can provide some elements to assess the regularity and predictability of income. These indicators on the level, regularity and predictability of income from labour also contribute to assess the ability to transition to formality (e.g. do levels of labour income fit with the cost of formalization including registration, taxes, contributions to social security? Do the regularity and predictability of income fit with the modalities to comply with formal arrangements as stated in laws and regulations?).

64. **Indicators A.4.6 to A.4.8.** Level of individual income from labour (**A.4.6.** *Monthly and hourly average labour earnings among workers with informal main jobs and formal main jobs by status in employment*; **A.4.7.** *Percentage of persons with informal main jobs and formal main jobs earning less than defined benchmarks by status in employment*; **A.4.8.** *Gender pay gap among workers in informal employment and formal employment*). Those three indicators should ideally apply to all workers, beyond wages of employees, acknowledging the difficulties to assess labour income other than wages. A number of issues to take into consideration include notably the time reference (monthly, hourly), the indicator used (median, mean and ranges of values) and how best to cover all workers (including independent workers and dependent contractors).

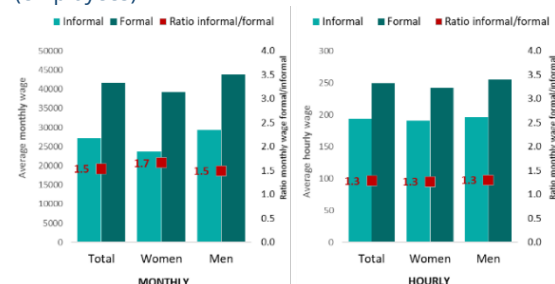
65. Ratios of labour-earnings can be informative indicators to compare the relative situation of different groups taking another ‘typical worker’ as a reference. The second graph on the right provides an illustration of the comparison between monthly wages of employees in informal employment compared to their formal counterparts.

66. For indicator A.4.8 on the gender pay gap, the Global wage report series provides information, including on methodologies. See in particular [Global wage report 2018/19 What lies behind gender pay gaps](#).

67. **Indicators A.4.9a/A.4.9b.** *Forms of remuneration and informal and formal employment.* Forms of remuneration can be used not only as an indicator of stability and predictability of income but also to identify particular groups of workers (piece rate workers, daily workers, etc.) for an analysis of their relative exposure to informality compared to other workers. Forms of remuneration would include categories indicated in para 95 in [Resolution concerning statistics on work relationships](#).<sup>17</sup> It should ideally cover all people in employment with indicators disaggregated by employment status. In addition, while not common in typical labour force surveys, some questions assessing directly the regularity and predictability of income could be used as a complement.<sup>18</sup>

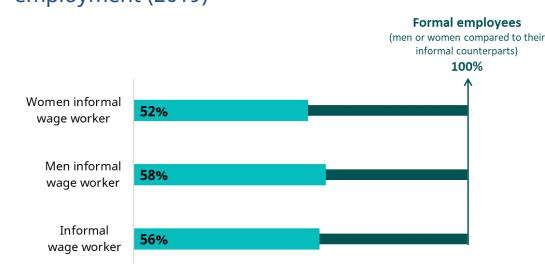
68. Combined with the analysis of social security legislation and in particular affiliation modalities and eligibility criteria for benefits, these indicators on the level and regularity of labour income of workers in informal employment are extremely useful. In particular, they can help to distinguish between workers in informal employment who might meet some or all of these conditions and those whose level of earnings or the instability or seasonality of their earnings would require revision of those modalities set out in the law to improve their implementation in practice (e.g. simplification; flexibility to take account of the level and irregularity of earnings among workers in informal employment). The analysis of the legislation may furthermore highlight certain sources of informality associated with minimum income thresholds that may lead to the exclusion of a significant number of (informal) employed workers who fall below this threshold. For more information, see dimension 5 on contextual vulnerabilities on the possible source(s) of informality in relation to laws and regulations (coverage and compliance with formal arrangements).

**A.4.6 [128b(i)] Serbia. Monthly and hourly average labour earnings among workers with informal main jobs and formal main jobs by sex | focus: wages (employees)**



Source: LFS 2019.

**Comparison of average monthly wages of men and women in informal employment versus those in formal employment (2019)**



Source: ILO 2023. Women and men in the informal economy: A statistical update.

<sup>17</sup> The categories include (at a minimum): i) for time worked with a distinction between monthly, weekly and daily; ii) by the piece; iii) commission; iv) fee for services; v) determined by profit or loss; vi) tips from clients; other (Para 95).

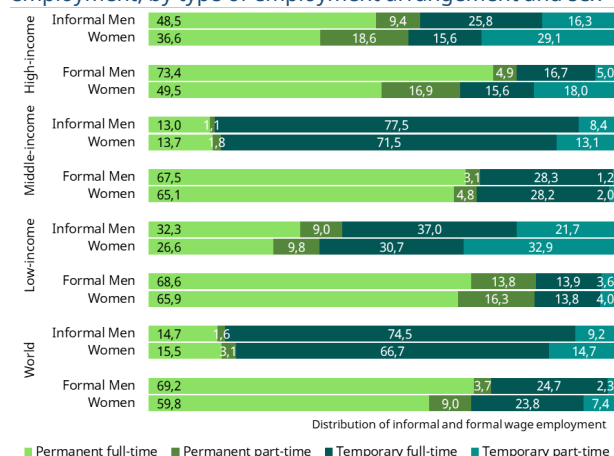
<sup>18</sup> Example for ILO/People security surveys include questions covering either household or individual income, such as: **Regularity of income:** Over the past 12 months, has your monthly income been fairly regular, fluctuating or very irregular? 1. Regular 2. Fluctuating 3. Very irregular; **Expectations about future income:** In 12 months from now, do you expect your i) household income / ii) personal income to be higher, lower or about the same as compared to now? (1. Higher in real terms, 2. About the same in real terms, 3. Lower in real terms, 77. Do not know, 99. NA).

► **Employment security.**

69. Employment security can be understood as protection against loss of labour income. Available and most common indicators tend to restrict the analysis to employees. Further work is needed to assess how employment security translates to other employment statuses and, beyond, to other forms of work (e.g. unpaid trainees, unpaid care work). For independent workers and some dependent contractors, should for instance protection against business failure and loss of profit be considered? Indicators could be developed based on the duration and type of commercial agreements.

70. **Indicator A.4.10.** *Distribution of employees with informal and formal main jobs by type and duration of employment agreement.* As formulated in the draft resolution, this indicator applies to employees and concerns employment agreements. The additional indicator A.4.11 extends the scope to other employment statuses, considering commercial agreements (for independent workers and dependent contractors) and work agreements (that may apply for instance to unpaid trainees or volunteers). It is unlikely that the information will yet be available in many countries for workers other than employees. Regarding the duration of job or work, it is recommended to follow the categories indicated in para 83 in the [Resolution concerning statistics on work relationships](#)<sup>19</sup> that allow for the distinction between agreements without stated limit of time and temporary (or time-bounded) agreements (according to various durations).

**A.4.10. Distribution of informal and formal wage employment, by type of employment arrangement and sex**



Source: ILO 2023. Women and men in the informal economy: A statistical update.

71. Going further, one can analyze the indicators on the type and duration of employment agreements in light of information on the legal and regulatory framework related to social security and some dimensions of labour protection. The review of social security insurance benefits and labour protection associated to the different types of employment (and possibly work-) agreements that exist in the country is an important step to interpret and complement employment security indicators.

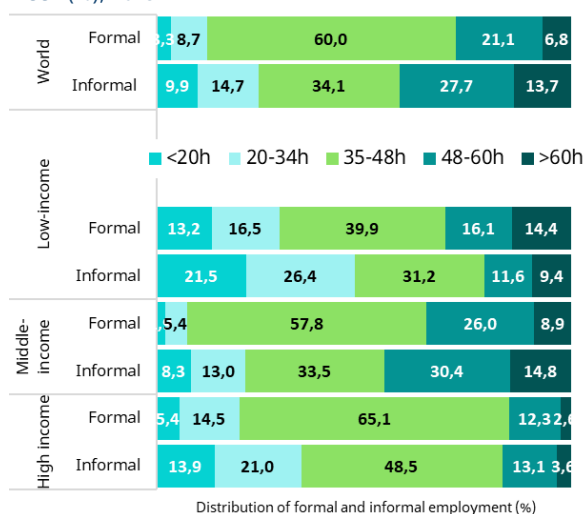
► **Working time and informality**

72. Being outside the scope of labour laws or of their implementation, people in informal employment tend to be over-represented outside “normal hours of work” (ILO, 2018; ILO, 2022). The main objective of indicators on working time is to assess whether workers in informal employment (depending on employment status) are more likely to work very short hours, part-time or long or very long hours.<sup>20</sup> Each of those situations can be potentially – although not necessarily – associated with specific risks. Very short hours and to some extent working part-time is associated to the risk of (working) poverty but also, depending on national labour legislation, to the exclusion from certain benefits as a result of minimum thresholds (e.g. social security). Long hours and very long hours can expose workers to health and safety risks and work-life balance issues without necessary due compensation. The systematic disaggregation by sex applies to all indicators but is of particular importance in the case of working time for pay or profit and for hours spent on other forms of work, in particular on unpaid care work (see indicator A.1.6 in table 7).

<sup>19</sup> Paragraph 83 provides the following recommended categories to describe the duration of the job or work activity: less than one month; one to less than three months; three to less than six months; six to less than 12 months; 12 to less than 18 months; 18 to less than 24 months; 24 to less than 36 months; three years or more; without stated limit of time.”

<sup>20</sup> The definition of very short hours, part-time, long and very long hours may differ depending on countries. How the recommended practice would be to define those categories as follows: *Very short hours*: less than 20 hours a week; *part-time employment*: less than 35 hours a week; *long hours*: more than 48 hours a week, *very long hours*: more than 60 hours a week. For additional information, see ILO 2022. [Working Time and Work-Life Balance Around the World](#).

A.4.12 [128b(iv)] Distribution of persons with informal and formal main jobs by actual hours worked (hour bands) per week (%), 2019

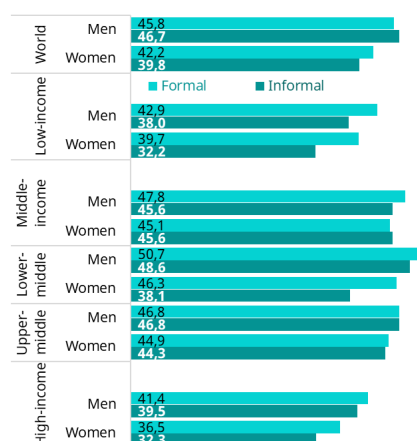


Source: ILO, 2023. Women and men in the informal economy: A statistical update (see figures 18 for the respective distribution of formal and informal employment for women and men and figure 19 for an analysis by status in employment).

74. **Indicator A.4.13.** Average number of actual hours of work per week, by persons with informal and formal main jobs by status in employment. The average number of actual hours of work per week provides a simple single value for a particular group of workers. The comparison of the average number of hours of work per week in the main job for workers in informal and formal employment leads to the surprising conclusion that there is a convergence towards just over 44 hours per week for both groups at the global level (ILO 2022; ILO 2023b). This average number of hours of work per week however conceals major differences in terms of working-time patterns between formal and informal workers and should be completed by the analysis of distributions as provided by indicator A.4.12.

73. **Indicator A.4.12.** Distribution of persons with informal and formal main jobs by actual hours worked (hour bands) per week by status in employment. Indicators on working time should preferably refer to actual working hours in the main job and, whenever possible, in all jobs (additional indicators). In line with existing conventions on working time, recommended ranges of hours for indicator A.4.12 are: i) less than 15h or less than 20h a week (marginal or very short hours), 20-34h (with <35h considered as part-time); 35-39h; 40-48h; 49-54h; 55-60h; >60h.<sup>21</sup> When available, indicators about the reasons for working very short hours or long/very long hours could also be considered. In this respect, the analysis of time related under-employment (indicator A.4.14/123b(vi) in the draft resolution) can complete the analysis to identify involuntary part-time. Additional indicators can also provide some information on working time arrangements (see additional indicators A.4.15 and A.4.16). Those include working by shifts, working at night or on Saturdays and Sundays.

A.4.13 [128b(v)] Average number of actual hours of work per week, by persons with informal and formal main jobs by sex (%), 2019



Source: ILO, 2023. Women and men in the informal economy: A statistical update (see figures 17 by income group of countries and figure 46 by region).

75. As for the type of employment agreements, the number of hours of work may have an incidence for employees on the entitlement to certain benefits. Informality is the highest among workers with very short hours of work and the lowest among workers, especially employees, who work in the range of “normal hours of work” (ILO, 2023b, figure 20). For some employees whose number of hours of work does not allow them to meet minimum thresholds in terms of the number of hours of work or earnings to be eligible for social security benefits, this limited number of hours is the source of their informality. The assessment of social security and labour laws should ideally complement quantitative indicators on working time.

<sup>21</sup> See for reference Working time Conventions. [Hours of Work \(Industry\) Convention](#), 1919 (No. 1) and [Hours of Work \(Commerce and Offices\) Convention](#), 1930 (No. 30) set the general standard at 48 regular hours of work per week, with a maximum of eight hours per day; and the [Forty-Hour Week Convention](#), 1935 (No. 47). See also ILO 2022. [Working Time and Work-Life Balance Around the World](#).

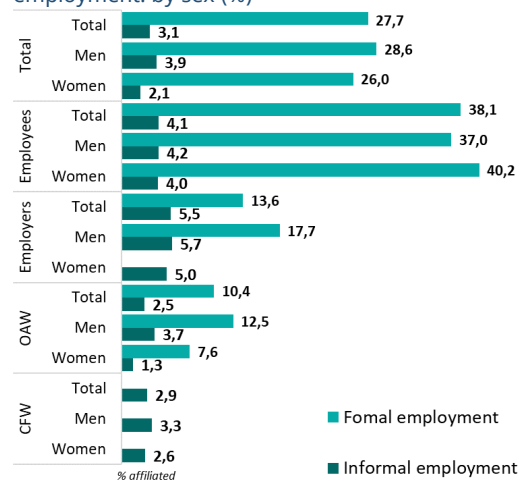


► Representation in the informal economy

76. The main objective is to assess the level and type of representation among workers in informal employment, including business owners of informal sector units. Another related question is how can employers' and workers' organizations reach out to informal workers (extension of membership and services) and, associated to this question, the knowledge and perceptions of workers in informal employment about workers' and employers' organizations, their needs for support and services and expectations.

77. **Indicator A.4.17.** *Percentage of persons with informal and formal main jobs affiliated to a union, a professional organization or a worker association and/or member-based organization of workers by status in employment.* When focusing on representation of workers and some of the common indicators (trade union membership, and employers' organizations membership), administrative registers might be a potential source but not suitable when the objective is to compare the situation of workers in informal and formal employment (ILO, 2020a). In labour force surveys, the usual question is about affiliation to unions and, less frequently, on the presence of a union in the workplace. Those questions are often asked only (and unfortunately) to employees. This is useful but tends to miss the most widespread forms of representation in the informal economy, notably among independent workers in the informal sector. When labour force surveys collect data on trade unions for all employed persons, the indicator(s) should make the distinction between the different status in employment.

**A.4.17 [128b(vii)] Uganda.** Percentage of persons with informal and formal main jobs affiliated to a union, a professional organization, a workers' association or a member-based organization of workers, by status in employment, by sex (%)



Source: LFS 2017.

78. Membership in other forms of professional organizations/groups of workers or units including cooperatives (that could serve as a bridge to be included into traditional employers' and workers' organizations) is sometimes included in enterprise surveys and census.<sup>22</sup> Those refer notably to professional organizations or associations. Finally, in a number of countries, dedicated surveys targeting either informal sector economic units or all workers in informal employment have been developed to identify the level of organization and types of organizations in the informal economy, their knowledge and perception of trade unions and employers organizations, their needs for services and willingness to join.<sup>23</sup>

► Skill security and informality

79. **Indicator A.4.19.** *Proportion of workers in informal employment (compared to those in formal employment) who benefited from training/ retraining for work, by type of training, by employment status.* Skill security may consider opportunities for training, apprenticeship and education to acquire and refine knowledge and competencies (ILO, 2004). It includes access to basic education or to vocational training and further access to work related training and retraining. The indicators to be developed here complement indicators on the level of education such as indicator A.2.4 which compares the educational profiles of workers in informal and in formal employment. In addition to indicator A.4.19 that assesses the opportunities of workers in informal (and in formal) employment to access training and re-training by type of training and depending on available information, it may be of interest to include indicators on training needs; the types of training available and accessible for informal economy workers (institutions-workplace, content wise) and needs for developments (in what domains and according to what modalities); and the recognition / certification of apprenticeship and competencies.

<sup>22</sup> For example, in Senegal Enterprise Census (RGE, 2016): Is the unit affiliated to an employers' or professional organisation?

<sup>23</sup> The Friedrich-Ebert-Stiftung (FES) in cooperation with the ILO and the German Development Institute (Deutsches Institute für Entwicklungspolitik, DIE) recently initiated a project on Informal Employment, Social Protection and Political Trust (IESPT) in Sub-Saharan Africa. It includes a survey that include sections on the forms of organization of workers in informal employment, their perceptions of trade unions and their needs. Surveys have been implemented so far in Kenya (Oct. 2018), Benin (Dec. 2019), Senegal (June 2019) and Zambia (Sept. 2019). For additional information see FES-IDOS-ILO. 2022 [A MAJORITY WORKING IN THE SHADOWS. A six-country opinion survey on informal labour in sub-Saharan Africa.](#)



► **Health and safety and informality**

80. **Indicators A.3.20-A.3.23.** Indicators on health and safety in the workplace refer to preventive measures (e.g. access to protective equipment and other preventive measures in the workplace, exposure to health and safety risks, incidence of occupational injuries; and access to health care and financial protection in case of occupational injury and disease). Indicators related to health safety should take into account differences according to sectors and possibly occupations and the type of workplace.
81. Concerning A.4.22 on occupational injuries in particular, labour force survey data are probably not the most appropriate source to provide reliable data and the question about keeping or not this indicator can be raised. At this stage, only a limited number of indicators are suggested, all of them as additional indicators (thus not included in the draft resolution). If these additional indicators are considered, guidance as provided in (ILO, 1998; ILO, 2008) can be used as reference.

### 2.1.5 Dimension 5. Contextual vulnerabilities

82. Contextual vulnerabilities include so far two main blocks of indicators: indicators related to the household dimension and indicators referring to the scope of the legal framework and enforcement.

#### × **The household dimension**

83. The household dimension contributes to enhance the understanding of the situation of workers in the informal economy, of workers within households and — beyond workers — of people depending on the informal economy (households members including children and elders). It allows a broader assessment of intra-household security or insecurity, of vulnerabilities but also of opportunities at the household level to complement the assessment of personal and job-related features and vulnerabilities at the individual level. It considers risks and factors beyond the world of work and beyond decent work deficits. Addressing those factors is part of the reduction of vulnerabilities in the informal economy which is, for many, the first steps towards a possible transition to formality.
84. The household perspective complements the assessment of individual labour income and contributory social security under dimension 4 and covers:
- i. vulnerabilities associated to the composition of households regarding their employment situation, including the number of economically dependents and of household members in informal employment or the identification of female-headed households;
  - ii. income (and expenditure) from all sources and from all household members and the analysis of poverty, the composition of income and expenditure and the ability to meet basic needs;
  - iii. non-job-related individual social protection (whether contributory or not), household-based social protection benefits and social health financial protection, directly or indirectly through other household members.
85. The household perspective allows to take into account protections (social protection, assets, incomes, etc.) gained through other household members. As far as social protection is concerned, it covers all types of benefits whether they are provided by contributory or non-contributory schemes; whether they are individual-based or household-based benefits (e.g. child and family benefits and household based social assistance). This also allows for the analysis of indirect affiliation if at least one household member contributes to contributory social protection, which concerns typically health insurance. More generally, indicators could aim at assessing whether workers in informal employment live in households receiving at least one contributory or non-contributory cash benefit, or actively contributing to at least one social security scheme.
86. In terms of unit of observation, indicators included in the draft resolution are about persons and jobs living in defined types of households. Some of those indicators can be produced from typical labour force surveys. Detailed information on household income and expenditure, on poverty and on social protection benefits other than contributory job-based social security is more likely to be found in household income and expenditure surveys or similar household surveys.

## × Mapping workers according to regulation scope and enforcement

87. On several occasions, in particular in section 2.1.4. on working conditions, references were made to the legal and regulatory framework. The mapping of workers (and economic units) according to their coverage by existing social security, labour and possibly fiscal laws and regulations points out to some of the sources of informality in terms 'legal gaps' versus 'implementation gaps' to further inform policy interventions.
88. The ILO [Recommendation n° 204 concerning the transition from the informal to the formal economy](#) refers to the informal economy as: "all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements". Informality is inherently linked to the existence and scope of regulations and their effective implementation. The definitions of informal employment and informal economic units (informal sector) include references to a number of distinct regulations, in particular labour regulation, social security, tax law, business regulation and other branches of private law.
89. "Not covered or insufficiently covered by formal arrangements" points out to three main sources of informality or deficits of "coverage and compliance", resulting into a deficit of job-related protection (explicitly for employees and implicitly and to be defined for other employment statuses): 1) a lack of legal coverage; 2) a level of protection/benefits provided according to the law too low or inadequate to ensure protection or incentive to comply; and 3) the non-application of the law in practice (either voluntarily or involuntarily).
90. For analytic purposes, let's focus on 1) legal coverage and 2) the non-application of the law in practice (compliance either voluntarily or not). Then for a given regulation or sets of regulations, three main groups (and five distinct detailed groups) can be identified;<sup>24</sup> as shown in table 5.

**Table 5.** Sources of informality according to regulation scope and enforcement

		1) Coverage of workers and economic units by laws and regulations   Legal coverage	
		Yes	No
2) Application of laws in practice   Compliance	Yes	<b>Formal</b>   Within the scope of the law and complying [ <b>Group A</b> ]	<b>Informal</b> "Intentionally" after adjusting behaviour to be outside the scope of laws [ <b>Group C2</b> ]
	No	By choice <b>Informal</b> Within the scope but voluntarily not complying [ <b>Group B1</b> ]	
		Not by choice <b>Informal</b> Within the scope of the law but not effectively covered and/or complying [ <b>Group B2</b> ]	
		<b>Informal</b> due to characteristics [ <b>Group C1</b> ]	

Note: **Group A**: Economic units or jobs covered by regulation and compliant; **Group B**: Economic units or jobs covered by regulation and non-compliant (implementation/ compliance gaps) of which: **Group B1**: By choice or voluntary not complying and **Group B2**: Not by choice: not complying 'involuntarily' (don't know; not able to) / not by choice); **Group C**: Economic units or jobs not covered by law and regulation (legal gaps), of which: **Group C1**: due to their characteristics and **Group C2**: not covered by regulation after adjusting behaviour to fall outside the scope of regulation.

91. Of the above groups, only economic units and jobs in Group A are formal.
92. In Group B workers and economic units fall in the scope of formal arrangements but they are in informal employment (or in the informal sector for economic units) because formal arrangements, including laws and regulations, are not, or not sufficiently, applied. Considering existing regulations and their mode of enforcement, non-compliance can be deliberate (economic units or workers who decide not to comply while remaining in the scope of regulation, Group B1); or result from the inability to comply (Group B2). More generally, the non-application of laws and regulation is due to multiple causes, including the low productivity or low incomes that do not allow to overcome the costs of compliance, the lack of awareness or the lack of effective or perceived "advantages" (benefits) associated to compliance. Supporting transition to formality for this group of workers calls for a set of measures to be developed on several fronts, including: the legal side (adjusting modalities as defined by law to enhance effective compliance); improving enforcement mechanisms; measures to improve transparency and confidence in the system, which include actions on institutions to improve the type and quality of support and benefits provided and their capacity to deliver.
93. In Group C, workers and economic units are in informal employment because they fall outside the scope of formal arrangements (explicitly or implicitly excluded; choose to exit).

<sup>24</sup> See also Kanbur (2009).

- i. Some are excluded because of their characteristics (Group C1). The characteristics determining whether regulations apply are varied and can include: occupation or sector (the agricultural sector is for example typically less regulated or subject to different regulations; domestic work does not fall under labour regulation or social security laws in a number of countries), status in employment (own-account workers, contributing family workers and dependent contractors are often more likely to be excluded from the scope of formal arrangements), migrant status, contractual arrangements/employment agreements (short or zero hours contracts, on-call work, etc.), establishment size (in terms of employment and/or revenue) and others. Here this is primarily an issue of extending legal coverage (reforming existing laws or adopting new laws) to categories not yet covered.
  - ii. The last group (Group C2) refers to workers (including business owners) that “choose to exit” from the scope of regulation because it is in their interest to do so (from the point of view of cost-benefit analysis). A typical example could be an economic unit which would profitably employ 10 or more workers but which decides to employ 9 rather than 10 or more workers to remain outside the scope of employment protection legislation. For this last group, measures can be rather similar to those applying to group B with a mix of incentives (increasing advantages associated to being formal) and enforcement measures (including sanctions).
94. This framework highlights the different sources of informality between compliance (A versus B) and the reach or scope of regulation (B versus C). The framework also serves to illustrate that for a subset of the workers in informal employment/ of units in the informal sector (C2) informality results from a decision to remain outside the scope of regulation, while for other workers and economic units (C1) informality results from the limited scope of regulation or from its inapplicability.
95. The development of those indicators follows a two-steps process which are part of national diagnoses of informality (see step 5 in Annex 1):
- i. Review of labour and social security laws and possibly fiscal and business laws (in the case of economic units) to collect and code information on:
    - groups of workers (and economic units) legally covered, and groups excluded from the scope of laws based on eligibility criteria and qualifying conditions;
    - the level of legal protection (level and duration of benefits for instance) and categories of workers whose level of legal protection is lower than for other workers generally.
 Quantify the extent of legal coverage (and legal coverage gaps) based on available statistical information quantifying the number of persons concerned (legally covered or legally excluded) at the national level.
96. In terms of possible indicators, the suggestion is to focus on “formal arrangements” used to define informality of jobs and economic units, namely:
- i. For *persons and jobs*: statutory job-related social security (in this particular context extended to all workers and not only employees) and labour protection such as paid annual leave, paid sick leave possibly extended to working time, minimum wage, collective bargaining and occupational safety and health.
  - ii. For *economic units*: fiscal, labour and social security regulations.
97. Thus, indicators about the legal framework and enforcement include so far:
- i. The identification of persons excluded from the scope of legal protection for a given contingency in the case of social protection (with a focus on job-related contributory social protection); or for paid annual leave, paid sick leave (still open to other dimensions included under labour protection). Indicators A.5.14 and A.5.16 inform (by difference) on the extent of the legal coverage gap (Group C in table 5).
  - ii. The identification of the extent of implementation gaps or in other words, of workers falling under the scope of formal arrangements in law but not in practice. The percentage of workers in informal employment (or of economic units in the informal sector) because of ‘implementation gaps’ can be calculated by difference between the percentage of workers in informal employment (indicator A.1.1) or units in the informal sector (B.1.1) and the estimated percentage of workers (or economic units) falling outside the scope of laws (legal coverage gaps).
  - iii. Whether the same level of legal protection is provided to different groups of workers (compared to other workers generally or a typical employee in full-time permanent employment).
98. The main sources of information are national fiscal, labour and social security laws and regulations and labour force survey data for the quantification of groups identified as legally covered (extent of legal coverage) or otherwise excluded (extent of legal coverage gap).

## × Proposed indicators

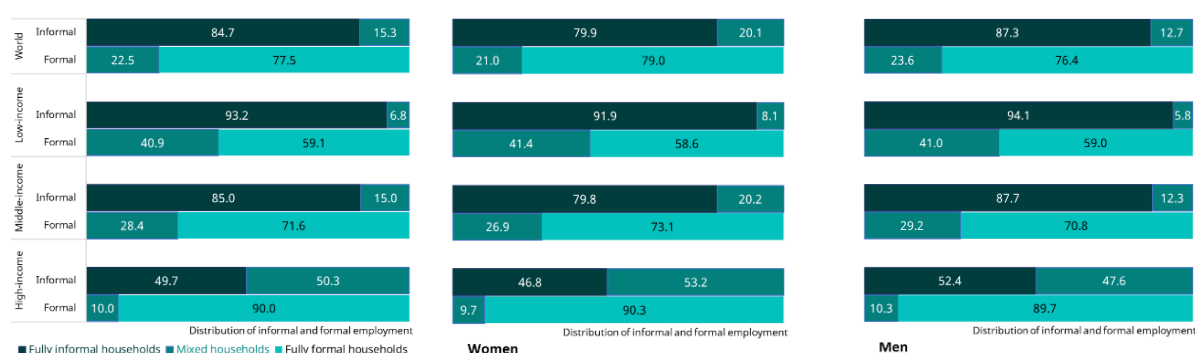
**Table 6.** Contextual vulnerabilities | Proposed indicators (included in the resolution and additional)

Nb	Indicators	Reference in resolution
Dimension 5 – Contextual vulnerabilities of workers in informal employment and in formal employment		
+	The household dimension of informality	
	► <b>Main indicators</b>	
<a href="#">A.5.1</a>	Percentage of persons with informal main jobs living in households with at least one household member in formal employment.	130a
<b>A.5.2</b>	Percentage of persons with informal main jobs living in households with at least one household member contributing to social security.	130b
<b>A.5.3</b>	Percentage of persons living in households below the national poverty line with informal main jobs and formal main jobs.	130c
<b>A.5.4</b>	Percentage of persons with informal main jobs, living in poor households and non-poor households.	130d
	► <b>Additional indicators (household informality and composition)</b>	
<b>A.5.5</b>	Proportion of people* living in: i) fully informal households, ii) mainly informal households; iii) mainly formal households; iv) fully formal households. *All, children, elderly	
<b>A.5.6</b>	Distribution of workers in formal and in informal employment by the proportion of economically dependents [categorized] [reference: persons].	
<b>A.5.7</b>	Proportion of workers in informal employment in female-headed households compared to the proportion in male-headed households.	
<b>A.5.8</b>	Percentage of workers in informal and formal employment <b>contributing to</b> social insurance or <b>benefiting from</b> social protection <b>cash</b> benefits (whether contributory or not contributory) [individual basis].	
<b>A.5.9</b>	Percentage of workers in informal employment (and in formal employment) living in households <b>receiving at least</b> one contributory or non-contributory cash benefit, or actively contributing to at least one social security scheme.	
<b>A.5.10</b>	<i>Access to healthcare and health financial protection:</i> Percentage of workers in informal employment and in formal employment whose health care expenditure are mainly covered by: i) social health insurance; ii) micro-insurance; iii) government; iv) employer; v) out of pocket payments; iv) other sources	
<b>A.5.11</b>	<i>Level and composition of household income.</i> Possible additional indicators can include: <ul style="list-style-type: none"> <li>• Level of household income (given reference period; all sources);</li> <li>• Composition of household income by main sources (employment; social protection/transfers; property) among workers in informal employment compared to workers in formal employment.</li> </ul>	
<b>A.5.12</b>	<i>Composition of household expenditure</i> by main sources among workers in informal employment compared to workers in formal employment	
<b>A.5.13</b>	Percentage of informal workers/of formal workers in food-secure households* * Food secure households are operationally defined as households that have spent less than or equal to 50% of total household expenditure on food items (ILO/OECD, 2019).	
+	Mapping workers according to regulation scope and enforcement	
	► <b>Additional indicators</b>	
	<b>Extent and level of legal social security coverage</b>	
<b>A.5.14</b>	Extent of legal coverage (and extent of legal coverage gap). Among workers in informal employment, estimated percentage of workers legally covered by job-related contributory social security for (i) old age pension (periodic benefit); (ii) health insurance.	
<b>A.5.15</b>	Are the same levels of protection provided (or not) by law for i) independent workers; ii) dependent contractors; iii) other specific categories of workers (to be specified) compared to an employee in permanent full-time employment?	
	<b>Extent and level of coverage by labour laws</b>	
<b>A.5.16</b>	Estimated proportion of workers in informal employment legally entitled to: <ul style="list-style-type: none"> <li>(i) paid annual leave</li> <li>(ii) paid sick leave</li> <li>(iii) for women: paid maternity leave and maternity cash benefits.</li> </ul>	
<a href="#">A.4.17</a>	Are the same levels of protection provided (or not) by law for i) independent workers; ii) dependent contractors; iii) other specific categories of workers (to be specified) compared to an employee in permanent full-time employment?	

## × Spotlight on some of the indicators

99. **Indicator A.5.1.** *Percentage of persons with informal main jobs living in households with at least one household member in formal employment.* This indicator is about levels of informality within households. An alternative indicator can categorize households according to the proportion of working household members in informal employment to define fully informal, mixed households and fully formal households (as illustrated in the figure below).<sup>25</sup> Indicator A.5.1 as proposed in the draft resolution (para. 130a) does not refer to households as units of observation but to workers in formal or informal employment living in those households. Similarly, it is also possible, on the basis of this categorisation of households according to their level of formality (of the employed household members), to analyse the situation of other categories of individuals (children, elderly), or of the population as a whole (see additional indicator A.5.5). Status of employment within working household members also matters. This is not included here but could be part of possible developments by countries willing to explore further the household perspective. Derived from the main variable about the formal or informal nature of jobs among employed household members, the degree of informality of households can be derived on the basis of labour force survey data.

A.5.1 [130a] Distribution of informal and formal employment, by type of household, sex and country income group (%), 2019  
Panel A. Total      Panel B. Women      Panel C. Men



Source: ILO, 2023. Women and men in the informal economy: A statistical update

100. **Indicator A.5.2.** *Percentage of persons with informal main jobs living in households with at least one household member contributing to social security.* This indicator included in the draft resolution goes beyond direct coverage and assesses possibility for indirect coverage by contributory social security. This indicator is primarily derived from the main recommended criteria to identify formal jobs for employees (i.e. related to the contribution to social security). It is complemented by a series of additional indicators related to social protection aiming at identifying various levels of protections from which workers in informal employment can benefit within their households.

101. **Indicators A.5.3 and A.5.4.** *Informality and poverty.* Poverty can be seen both as a cause (the poor being more likely to be in informal employment; indicator A.5.4)<sup>26</sup> and as a consequence of informality (higher percentages of informal workers than formal workers are from poor households, indicator A.5.3<sup>27</sup>). It however raises a series of issues relating notably to:

- i. the interpretation of poverty (household-based concept) and how best to complement it with other indicators following a household perspective, in particular indicator A.5.6 on the household composition regarding economically dependents. Poverty is indeed a household-based measure strongly affected by household size and composition. Workers living in poor households are not necessarily in “working poverty” but earn (on a per capita or equivalent scale basis) less than the poverty line because they share this labour income with many dependants;

<sup>25</sup> See OECD/ILO, 2019, [Tackling vulnerabilities in the informal economy](#) and OECD [Key Indicators of Informality Based on Individual and their Households](#) database.

<sup>26</sup> See for instance figure 22 (page 49) in ILO 2018. [Women and men in the informal economy: A statistical picture \(third edition\)](#).

<sup>27</sup> See for instance figure 23 (page 50) in ILO 2018. [Women and men in the informal economy: A statistical picture \(third edition\)](#).

- ii. the recommended reference to assess poverty (relative versus absolute). As far as the national level is concerned, national poverty lines should be given priority;
  - iii. the inclusion of appropriate questions to assess informality in household surveys used as a basis to assess poverty.
102. A set of proposed additional indicators not included in the draft resolution but to be considered in the broader informal economy indicator framework complements the assessment of levels of protection and vulnerabilities within households. Some refer to the composition of households, including in terms of economically dependents (A.5.6) or whether households are female-headed households (A.5.7), others complement the assessment of social security coverage in the informal economy (A.5.8 to A.5.10) or the composition of household income and expenditure and the capacity to meet basic needs (A.5.11 to A.5.13).
103. The proposed additional **indicator A.5.6** categorizes households according to the proportion of economically dependents (children, older persons, people of working age outside of the labour force; people with disability who are unable to work) out of the total number of household members. It should aim at a limited number of categories and should be analysed given the national context regarding the age structure of the population and the size of households.
104. The main objective of additional **indicator A.5.7** is to capture whether living in a female-headed household results in a higher risk of being informal.
105. Additional indicators **A.5.8 to A.5.10** aim at complementing the indicators on contributory social security (A.4.1 and A.4.2 under dimension 4 and A.5.2 above). Those additional indicators can provide a more comprehensive assessment of the access to social protection (direct and indirect coverage; individually based or household-based benefits; contributory and non-contributory) and allow the identification of various levels of protection, including among workers in informal employment. The mapping of social protection schemes and benefits (as presented in box 1) highlights the diversity of schemes (contributory or not; public or private) and benefits (in cash or in-kind; periodic or ad-hoc, targeting individuals or households).
- i. **Indicator A.5.8.** *Percentage of workers in informal and formal employment contributing to social insurance or benefiting from social protection cash benefits* aims to capture social protection coverage of workers in informal employment, as contributors or as beneficiary, by cash benefits considering the different dimensions of coverage: i) contributing to (assuming that this provides a certain guarantee of access to benefits when needed) or ii) benefiting from any social protection cash benefits. Thus, this includes benefits provided through contributory or non-contributory schemes for any contingency with the exception of access to health care and financial health protection (covered by a separate indicator, A.5.10).
  - ii. **Indicator A.5.9.** *Percentage of workers in informal employment (and in formal employment) living in households receiving at least one contributory or non-contributory cash benefit, or actively contributing to at least one social security scheme* includes in addition to direct social protection of the worker, the broader assessment of social protection gained through the household that may benefit indirectly to all other household members.
  - iii. **Indicator A.5.10** is about access to healthcare focusing on the vulnerabilities associated to the cost of health care and the lack of financial health protection.

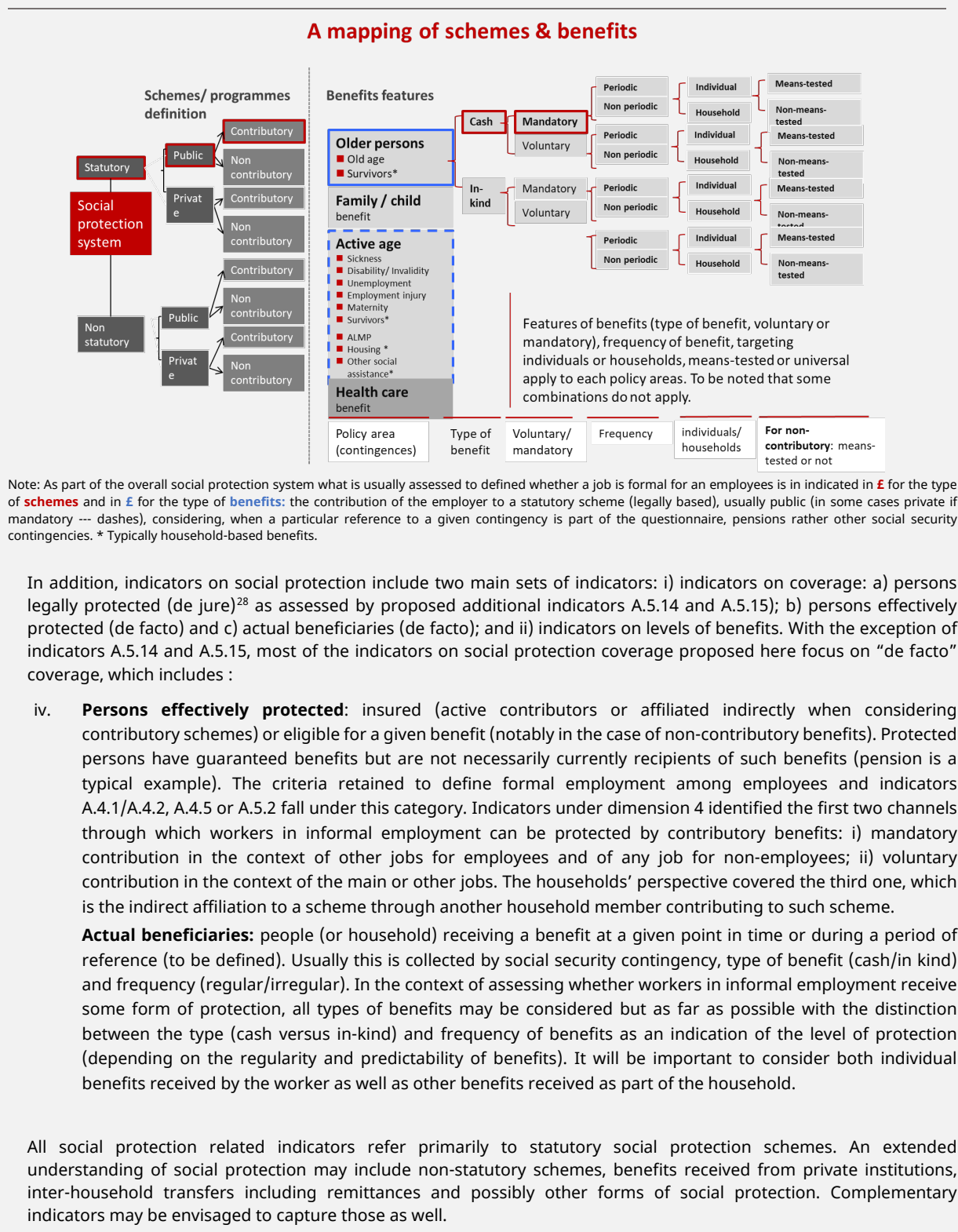
#### **Box 1. Mapping social national protection systems**

The mapping of social protection schemes and benefits (figure 5) allows to identify to what type of social protection benefits formalization is directly associated to (i.e. criteria to define formal employment for employees) as well as the range of social protection benefits that are not associated to formalization but contribute to improving working and living conditions. Those indicators shed light on different levels of protections among workers in informal employment (and their families).

The notion of social protection (or social security) covers all measures providing benefits, whether in cash or in kind, to secure protection, inter alia, from: i) lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member; ii) lack of (affordable) access to health care; iii) insufficient family support, particularly for children and adult dependants; iv) general poverty and social exclusion (ILO, 2017). Social security thus has two main (functional) dimensions, namely “income security” and “availability of medical care”. Social protection systems address all these policy areas by a mix of contributory schemes (social insurance) and non-contributory tax-financed benefits, including social assistance.

National social protection systems are composed of different types of schemes (contributory and non-contributory) that provide social security benefits (in cash or in-kind, one-off or periodic) that be individual-based or household-based benefits to cover different risks or contingencies (mentioned above).

**Figure 4.** A mapping of social protection schemes and benefits



<sup>28</sup> Which is about the scope and extent of legal coverage, covered under 2.4.3 Mapping enterprises and workers according to regulation scope and enforcement



As regard to sources, most labour force surveys focus on the criteria used to define informal wage employment (i.e. on protected persons and the main job). In rare cases the distinction is made between voluntary and mandatory affiliation and the information is nearly never collected for other jobs. The ILO however started to elaborate proposals of key questions (ad-hoc module) to be included occasionally in labour force surveys (or household surveys) and some countries have experience in this area that could be used to develop a generic module. As part of other sources, in addition to administrative sources (common source for social security data but not appropriate when workers in informal employment are concerned), more detailed data on the different components of social protection are mainly collected through household income and expenditure or similar surveys.

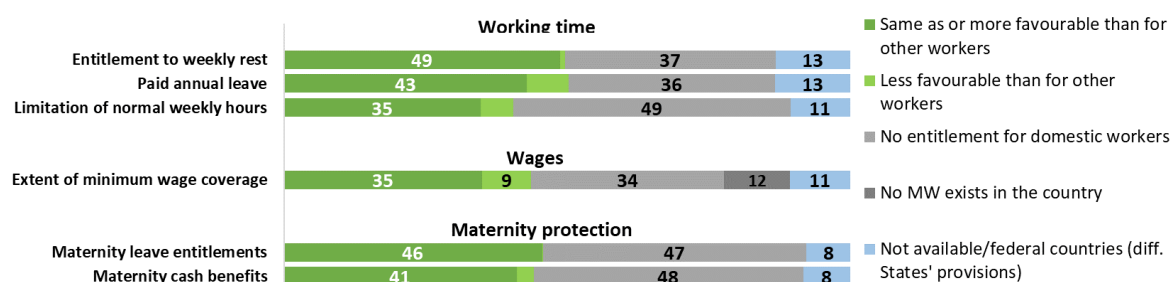
106. **Indicators A.5.11 – A.5.13** (on composition of income, composition of household expenditure and percentage of informal workers/of formal workers in food-secure households) complement the indicators on individual labour income under dimension 4 and on poverty. All those indicators rely on household income and expenditure surveys (whose main purpose is not labour market issues). Some of the limitations include the inclusion of the criteria allowing for the identification of informality of jobs; the representativeness (samples) and the availability of recent data in a number of countries.
107. As regard to the assessment of coverage by laws and regulations, two sets of additional indicators are proposed to assess both the extent and level of (i) legal social security coverage and (ii) legal labour protection.
- i. Indicators A.5.14 and A.5.16 on the extent of legal coverage aim at identifying the persons legally protected (or extent of statutory coverage) for a given social security contingency (A.5.14) or specific dimensions of labour protection (A.5.16). Indicator A.5.14 focuses on legal coverage by contributory schemes. Estimates of the extent of legal coverage use both information on the groups covered by statutory contributory schemes for a given social security contingency in national legislation (pensions and health in the present case but can be extended to other contingencies), and available statistical information quantifying the number of persons concerned at the national level.<sup>29</sup> The objective is to identify the source of informality between “legal gaps” and “implementation gaps”. This directly contributes to the definition of various levels of vulnerability or even informality (if the focus is on job-related protections) assuming that being outside the scope of laws requires one additional step (extension of legal coverage) before facing implementation and compliance issues to finally access effective protection. Whenever possible, the distinction between mandatory and voluntary legal coverage should be quantified as well.
108. **Indicators A.4.15 and A.4.17** are about the level of legal protection. The objective of those two indicators is to assess the “relative” level of protection of certain groups of workers (e.g. independent workers, dependent contractors, workers in specific sectors or under particular employment agreement) compared to the level of legal protection enjoyed by an employee in permanent full-time employment for instance. This could be a categorical indicator with a limited number of answers such as: (i) Legally covered, higher level; (ii) Legally covered, same level; (iii) Legally covered, lower level; (iv) not legally covered.<sup>30</sup>

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<sup>29</sup> A population group can be identified as legally covered in a specific social security area (e.g. old age, unemployment protection, maternity protection) if the existing legislation sets out that this group is covered by social insurance; or that this group will be entitled to specified non-contributory benefits under certain circumstances – for instance, to an old-age state pension on reaching the age of 65, or to income support if income falls below a specified threshold. A legal coverage ratio for a given branch of social security (contingency) is the ratio between the estimated number of people legally covered and the number of persons concerned at the national level (here workers in informal employment or sub-groups).

<sup>30</sup> Part II Extent of coverage of domestic workers by labour and social security laws and regulations (chapters 4 to 6 in particular) in [Making decent work a reality for domestic workers: Progress and prospects ten years after the adoption of the Domestic Workers Convention, 2011 \(No. 189\)](#) provides a good illustration of the application of this approach. See for instance figures 5.2.

Indicator A.4.17. Percentages of domestic workers with entitlements related to key working conditions as compared to other workers, 2020



Source: Based on [Making decent work a reality for domestic workers: Progress and prospects ten years after the adoption of the Domestic Workers Convention, 2011 \(No. 189\)](#).

109. Similarly to persons and jobs, some economic units are excluded from the scope of fiscal, social and labour laws based in particular on the criteria of size and sector. Workers working in those units are also excluded de jure.

## 2.1.6 Dimension 6. Other structural factors of informality

110. The main purpose of this last dimension is to identify some of the structural drivers associated to the structure of the labour market at large and to the level and sectoral composition of economic growth. This refers to the first set of drivers as presented in Step 5 of Diagnoses of informality presented in Annex 1 (see figure 13). The main source of data are labour force surveys and the system of national accounts.

111. Concerning structural factors associated to the labour market, indicators to consider include:

- Most the recommended indicators included in the section 'Indicators' in the [Resolution concerning statistics of work, employment and labour underutilization](#);
- Indicators about the employment structure in terms of employment statuses, economic sector of activities, occupations, forms of work including type of employment and work agreements, working time patterns to identify the prevalence of status, sectors or forms of work more exposed than others to informality. This analysis also contributes to identify some of the drivers of informalization.

112. Concerning the level and sectoral composition of growth, indicators include notably the level of GDP per capita, GDP growth and the sectoral composition of GDP.

## 2.2 Informal work activities

113. A limited set of indicators related to essential categories of informal work are included in the draft resolution (see paragraph 131). The proposed indicators refer to the first dimension (extent of informal work) focusing on categories considered essential. This category of indicators will be developed further as part of the supporting indicator framework.

**Table 7.** Essential categories of informal work other than employment | Proposed indicators (included in the resolution and additional)

Nb	Indicators	Reference in resolution
Dimension 1 – Extent of informal work (other than employment)		
	► <b>Main indicators</b>	
<b>A.1.3</b>	The number of informal subsistence foodstuff producers and percentages in relation to: (i) the sum of informal employment and subsistence foodstuff producers; and (ii) total employment and subsistence foodstuff producers.	131a
<b>A.1.4</b>	The number of informal unpaid trainees and percentage in relation to total unpaid trainees.	131b
<b>A.1.5</b>	Number of informal trainees (paid and unpaid) and percentage in relation to total trainees (paid and unpaid).	131c
Dimension 4 – Time spent on unpaid work		
	► <b>Additional indicators</b>	
<b>A.1.6</b>	Number of hours and proportion of hours spent on own-use production work (distinction between production of goods, provision of services) and in particular unpaid domestic and care work by sex (respectively for workers in informal and formal employment) * Should allow to derive indicator SDG Indicator 5.4.1 on the proportion of time spent on unpaid domestic and care work.	

### × Spotlight on some of the indicators

114. **Indicator A.1.3** *The number of informal subsistence foodstuff producers and percentages in relation to: (i) the sum of informal employment and subsistence foodstuff producers; and (ii) total employment and subsistence foodstuff producers.* This indicator (actually divided into two indicators) is of primary importance in countries where subsistence foodstuff producers represent a significant number. Under the previous definition of employment (and informal employment), they used to be included in informal employment, in some cases representing a major part of it. Producing this indicator and ensuring that it can still be produced will not only ensure a certain level of comparability on statistics on informal employment and informal work over time but will allow the assessment of the situation of an important proportion of the active age population in low and lower-middle-income countries. The main obvious limitation that occurs already is the inability (due to filters) to produce most of the indicators beyond dimension 1, and notably to inability to assess their conditions of work.

115. **Additional indicator A.1.6.** *Number of hours and proportion of hours spent on own-use production work and in particular unpaid domestic and care work by sex.* The [Resolution concerning statistics of work, employment and labour underutilization](#) suggests measuring working time for all forms of work (see in particular paras. 9, 22-23). The time spent on own-use production work (para 22 in ILO, 2013a) and in particular on domestic and care work is useful to complement and interpret the differences by sex observed on the headline indicators on working time focusing on employment (A.4.12-A.4.16). Indicator A.1.6 refers primarily to the estimated number of hours. Shorter time units (minutes) might be relevant (para 23 in ILO, 2013a). Importantly, this indicator should be complemented with another indicator on the “Proportion of time spent on unpaid domestic and care work” in line with [SDG 5.4.1](#). Time-use surveys are the main source of statistics on participation and time spent in own-use production work and volunteer work. They are a potentially useful source in developing estimates of total working time that cover the different forms of work.

### 3 Economic units: informal sector and productive activities (contribution of the informal economy)

116. The indicators referring to the informal sector are organized around the reference units of economic units. Indicators included in the resolution and recommended to produce reflect the extent and the composition of informal household unincorporated market enterprises, their exposure to informality and productivity (see paragraphs 132 and 133 in the Draft resolution).
117. Indicators related to economic units should be disaggregated by sector of economic activity, size of enterprise (number of employees and business owner), level of output or sales, level of output or of value added per worker, level of profits, place of work. Also, by the socio-demographic characteristics of the owner(s), including sex, age, educational level, area of residence (urban/rural), and geographic region, as relevant in the country. The accompanying indicator framework provides more guidance on recommended disaggregation (see para. 138).
118. Depending on country priorities, the set of enterprise-related indicators can be applied to all economic units or to a subset such as micro and small economic units, economic units in a given sector or supply chain.
119. The issue of formalization of economic units should not hide the role of formal enterprises as providers of decent jobs and more specifically the issues of formalization of jobs in the formal sector or the prevention of informalization of both economic units and jobs. More generally, the assessment of the capacity of businesses to grow in a manner that secures workers' rights, that respects the values and principles of decent work, human dignity and environmental sustainability concern all economic units, including formal ones. This has obvious implications when designing or adjusting surveys.

#### 3.1 Dimension 1. Extent of informality of economic units

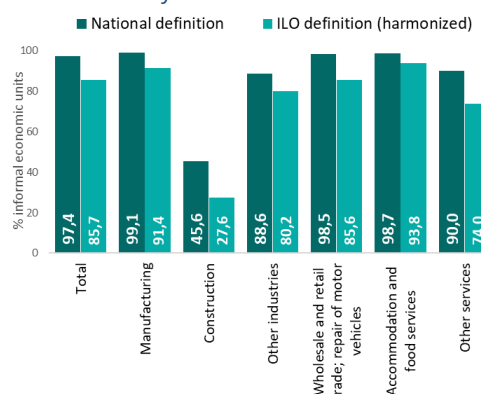
**Table 8.** Extent of informality of economic units | Proposed indicators (included in the resolution and additional)

Nb	Indicators	Reference in resolution
Dimension 1 – Extent of the informal sector		
	► <b>Main indicators (included in the draft resolution)</b>	
<a href="#">B.1.1</a>	Number and percentage of informal household unincorporated market enterprises in relation to the total number of economic units in the informal and formal sector, by economic activity	132a
	► <b>Additional indicators</b>	
<b>B.1.2</b>	Distribution of informal sector units by 'level of informality' (exploratory and specific to each country)	
<b>B.1.3</b>	Transitions of economic units between the formal and informal sector (same economic unit or destruction/creation of a new one)/ closure	

## × Spotlight on some of the indicators

120. **Indicator B.1.1.** *Number and percentage of informal household unincorporated market enterprises in relation to the total number of economic units in the informal and formal sector, by economic activity.* The main obstacle is the availability of enterprise-based data. In the majority of countries, informal sector units cover most workers in informal employment. In addition, whether in the formal or informal sector, formalization of informal wage employment requires — for an effective extension of employment-related protection — to develop measures targeting employers. The understanding of economic units (as a unit of reference) is crucial both for informality of jobs, of economic units and activities. Even if not widely available, the inclusion of enterprise-based indicators as part of the resolution and the indicator framework will hopefully contribute to enhance availability of such data.

**B.1.1 [132a] Senegal.** Percentage of informal household unincorporated market enterprises by economic activity



Source: Recensement Général des Entreprises (RGE), 2016.

## 3.2 Dimension 2. Composition of the informal and formal sector

121. The main objective with this second dimension is to describe and get an understanding of the type of economic units (and business owners as a complement to the analysis from labour force surveys) that prevail in the informal sector; and to what extent they differ from formal economic units. To interpret indicators on the distribution of economic units in the informal sector depending on their characteristics and economic performance or the characteristics of their owner(s), it is important to compare with the corresponding distribution among i) economic units in the formal sector; ii) all economic units. This comparison is unfortunately not possible when surveys target the informal sector only. Indicators on the distribution of informal (and formal) economic units (dimension 2 on the composition) and on the incidence of informality of economic units (dimension 3 on exposure to informality) are complementary and should be analysed jointly.

**Table 9.** Composition of the informal and formal sector | Proposed indicators (included in the resolution and additional)

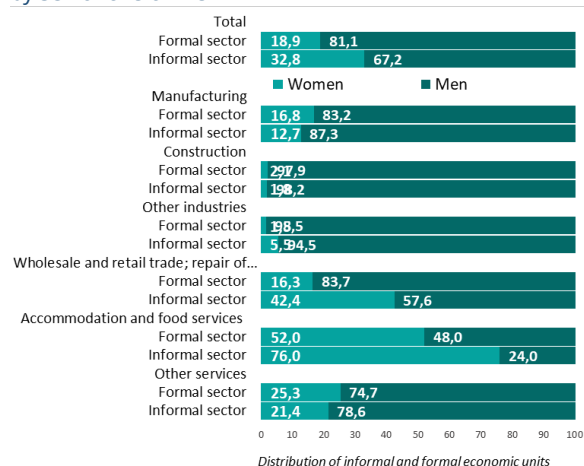
Nb	Indicators	Reference in resolution
Dimension 2 – Composition of the informal sector and formal sector		
► Main indicators (included in the draft resolution)		
B.2	<b>Distribution of informal household unincorporated market enterprises and formal economic units</b> by economic unit characteristics	132b
B.2.1	-- sector of economic activity (ISIC)	
B.2.2	-- size of enterprise (number of employees and business owner)	
B.2.3	-- level of output or sales	
B.2.4	-- level of profits	
B.2.5	-- level of output or of value added per worker	
B.2.6	-- place of work	
B.2.7	-- level of social capital or assets	132b
B.2.8	-- number of years in operation (age of the enterprise)	
	socio-demographic characteristics of the owner(s):	
B.2.9	-- sex	
B.2.10	-- age	
B.2.11	-- level of education	132b
B.2.12	-- area of residence	
► Additional indicators		
B.2.13	Distribution of informal and formal sector economic units as proposed above <b>within particular categories of units</b> (e.g. own-account workers or micro units; sector, place of work or any other category depending on country priorities and prevalent forms of informality)	

122. **Indicators B.2.** *Distribution of informal household unincorporated market enterprises and formal economic units by economic unit characteristics and by socio-demographic characteristics of the owner or owners.* The set of figures presented below based on the data from Senegal (RGE 2016) illustrates some of these main indicators.

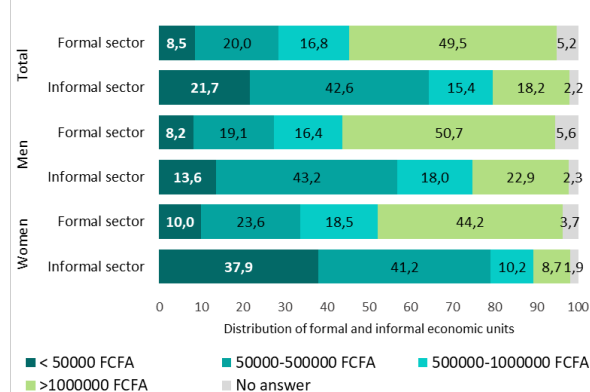
**B.2.6 [132b] Senegal (RGE 2016)** Distribution of informal household unincorporated market enterprises and formal economic units by **place of work**



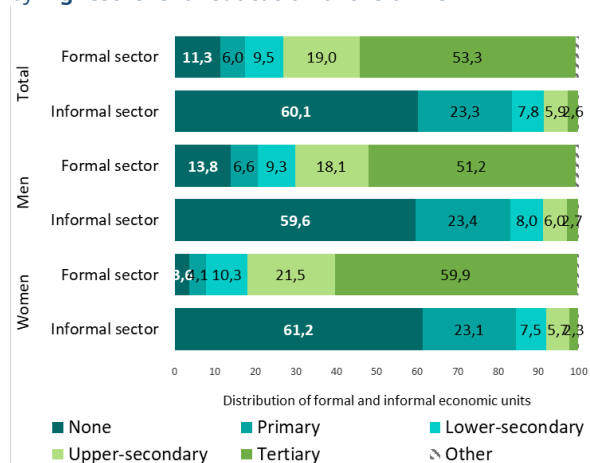
**B.2.9 [132b] Senegal (RGE 2016)** Distribution of informal household market enterprises and formal economic units by **sex of the owner**



**B.2.7 [132b] Senegal (RGE 2016)** Distribution of informal household unincorporated market enterprises and formal economic units by level of social capital



**B.2.11 [132b] Senegal (RGE 2016)** Distribution of informal household market enterprises and formal economic units by **highest level of education of the owner**



### 3.3 Dimension 3. Exposure to informality of economic units

123. The indicators suggested below are about the incidence of informality for different categories of economic units or about the types of economic units (or who, as business owners) are the most at risk of operating in the informal sector. These indicators contribute to highlight some of the drivers of informality of economic units associated to their features (size, economic performance) and/or the characteristics of their owner.

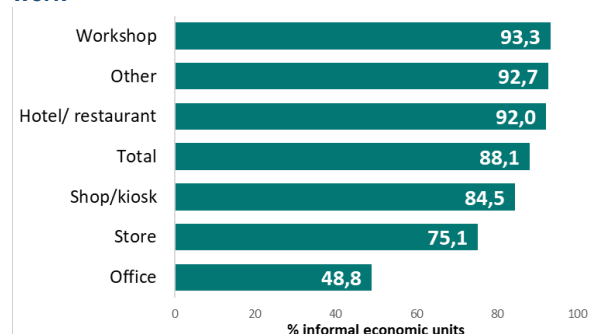


**Table 10.** Exposure of economic units to informality | Suggested indicators

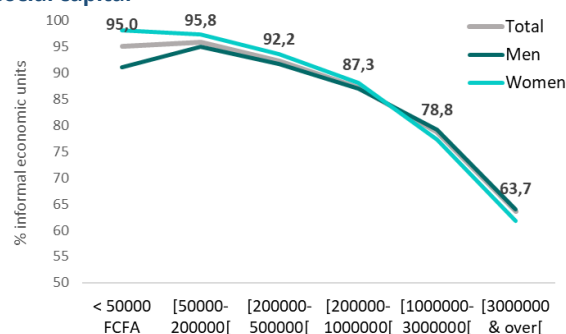
Nb	Indicators	Reference in resolution
Dimension 3 – Exposure of economic units to informality		
► Main indicators (included in the draft resolution)		
B.3	Percentage of informal household unincorporated market enterprises in relation to: economic unit characteristics	132c
B.3.1	-- sector of economic activity (ISIC)	
B.3.2	-- size of enterprise (number of employees and business owner)	
B.3.3	-- level of output or sales	
B.3.4	-- level of profits	
B.3.5	-- level of output or of value added per worker	
B.3.6	-- place of work	
B.3.7	-- level of capital or assets	
B.3.8	-- number of years in operation (age of the enterprise) socio-demographic characteristics of the owner(s):	132c
B.3.9	-- sex	
B.3.10	-- age	
B.3.11	-- level of education	
B.3.12	-- area of residence (or of work)	
► Additional indicators		
B.3.13	Percentage of informal sector economic units according to features as proposed above <b>within particular categories of units</b> (e.g. own-account workers or micro units; sector, place of work or any other category depending on country priorities and prevalent forms of informality)	

124. **Indicators B.3.** Percentage of informal household unincorporated market enterprises in relation to economic unit characteristics and socio-demographic characteristics of the owner(s). As for the series of indicators under B.2., the selected figures presented below (based on the data from Senegal) will illustrate some of the indicators referring to enterprises under dimension 3.

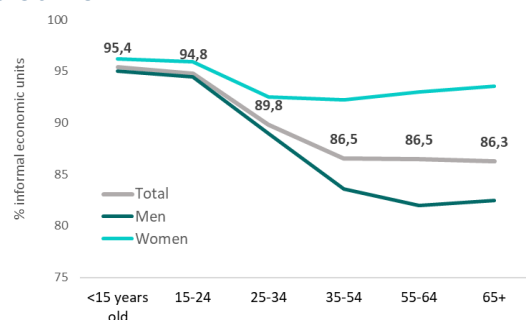
**B.3.6 [132c] Senegal (RGE 2016)** Percentage of informal household unincorporated market enterprises by **place of work**



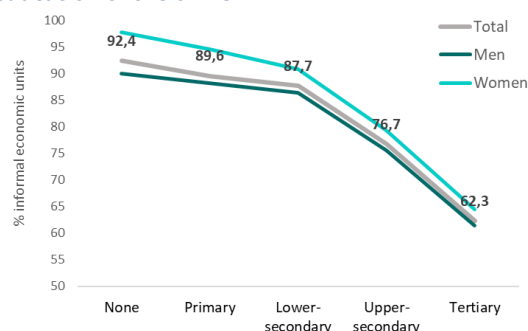
**B.3.7 [132c] Senegal (RGE 2016)** Percentage of informal household unincorporated market enterprises by **level of social capital**



**B.3.9-B.3.10 [132c] Senegal (RGE 2016)** Percentage of informal household market enterprises by **age and sex of the owner**



**B.3.11 [132c] Senegal (RGE 2016)** Percentage of informal household market enterprises by **highest level of education of the owner**



Source: Senegal, Recensement Général des Entreprises (RGE), 2016

### 3.4 Dimension 4. Productivity, obstacles and opportunities for the development and sustainability of economic units

**Table 11.** Performance indicators and productivity, obstacles and opportunities for the development and sustainability of economic units | Suggested indicators

Nb	Indicators	Reference in resolution
Dimension 4 – Performance and productivity; obstacles and opportunities for the development and sustainability of economic units		
	► <b>Main indicators (included in the draft resolution)</b>	
<b>B.4.1</b>	Value added and output in informal household unincorporated market enterprises compared to formal economic units per worker, by economic activity.	132d
	► <b>Additional indicators</b>	
<b>B.4.3</b>	<b>Alternative measures of labour productivity</b> , such as Value added/output per number of hours worked in informal household unincorporated market enterprises compared to formal economic units by economic activity	
<b>B.4.4</b>	<b>Alternative measures of productivity beyond labour productivity</b> (to be developed).	
<b>B.4.5</b>	<b>Labour related factors.</b> Composition of employment within the informal and formal economic units by socio-demographic and socio-economic features of workers	
<b>B.4.6</b>	<b>Production related factors.</b> Distribution of informal sector and formal sector economic units by: <sup>31</sup> -- main sources of financing -- use of ICT -- access to machine / equipment (relevance depending on sectors) -- main challenges and needs	
<b>B.4.7</b>	<b>Business environment (customers, suppliers, competitors)</b> Distribution of informal sector and formal sector units by: -- main customers (assess linkages between formal & informal sector) -- main suppliers (assess linkages between formal & informal sector) -- main competitors (markets) -- main challenges/needs in the business environment	
<b>B.4.8</b>	<b>Administrative factors</b> Distribution of informal sector and formal sector economic units by: -- Awareness of main institutions in charge of formal arrangements or providing support services -- Interaction with main institutions in charge of formal arrangements or providing support services -- Perception vis-a-vis main institutions in charge of formal arrangements or providing support services -- main challenges associated to administrative procedures (complexity, cost, lack of awareness, lack of real benefits associated to the compliance with obligation, etc.)	
<b>B.4.9</b>	<b>Trajectories, motivations and trends</b> Distribution of informal sector and formal sector units by: -- Situation before being an independent worker (employed or not, status in employment, formal or informal employment) -- Motivation to create the economic unit -- Past trends (decreasing/increasing; regularity/ irregularity/ seasonality) in the number of workers, sales, output -- Expected trends in the number of workers, sales, output	
<b>B.4.10</b>	<b>Willingness to formalize (including past experience of formalization)</b> -- For informal economic units' owners (independent workers): willingness to formalize and perceived advantage and obstacles (i) formalization of economic units (ii) formalization of jobs within economic units -- Past experience of 'formalization'	

<sup>31</sup> Complement indicators under dimensions 2 and 3 related to the level of sales, profit, capital/assets, size of enterprises (in terms of number of workers).

125. Indicators related to dimension 4 for economic units and their owners provide insights on the main obstacles to and opportunities for their development, sustainability and ability to provide a living and decent working conditions for the owner and employees; and the ability and willingness to transition to formality. The indicators presented in table 11 complement indicators on working conditions of business owners that can be derived from table 4 for all indicators for which the information is available for all status in employment and thus can be applied to independent workers.
126. Proposed indicators include at present one indicator on (labour-) productivity and several indicators on factors that impact not only the level of productivity but more generally the development and sustainability of economic units. As formulated, **indicator B.4.1** is about **labour productivity** that represents the total volume of output (measured in terms of value added at the enterprise level) produced per unit of labour (measured in terms of the number of employed persons) during a given time reference period. Among the possible alternatives, the denominator could be the total number of hours worked (indicator B.4.2). The indicator allows to compare the value added to labour input in informal sector economic units compared to formal ones. This indicator B.4.1 serves to assess the situation of enterprises, ideally depending on the size of economic units and sector and is complemented by indicators C.4.1 and C.4.2 at the global level (see table 12 below).
127. Indicators on productivity to be included in the indicator framework on the informal economy require further work building notably on existing handbooks, guidance and databases<sup>32</sup> as well as practical experiences from countries. As part of the objectives, it will be important to compare the relative situation of formal and informal economic units, acknowledging for instance the current limitations associated with surveys that focus on the informal sector.
128. **Indicators B.4.5 to B.4.8** contribute to identify some of the factors that can be considered either as obstacles or enabling factors for the development of economic units, for their ability to ensure decent living and working conditions for the owner and employees and to engage in sustainable formalization of both the economic unit and jobs with the unit. As a first attempt, suggested indicators cover the following factors:
- i. *labour-related factors* at the enterprise level relate to the composition of employment within economic units in terms of socio-demographic and employment related features. This includes the type of employment agreement and other employment characteristics typically used to define formal wage employment (contribution to social security and effective access to labour protection). Labour related factors may also include indicators related to the challenges perceived by entrepreneurs in terms of staffing such as hiring and keeping skilled workers;
  - ii. *production-related factors* complement indicators under B.2 that relate to the characteristics of informal economic units such as the level of profit, sales or outputs or the place of work. Production related factors refer here to issues such as the main sources of financing, the use of ICT, the access to machine / equipment. They also include indicators aiming at capturing some of the challenges perceived by independent workers or faced by economic units that affect the process, level and quality of production (e.g. difficulties to get a loan and indebtedness; lack of space or lack of adapted premises; lack of machines or equipment);
  - iii. *factors associated to the business environment* (customers, suppliers, competitors) that allow notably for the identification of existing linkages (if any) between informal sector units and formal ones;
  - iv. *administrative factors*, including awareness but also the perceived administrative burden (complexity of government regulations, including social security and labour laws; taxation, etc.).
129. **Motivation and perceptions.** This includes indicators assessing the initial motivation to create the activity<sup>33</sup> or to continue this activity. This also includes a set of indicators on perceptions of independent workers owing or operating informal sector economic units regarding the obstacles to and advantages of formalization and the motivation to formalize, including what would be perceived as a good incentive to formalize (access to markets,

<sup>32</sup> See OECD 2001. [Measuring Productivity OECD Manual. Measurement of aggregate and industry-level productivity growth](#); OECD 2021, [OECD PRODUCTIVITY STATISTICS Methodological notes](#); ILO. 2020. [“Driving up Productivity: A Guide for Employer and Business Membership Organizations”](#); Appendix E Productivity measurement and data in ILO, 2023 [World Employment and Social Outlook Trends 2023](#).

<sup>33</sup> A set of questions has been tested by the ILO with independent workers in order to help distinguish between those who are independent workers by default and/or necessity, and entrepreneurs who are willing to develop an activity that brings independence, flexibility and economic opportunities to be further expanded. For further details, see ILO forthcoming. *Report on testing labour force survey methods for engendering informality statistics*.

finances, social security, etc.); awareness and perception of entrepreneurs vis-à-vis administrations in charge of formalisation and procedures; and possibly formalisation dynamics of the economic unit at its creation).<sup>34</sup>

130. Past and expected trends in terms of number of workers, level of profit, output or sales (as a complement to indicators proposed under B.2. on *Distribution of informal household unincorporated market enterprises and formal economic units by economic unit characteristics and by socio-demographic characteristics of the owner or owners*).

### 3.5 Dimensions 5 and 6. Regulatory framework and structural factors

131. Indicators on the regulatory framework are still to be developed. They would typically aim at identifying categories of economic units not covered by business regulations, fiscal, social security and labour laws. This can impact the economic units (in terms of obligations but also of advantages) but is also likely to impact the effective access to protections of workers employed within those economic units. There is still a significant number of countries for instance that condition the full application of labour laws and social security laws to economic units above a given size. The approach is similar to the one presented under 2.1.5 on legal coverage indicators (see Regulatory framework scope and enforcement). The objective is notably to identify and possibly quantify the proportion of economic units facing legal coverage gaps that can result from their characteristics (such as from their size or the economic sector in which they operate).
132. As part of dimension 6, the objective is to assess the prevalence of economic units most exposed to informality among all economic units. Indicators refer for instance to the distribution of all economic units by size, sectors or levels of productivity.

## 4 Contribution of the informal economy to GDP

133. The indicators referring to the informal economy included in the draft resolution are organized around the reference units of economic units and productive activities of persons. They reflect the extent and productivity dimensions. This last dimension is yet to be developed further.

**Table 12.** Contribution of the informal economy to GDP | Suggested indicators

Nb	Indicators	Reference in resolution
Dimension 1 Extent of the informal economy		
	► <b>Main indicators (included in the draft resolution)</b>	
C.1.1	Contribution of the informal economy within the SNA production boundary (within and outside of the informal sector) to GDP, by economic activity	133a
Dimension 4 Productivity		
	► <b>Main indicators (included in the draft resolution)</b>	
C.4.1	GDP/output of the informal economy within the SNA production boundary per worker by economic activity	133b
	► <b>Additional indicators</b>	
C.4.2	GDP/output in informal sector economic units compared to formal sector economic units per worker by sector	
C.4.3	Contribution of the informal sector to household income	

<sup>34</sup> Some questions on the perceived advantages of and obstacles to formalization as well as on awareness of existing programmes and incentives, interactions and perceptions of institutions have already been tested in a number of countries.

## 5 The supporting indicator framework: from questions to indicators

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134. The indicator framework aims to cover multiple needs, multiple objectives that vary according to the situation and priorities of countries. These objectives differ according to the situation in the country in terms of understanding the informal economy and whether or not the country is willing to or already engaged in developing strategies, programmes and interventions targeting workers and economic units in the informal economy, including to support their transition to formality. They may also vary according to national priorities in terms of sectors, groups of workers, categories of enterprises or forms of informality. These different objectives can be translated into questions and indicators can contribute to provide answers to those questions.
135. The aim of this section is to illustrate what could be the broader informal economy indicator framework and how it could be used. To do so, this last section presents a couple of examples of questions and their link to indicators (among those presented above in tables 1 to 12). The questions, dimensions covered and number of indicators can and will evolve as countries gain experience in both analysing data on informality and developing policies in this area. The main purpose at this stage is to illustrate the approach. A concrete operationalisation could be to develop a database of 'indicators' (the 'toolbox') and a search/selection module according to main objectives and questions.

### 5.1 Describing the extent and structure of the informal economy, highlighting decent work deficits

136. As mentioned in the first section, some examples of questions to describe the informal and formal economy include:
- i. What is the extent of informality and how does it evolve over time?
  - ii. What is the composition of the informal economy and the prevalent forms of informality of jobs, economic units and activities in the country?
  - iii. Who are the workers and economic units the most exposed to (the most at risk of) informality?
  - iv. What are the working conditions (and decent work deficits) in the informal compared to the formal economy; what about levels of productivity and factors constraining or enhancing the development and productivity of informal economic units versus formal ones?
137. Many other questions could contribute to describe and understand the situation of informal economy workers and economic units, starting with more specific questions targeting for instance particular groups (the situation of women compared to men; of youth compared to others) or forms of informality.
138. Although the objective with this first set of questions is about "describing and understanding", most if not all of these questions and associated indicators can already serve the second objective that is to support the development and implementation of policies. In order to illustrate how these descriptive indicators can serve the formulation of policies, a row "Policy" is included in table 13 below.

**Table 13.** Describing the extent and structure of the informal economy, assessing working conditions among workers in informal employment compared to workers in formal employment: from questions to indicators (some examples)

Questions	Indicators	Reference in the resolution
<b>What is the extent of informality?</b>	<ul style="list-style-type: none"> <li>× <b>A.1.1</b> Proportion of informal employment in total employment, by sector and sex (SDG 8.3.1).</li> <li>× <b>B.1.1</b> Informal sector economic units as a percentage of total economic units.</li> <li>× <b>C.1.1</b> Contribution of the informal economy within the SNA production boundary (within and outside of the informal sector) to GDP, by economic activity.</li> </ul> <p><i>Contribution to policy development (covered further with the second set of questions under 5.2). Awareness raising; monitoring trends; joint analysis with other dimensions (as part for instance of the identification of drivers of informality and formalization).</i></p>	<ul style="list-style-type: none"> <li>• 126a</li> <li>• 132a</li> <li>• 133a</li> </ul>
<b>What are the prevalent forms of informality?</b>	<ul style="list-style-type: none"> <li>× <b>Indicator A.2.1</b> Distribution of informal employment by employment status and type of production units.</li> </ul> <p>This is obviously a starting point requiring then to qualify each of the groups identified in A.2.1: who they are, where they work and what are their working and living conditions.</p> <p><i>Policy. What formalization means for those different groups.</i></p>	<ul style="list-style-type: none"> <li>• 126b</li> </ul>
<b>Who are the workers the most represented in the informal economy?</b>	<ul style="list-style-type: none"> <li>× Indicators under <i>dimension 2 Composition of informality</i> (A.2.2 to A.2.9 in table 2)</li> <li>× Indicators under <i>dimension 4. Working conditions</i>, such as A.4.11 and A.4.12 in table 4 to assess the representation of workers in temporary employment, in part-time employment or in very short hours in the informal economy compared to their representation in the formal economy.</li> <li>× Indicators under <i>dimension 5. Contextual vulnerabilities</i>, such as A.5.3 table 5) on poverty rates among workers with informal jobs compared to workers with formal jobs.</li> </ul>	<ul style="list-style-type: none"> <li>• 126c</li> <li>• 128b(iii), 128b(iv)</li> </ul>
<b>What are the economic units the most represented in the informal sector?</b>	<ul style="list-style-type: none"> <li>× Indicators under <i>dimension 2 Composition of informality of economic units</i> (B.2.2 to B.2.12 in table 9)</li> <li>× Indicators under <i>dimension 4. Productivity and other factors</i> starting with productivity (B.4.1)</li> </ul> <p><i>Policy. Support the identification of priority groups (workers and economic units); identification of particular needs or of adequate modalities of intervention adapted to the main socio-demographic and employment related features of workers (including business owners) or economic features of economic units).</i></p>	<ul style="list-style-type: none"> <li>• 132b</li> <li>• 132d</li> </ul>
<b>Who are the workers the most at risk of being in informal employment? What are the economic units (and who are the business owners) most likely to operate in the informal sector?</b>	<ul style="list-style-type: none"> <li>× Indicators under <i>dimension 3. Exposure to informality</i>: i) incidence of informality for different groups of workers depending on their socio-demographic or employment related features (A.3.2 to A.3.12); different categories of economic units (B.3.1 to B.3.13)</li> <li>× Indicators under <i>dimension 5. Contextual vulnerabilities</i>, such as the incidence of informality among people living in poor households compared to other households (A.5.4) or indicators related to the composition of the household (e.g. economically dependents, female headed households)</li> </ul> <p><i>Policy. Identification of priority groups. Identification of drivers associated to the characteristics of workers and economic units; of the job.</i></p>	<ul style="list-style-type: none"> <li>• 126d</li> <li>• 132c</li> <li>• 130d</li> </ul>
<b>What are the working conditions in the informal economy and the extent of decent work deficits?</b>	<ul style="list-style-type: none"> <li>• Indicators under 4. Working conditions and productivity: A.4.1 to A.4.23 for workers (including own-account workers and employers to assess the situation of business owners); and B.4.1 to B.4.6. on productivity and main factors of development and sustainability of economic units.</li> </ul>	<ul style="list-style-type: none"> <li>• 132d</li> </ul>
<b>What are the living conditions of workers in the informal economy</b>	<ul style="list-style-type: none"> <li>• Indicators under 5. Contextual vulnerabilities   poverty, capacity to meet basic needs</li> </ul> <p><i>Policy. Contributes to the identification of various levels of vulnerabilities (see second set of questions).</i></p>	<ul style="list-style-type: none"> <li>• 130c-130d</li> </ul>



## 5.2 Supporting the development of policies, measures and interventions

139. The second set of questions concerns primarily countries willing to engage or already engaged in addressing the challenges associated to informality and, for some countries, supporting formalization processes (see box 2).

### Box 2. Formalization and formalization processes

#### ✖ Focusing on people and outcomes: formalization as a means

Formalization is not an objective in itself but a necessary condition to reach very important objectives. The focus should be on people, economic units and societies: helping people to access decent working and living conditions with increased capabilities, higher access to opportunities and better working conditions. Without formalization, access to decent work remains an illusion. Formalization reduces poverty and leads to greater equality among people. The formalization of economic units, including through increased productivity and better market access, contributes to their sustainability and fosters fair competition in national and international markets. The formalization of economic units is also a condition for an adequate labour and social protection of the workers they employ. More broadly, formalization benefits society as a whole because it enhances the government's scope of action, notably by allowing increased public revenues and strengthening the rule of law. It also contributes to fairer societies by distributing rights and obligations among its members more equitably.

#### ✖ What does formalization mean?

For economic units, formalization means bringing them under the regulation with the advantages and obligations that this entails. It includes the extension of the scope of fiscal, labour and social security regulation to all economic units without exception regarding the size, sector or other criteria, the legal recognition and registration of economic units and compliance with legal requirements. For independent workers, the fact that their economic units belong to the formal economy or not determines if they are also in the informal economy or not. For employees, transition to formality means providing them with adequate labour and social protection. Depending on the situation, this means realizing one or several of the following actions: (1) extending legal coverage to those excluded or insufficiently covered; (2) providing an adequate level of legal protection; and (3) ensuring an effective compliance with laws and regulations. Bringing activities from the informal to the formal economy means that they should be fully declared, covered by legislation and give rise to effective protection.

#### ✖ What do formalization processes refer to?

Formalization can be pursued through three complementary channels which are the objectives of ILO Recommendation 204 concerning the transition from the informal to the formal economy, namely: 1) creating decent jobs and sustainable economic units in the formal economy, 2) transitioning workers and economic units from the informal to the formal economy, 3) preventing the informalization of jobs.

Reducing decent work deficits in the informal economy is one of the results of formalization but it is, at the same time, an enabling condition that facilitates transition to formality and, as such, it can be considered as part of the formalization process. Some workers and enterprises have the potential to formalize in the short run while, for others, this is not yet a realistic possibility. For many, addressing decent work deficits and reducing vulnerabilities is the primary objective to increase the capacity of workers and enterprises to enter into the formal economy in a sustainable way (ILO, 2021b).

140. Examples of questions to further inform and support the development of policies include:

- i. What are the prevalent drivers of informality? for who or for what type of economic units?
- ii. Does formalization and formality mean protection against personal and economic risks? (are formal jobs decent jobs?)
- iii. From what types and levels of protection do workers in informal employment benefit? [protection/vulnerability]
- iv. Who are those “ready or able” to formalize in a sustainable way and those for whom the reduction of decent work deficits and vulnerabilities is the only possible option in the short term?
- v. How to assess and prevent the risk of informalization (among workers in formal employment and units in the informal sector)? What factors — in the environment and/or associated to workers and economic units — increase the risk of informalization or prevent from such risk?

## 5.2.1 What are the prevalent drivers of informality?

141. Drivers of informality can be divided into 3 main groups (see [Step 5](#) of Diagnoses of informality in Annex 1):

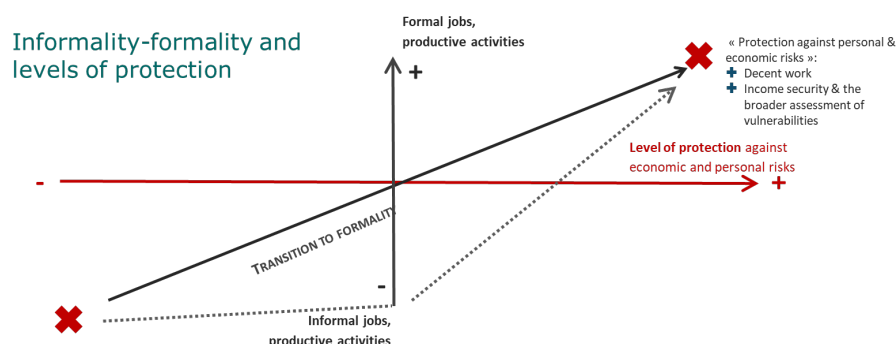
- i. A first category of drivers includes factors associated to some characteristics of workers or economic units that can make it difficult for them to transition to formality. This includes factors such as a low level of education, discrimination, poverty, a lack of voice and representation, small size, a limited access to credit, to services or to markets. Indicators under *dimension 3 Exposure to informality* aiming at identifying the workers and economic units the most exposed to informality contribute to the identification of some of the drivers in this category (indicators A.3 in table 4 for persons and jobs and indicators B.3 in table 10 for economic units). Indicators under *dimension 4 Working conditions and productivity* (such as a low level of representation or a low level of labour earnings for workers or a low level of productivity for enterprises for instance) or under *dimension 5 Contextual vulnerabilities* (such as poverty or food insecurity or more generally income insecurity) will participate to the identification of drivers in this first category.
- ii. A second category refers to drivers associated to the legal and regulatory framework and its application or how the existing framework limits or enhances the transition to formality or the improvement of working conditions, including for those in the informal economy. Many of those drivers cannot be quantified. However, indicators suggested to identify and quantify legal and implementation gaps under 5. *Contextual vulnerabilities* (indicators A.5.14 to A.5.17 in table 6) fall into this category. Similarly, the proposed indicators to identify obstacles and opportunities for the development and sustainability of economic units (under dimension 4, see table 11) can provide information concerning the perceived capacity of institutions to deliver; this may also enter into this second category of drivers.
- iii. The third category is about drivers within the economic and social environment such as the inability of the economy to create sufficient formal jobs, the composition of the economy and the composition of employment, economic fluctuations and shocks negatively affecting the world of work. Some of those drivers associated to the structure of the labour market, the level and composition of growth are covered under *dimension 6. Other structural factors*.

142. A number of major determinants of informality are beyond the world of work and in this respect indicators under 5. *Contextual vulnerabilities* make an important contribution. Finally, some drivers are transversal while others are specific to certain categories of workers and economic units. Proposed indicators focusing on specific groups can contribute to the identification of those specific drivers. Indicators A.2.10-A.2.12; A.3.12-A.3.14 specifically focus on persons with disabilities, migrant workers or other particular categories such as platform workers, home based workers or domestic workers. Importantly, paragraph 135 in the draft resolution encourages the application of the framework of indicators to specific categories of workers or economic unit as relevant given national priorities.

## 5.2.2 Does formalization and formality mean protection against personal and economic risks?

143. This question and the next one are about groups defined on the basis of the two following dimensions: i) formal / informal jobs; and ii) protection against economic and personal risks associated with the job, assuming that if some workers are either in the left bottom corner (informal – no protection) or right-top corner (formal-protection), others are along a continuum of situations between those two extremes (figure 5).

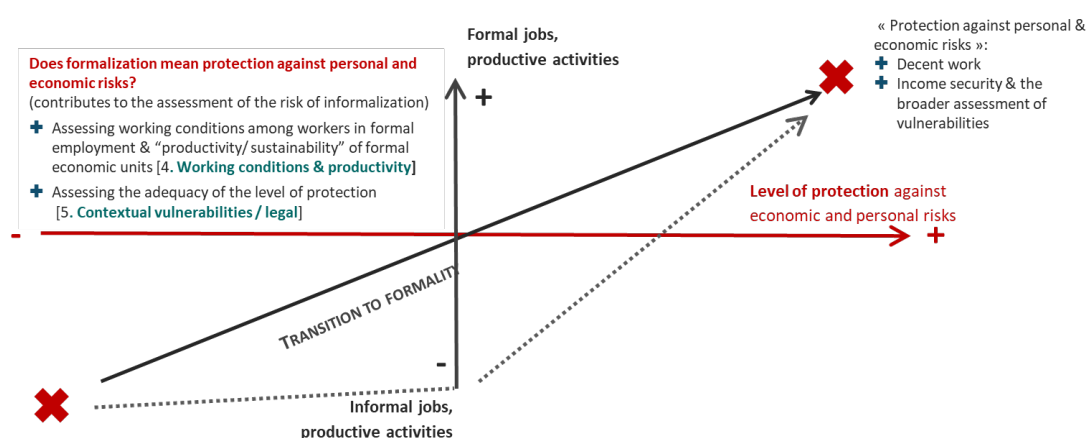
**Figure 5.** Informality-formality and levels of protection against economic and personal risks



144. The objective of the first question is to assess if formal employment means decent working conditions or if owning and operating a formal economic unit results in higher productivity, higher performance or opportunities for development thanks notably to an effective access to resources, markets and support. Whether formalization is associated to real benefits and advantages is part of the important factors that motivate the decision to formalize or not and to remain formal or not.

145. Figure 6 provides an overview of the dimensions to consider within the indicator framework to start answering to this first question (top-left corner): are formal jobs decent jobs? Assessing whether formality is associated to protections can be done through the analysis of working conditions among workers in formal employment (whether employees, independent workers or dependent contractors) in comparison to the situation of those in informal employment as presented in table 6 (e.g. A.3.1 and A.3.2 on the level of labour earnings or A.3.8b on working time). This can be completed with a broader assessment of income security among workers in formal employment and in particular indicator A.4.9 on the workers in formal employment living in poor households and A.4.14 on the capacity to meet basic needs. For economic units, the indicators of economic performance in table 5 (levels of sales, profit, capital) and table 7 (trends) apply to formal economic units as to informal ones.

**Figure 6.** Informality-formality and levels of protection: 1. does formalization mean protection against personal and economic risks?



146. An additional dimension relates to the adequacy of the level of protection. As part of the current indicator framework, the focus is on the level of legal protection (in relative terms), i.e. A.4.15 (for social security) and A.4.17 (labour protection).

**Table 14.** Does formalization mean protection against personal and economic risks? Are formal jobs decent jobs? Are formal enterprises more productive and sustainable?

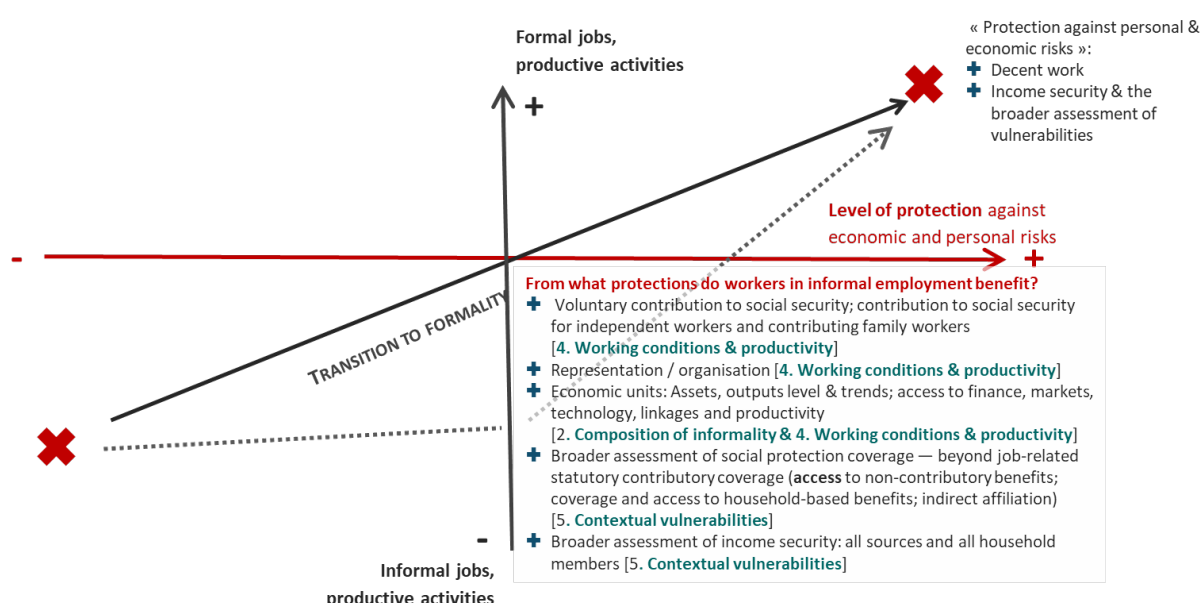
Questions	Dimensions	Reference in the resolution
<b>1. Are formal jobs decent jobs?</b>	<p><b>Dimension 4. Working conditions, levels of protection and productivity:</b> comparing the working conditions of workers with formal and informal jobs (see table 4)</p> <ul style="list-style-type: none"> <li>-- levels of protection: Indicators A.4.1 to A.4.5</li> <li>-- working conditions: Indicators A.4.6 to A.4.23 <ul style="list-style-type: none"> <li>-- income security (indicator A.4.6 to A.4.8)</li> <li>-- employment security (indicator A.4.10/A.4.11)</li> <li>-- working time (indicator A.4.12-A.4.16)</li> <li>-- representation of independent workers (indicator A.4.17)</li> </ul> </li> <li>-- access to training and retraining (indicator A.4.19)</li> <li>-- Exposition to occupational and health risks, access to protective equipment, incidence of occupational injuries and diseases and access to social protection when needed (indicator A.4.20-A.4.23)</li> </ul> <p><b>Dimension 5. Adequacy or the level of legal protection.</b> Can be assessed in particular in relative terms for specific groups of workers compared to a group of reference (typically full-time permanent employees).</p> <ul style="list-style-type: none"> <li>-- level of legal protection (labour protection and social security): Indicators A.5.15 to A.5.17 (see table 6)</li> </ul>	<p>128a(i) to 128a(iv)</p> <p>128b(i) to 128b(vii)</p> <p>128b(i) - 128b(ii)</p> <p>128b(iii)</p> <p>128b(iv) - 128b(vi)</p> <p>128b(vii)</p>

Questions	Dimensions	Reference in the resolution
2. Are formal enterprises more productive and sustainable than informal ones?	<b>Dimension 2. Composition of the formal and informal sector:</b> -- performance of formal sector economic units compared to informal ones: Indicators such as B.2.3, B.2.4 and B.2.5 about level of output, profit, value added (see table 9)	132b
	<b>Dimension 4. Productivity and factors that enhance or constraint the development, sustainability of enterprises and their capacity to formalize</b> (see table 11) -- productivity: indicators B.4.1 and B.4.2 -- Factors enabling or constraining the development and sustainability of enterprises: indicators B.4.3 to B.4.6	132d
	<b>Dimension 4. Working conditions of independent workers (as owners and operators of economic units).</b> Same indicators as those presented above under question 1. <i>Are formal jobs decent jobs</i> but focusing on the situation of own-account workers and employers and assessing whether owners of formal economic units enjoy more favourable working conditions than informal business owner.	

### 5.2.3 From what protections (including social protection) do workers in informal employment benefit?

147. An overview of dimensions and indicators that could contribute to answer this question is presented in figure 7 (right-bottom corner) and in the table 15 below.

**Figure 7.** Informality-formality and levels of protection: 2. From what forms and levels of protection do workers in informal employment benefit?



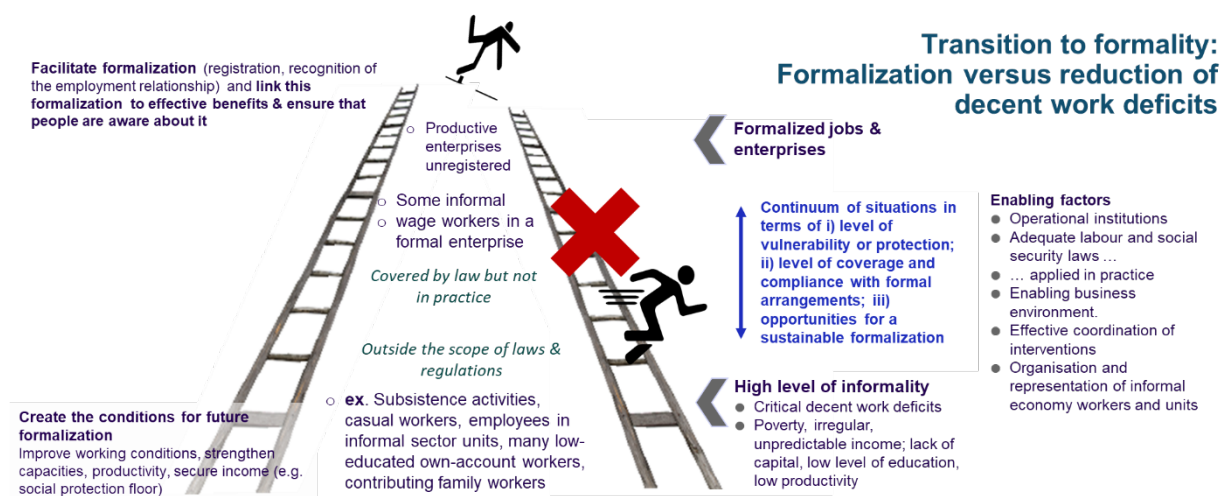
**Table 15.** From what protections (including social protection) do workers in informal employment benefit?

Questions	Dimensions	Reference in the resolution
<b>1. Levels of protection of workers in informal employment</b>	<b>1.1. Coverage by contributory social security schemes</b> <b>Dimension 4. Working conditions, levels of protection and productivity</b> (see table 4) -- levels of protection: Indicators A.4.1 to A.4.5 to assess voluntary affiliation to statutory social security schemes (for those not legally covered on a mandatory basis) and social security by contributory social security schemes of independent workers and contributing family workers in particular. -- working conditions: -- Access to social protection in case of employment injury or disease (indicator A.4.23)	128a(i) to 128a(iv)
	<b>Dimension 5. Contextual vulnerabilities: social security coverage other than the 'individual-contributory'</b> -- at least one household member contributing to social security: Indicator A.5.2 (see table 6)	130b
	<b>1.2. Coverage by non-contributory social protection scheme</b> <b>Dimension 5. Contextual vulnerabilities: social security coverage other than the 'individual-contributory'</b> -- coverage by contributory scheme and/or receiving non-contributory benefits (Indicator A.5.8 to A.5.10; see table 6)	
<b>2. Factors that reduce vulnerabilities and enhance the capacity to engage in constructive strategies</b>	<b>2.1 Working conditions (informal workers) : factors favourable to the reduction of decent work deficits and vulnerabilities</b> (see table 4): -- labour income security (indicator A.4.6 to A.4.8) to assess various levels of income security (including level, regularity and predictability of income) -- employment security (indicator A.4.10/A.4.11) to gain some insight on the duration of the employment relationship -- representation of both employees and independent workers (indicator A.4.17) -- access to training and retraining to get a sense of the degree of employability and mobility, including to seize opportunities to access formal jobs (indicator A.4.19)	128b(i) - 128b(ii) 128b(iii) 128b(vii)
	<b>2.2 Protection at the household level: income security</b> <b>Dimension 5. Contextual vulnerabilities: income level and predictability at the household level</b> (see table 6) -- at least one household member in formal employment (indicator A.5.1) -- poverty rates among workers in informal employment (indicator A.5.3) -- proportion of economically dependents (indicator A.5.6) -- food secure households (indicator A.5.13)	130a 130c
	<b>Dimension 2. Composition of the formal and informal sector</b> -- performance of formal sector economic units compared to informal ones: Indicators such as B.2.3, B.2.4 and B.2.5 about level of output, profit, value added (see table 9)	132b
<b>3. Economic units: assets &amp; economic performance; factors that impact their development and sustainability</b> (see suggested indicators in table 14 on economic units but focusing on informal economic units)	<b>Dimension 4. Productivity and factors that enhance or constraint the development, sustainability of enterprises and their capacity to formalize</b> (see table 11) -- productivity: indicators B.4.1 and B.4.2 -- Factors enabling or constraining the development and sustainability of enterprises: indicators B.4.3 to B.4.6	132d
	<b>Dimension 4. Working conditions of independent workers in the informal sector (as owners and operators of informal economic units).</b> Same indicators as those presented above under question 1. Are formal jobs decent in jobs in table 14 but focusing on the situation of own-account workers and employers in the informal sector and assessing whether some owners of informal economic units enjoy more favourable working conditions than others.	

## 5.2.4 How to identify groups of workers and economic units according to their ability/capacity or potential to formalize in the short term and those for whom the priority should be on reducing decent work deficits and vulnerabilities

148. Not everyone is in a position to formalize now and in the near future and to take advantage of formalization. The identification of various groups of workers (and economic units) along a “scale of readiness for formalization” could be based on the combination of indicators related to i) ‘formal arrangements’ (legal coverage and compliance with formal arrangements); ii) the various levels of protection or by contrast of vulnerabilities within the informal economy (see indicators under 5.2.3). These two categories of indicators allow to consider indicators referring to workers and economic units, thus “world of work related” as well as indicators beyond the world of work and the ‘individual’ level to capture some of the multiple sources of vulnerabilities. Based on levels of i) formality/informality and ii) levels of protection versus vulnerabilities, one can develop a mapping of workers and economic units along what can be considered as “pathways to formality”. The various groups can then be qualified in terms of socio-demographic and socio-economic features (e.g. age, sex, status in employment, occupation, sector or size of enterprise).
149. Thus, some first elements to answer to the question ‘How to identify workers and economic units according to their readiness to formalize’ should come from the indicators presented above under 5.2.3 (about levels and forms of protection versus vulnerabilities within the informal economy) complemented with a set of indicators related to levels of *formality/informality*. This second category of indicators on the coverage by and compliance with a number of formal arrangements should acknowledge notably the fact that some workers may benefit from some formal arrangements without however necessarily being considered as formal (see for instance indicators A.4.3 and A.4.4 in table 4). This second category of indicators can also build on two other dimensions that contribute to define ‘different levels of formality’:
- The type of production unit** (or whether in the formal sector, informal sector or household own-use and community sector): For employees and contributing family workers, the fact to be employed in the formal sector rather than outside of the formal sector (informal sector and households) is one step ahead compared to those employed in the informal sector for whom the formalization of the economic unit that employ them is a pre-condition for the formalization of their job;
  - Legal gaps versus implementation gaps.** All workers included under the scope of labour, social security and fiscal laws (see table 6, indicators A.5.14 and A.5.16) are one step ahead on pathways to formality compared to workers still outside the scope of laws and regulations. By contrast, if the reason for the absence of coverage by formal arrangements is the exclusion from the scope of laws and regulations, then closing the legal gap through the extension of laws to workers and economic units not yet covered is required for compliance (or implementation in practice) to become an option.

**Figure 8.** Transition to formality: Formalization versus reduction of decent work deficits





### 5.2.5 Assessing the risk of informalization / preventing informalization

150. ILO Recommendation 204 on transition from the informal to the formal economy includes as one of the three main objectives of formalization, the *prevention of informalization of formal economy jobs*. This objective underlines that being or becoming formal is not given for ever. Informality and formality are dynamic processes that depend on multiple factors and forms of work that evolve over time. While a lot of attention is given to the transition from the informal to the formal economy, much less attention is given to the transition from the formal to the informal economy. This issue is not yet covered or not yet well-covered in the current version of the indicator framework. One indicator (additional) refers specifically to transitions<sup>35</sup> and some indicators under *dimension 6. Structural factors* provide some information on the prevalence of groups of workers possibly at higher risk of informalization (e.g workers in temporary employment or in short-hours contracts, home-based workers, digital platform workers). This question of the risk of informalization tends to gain importance in particular in times of crisis or more generally with the shift from standard forms of employment to diverse forms of work arrangements or organization of work potentially more likely to be informal. This is typically an issue that will be developed further as part of the dynamic framework of indicators on the informal economy.

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<sup>35</sup> Indicator A.1.2 in table 1 refers to transitions between formal, informal, unemployment and out of the labour force.

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## Appendix 1. Diagnoses of informality: an overview<sup>36</sup>

151. In June 2015, Member states and the social partners, reaffirmed their commitment to address the challenges of informality through their collective adoption of a Recommendation No. 204 concerning the Transition from the Informal to the Formal Economy (R204) (ILO, 2015a). This new labour standard invites Members to design coherent and integrated strategies to facilitate the transition from the informal to the formal economy and recognizes the need for tailored approaches to respond to the diversity of situations and the specificity of national circumstances. To inform the design and implementation of laws and regulations, policies and other measures aiming to facilitate the transition to the formal economy, R204 calls on Members to **establish a proper assessment and diagnostics of factors, characteristics, causes and circumstances of informality in the national context** (paragraph 8 in R204). The Recommendation provides in the subsequent sections the range of issues to be covered in order to inform the design of coherent and coordinated interventions as part of integrated strategies and a clear reference to “Data collection and monitoring” (Section VIII).
152. In *section VIII. Data collection and monitoring*, the Recommendation 204 calls Members, in consultation with employers’ and workers’ organizations, to (a) collect, analyse and disseminate, where possible and as appropriate, statistics disaggregated by sex, age, workplace, and other specific socio-economic characteristics on the size and composition of the informal employment and the informal sector, including the number of informal economic units, the number of workers employed and their sectors; and (b) monitor and evaluate the progress towards formalization. In doing so, members should take into consideration relevant guidance provided by the International Labour Organization, in particular and as appropriate, the guidelines concerning a statistical definition of informal employment adopted by the 17th International Conference of Labour Statisticians in 2003 and their subsequent updates.
153. The ILO developed a diagnostic tool that has been applied since 2016 in around 30 countries.<sup>37</sup> The main objectives of national diagnostics are to gain a better understanding of the informal economy (extent, diversity, causes and consequences) and of the context; to build a large domestic consensus about the situation through a transparent and participative process in order to be in the best possible position to discuss and agree on priorities and responsibilities and define an action plan and a road map to facilitate transition to formality. The diagnostic also sets the baseline for the monitoring of formalization progress, including for the monitoring and evaluation of policy measures.
154. **The objective of national diagnostics is to support the formalization process.** That is to reduce gradually and in a sustainable way the proportion of informal economic units in the informal sector and the proportion of workers holding informal jobs with:
- i. *Formalization considered as a mean rather than an objective in itself.* Formalization is a necessary condition to reach important objectives with a focus on people, enterprises and societies: helping people to access decent working and living conditions. As a result, informality-formality indicators should also be linked to the ultimate objectives of decent work, assessing as well to what extent formality effectively results in better working and living conditions including better income security and lower levels of vulnerabilities.
  - ii. *Formalization pursued through three complementary channels* which are the objectives of ILO Recommendation 204 concerning the transition from the informal to the formal economy, namely: 1) creating decent jobs and sustainable enterprises in the formal economy, 2) transitioning workers and enterprises from the informal to the formal economy, 3) preventing the informalization of jobs.
  - iii. Reducing decent work deficits in the informal economy as one of the results of formalization but, at the same time, an enabling condition that facilitates transition to formality and, as such, to be considered as part of the formalization process. Some workers and enterprises have the potential to formalize in the short run while, for others, this is not yet a realistic possibility. Addressing decent work deficits progressively reduces vulnerabilities and increases the capacity of workers and enterprises to enter into the formal economy in a sustainable way. For example, providing workers with basic social protection constitutes an enabling factor

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<sup>36</sup> For more details, see ILO 2021. [Methodological note. Diagnosis of informality.](#)

<sup>37</sup> With differences in scope: comprehensive and considering the entire informal economy or focusing on particular forms of informality, sectors, groups of workers or types of economic units.

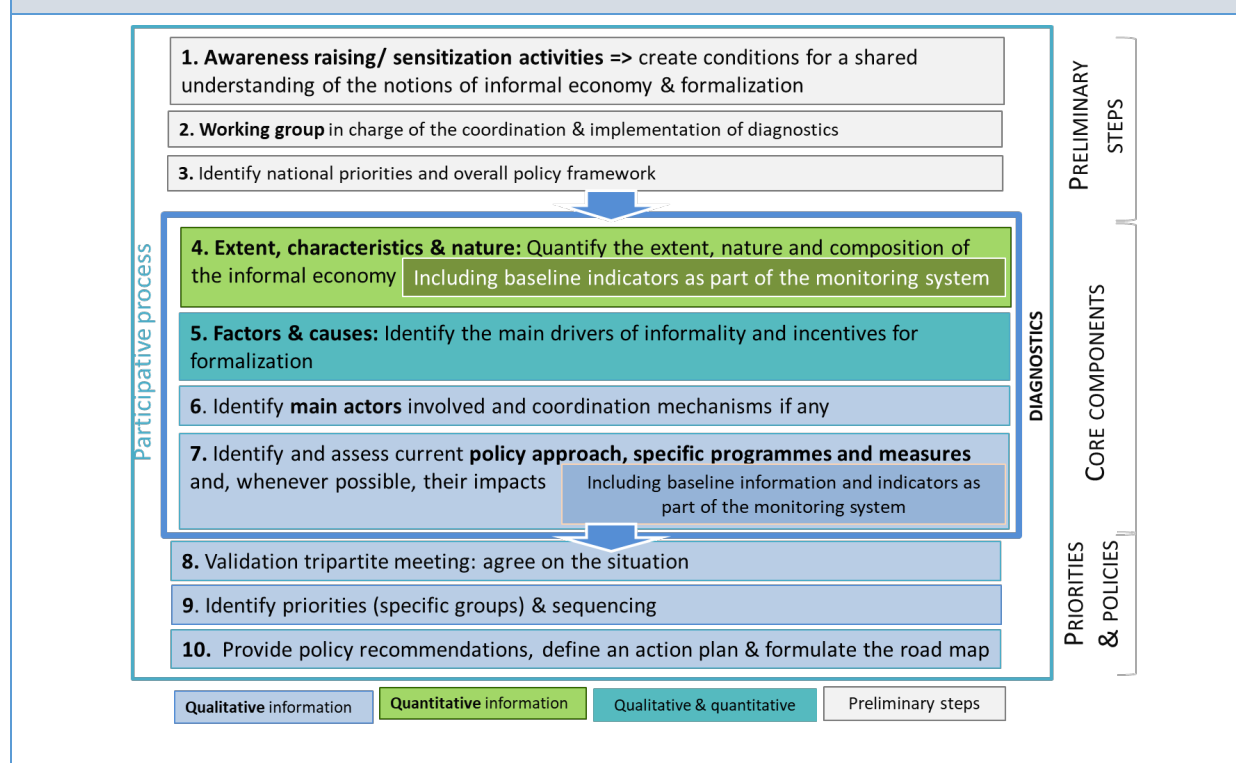
for their transition to formality by reducing their exposure to poverty, enhance their access to health care and enabling them to seize economic opportunities.

155. This objective can be divided in multiple sub-objectives addressing the specific needs of particular groups of workers and enterprises, tackling the different forms of informality (e.g. formalization of informal sector units, formalization of undeclared work) through appropriate measures. National diagnostics support the formalization process by identifying the need for reforms and guiding these reforms when necessary. They do so also by supporting the development or reinforcement of coordination mechanisms to ensure the effective and coordinated participation of the multiplicity of actors as part of an integrated strategy.
156. Facilitating transition to formality should start by recognizing the diversity of needs, motivations and working conditions that characterize workers and economic units in the informal economy —but also in the formal economy — within a same country. The most salient drivers of informality vary from one group of workers or economic units to the other. All informal workers face a lack of protections but the extent of the gaps and the consequences in terms of working and living conditions may vary and so do the opportunities and the levers on which to rely on to facilitate the transition to the formal economy and reduce decent work deficits. Similarly, the diversity of sources of “risk of informalization” applies for those in formal employment but at risk of informalization. This diversity has to be understood at the country level. The diagnostic’s main objective is to provide the necessary facts and evidence to allow national actors to come, as far as possible, to a common understanding of the situation of workers and economic units in the informal economy in their diversity; of constraints and gaps to be addressed. This should enhance the capacity of national actors to reach an agreement on priorities to start with and guide them in formulating policies tailored to specific constraints, needs and capacities of particular groups.
157. At the same time, this is only through clear and trusted facts and evidence that the diagnostic will be in a position to build a common and shared vision of the informal economy. Part of the conditions to ensure the agreement on results and then on priorities and actions, is the first stage, a common and agreed understanding of what informality and formalization mean. This starts with an agreement on definitions and concepts at the national level. The national statistical office has a central role to play, in consultation with main actors involved in formalisation. The national diagnostic on informality is an opportunity to assess whether there is a national agreed statistical definition of informal employment; informal sector and employment in the informal sector and if it is in line with international standards. It is also the opportunity to identify and assess whether data on informal employment and the informal sector are collected, analysed and used for policy purposes on a regular basis and to identify gaps to be addressed.
158. This section presents the typical sequence of steps and components of national diagnostics recognizing that both the scope and the sequence can vary from country to country. A national diagnostic may apply as appropriate to the whole economy or to specific sectors, groups of workers or economic units. It can focus on specific types of informality (e.g. undeclared work) or on particular policy areas (e.g. extension of social security; formalization of enterprises). In this first section, data and statistics play an important role but they are placed within the larger process of information collection and analysis.

## 1. Overview of the main steps of national diagnoses

159. A national diagnostic is composed of several steps to collect, analyse, share and discuss quantitative and qualitative information related to the informal economy and create the conditions for a consensus about the situation and agreed priorities for action.
160. Figure 12 below presents the 10 steps of a typical or “generic” diagnostic of informality. This includes three blocks: preliminary steps (1-3), core components of the diagnostic (4-7) and the subsequent steps (8-10) drawing on main results from the diagnostic. Those components are complementary in nature, meaning that the information collected in one component contributes to the interpretation of other components and is analysed in view of the results and information collected in other parts of the diagnostic.

**Figure 9.** Main steps of national diagnoses



## 2. The preliminary steps (1-3)

161. The main goals of these first three steps are to bring together stakeholders involved in the formalization process, including the national statistical office. This is the opportunity to start mapping actors, assessing respective views and understanding of informality and formalization, and providing guidance and directions — based on international standards<sup>38</sup> — to bring people, as far as possible, to a common understanding of what is meant by informality and formalization. Finally, the analysis of main national priorities and on-going or planned policies, can influence the adoption of a particular focus for the formalization process. This first assessment of national priorities will be completed in step 7 (mapping and assessment of the current policies and general policy approach).

162. This is also the time to assess the situation at the country level regarding data: definition, data collection and analysis; and to identify gaps:

- the existence of national definitions of informal employment, informal sector and whether they are in line with statistical standards;
- the existence of surveys, issues covered, scope, periodicity;
- the capacity and practice in terms of analysis, dissemination and use of main results on the informal economy, notably for policy purposes to support the formalization process.

163. Those first steps include a series of sensitization/awareness raising activities on R204 and informality, including concepts, measurements and realities. This often takes place through a national workshop that brings together

<sup>38</sup> We refer here in particular to the ILO Recommendation concerning the transition from the informal to the formal economy R204, 104th International Labour Conference, Geneva, 2015 and, in the statistical domain, to the ILO Resolution concerning the measurement of employment in the informal sector, Fifteenth International Conference of Labour Statisticians (ICLS), Geneva, 1993, resolution of 1993 (ILO, 1993); and ILO Guidelines concerning a statistical definition of informal employment, Seventeenth International Conference of Labour Statisticians, Geneva, 2003 (ILO, 2003a).

actors<sup>39</sup> that will be active contributors to the diagnostic and, first and foremost, the main actors of the formalization process.

### 3. The core components of the diagnostic | Steps 4 to 7

164. The core components of the diagnostics (steps 4 to 7) may vary in scope and depth depending on the selection (or not) of priority sectors, groups of workers or of economic units before or at the end of the preliminary stage of the diagnostic.

#### Step 4 | Quantify the extent, nature and composition of the informal economy

165. The objective of step 4 in the diagnostic is to establish a profile of informal economy workers and economic units considering the gender perspective. This step is primarily quantitative in nature with an important role to be given to national statistical offices.<sup>40</sup>

166. The issues to be covered by main indicators focusing on informality can be framed within four main questions (these questions are discussed in section 2):

- i. **Question 1:** How many workers and how many economic units are in the informal economy and what are the prevalent forms of informality in the country? This includes measuring SDG indicator 8.3.1 and providing some elements about the composition of informal employment according to the type of production unit and status in employment.
- ii. **Question 2:** Identifying categories of workers and economic units that are most represented, i.e. that make up the largest proportions among those in informal employment or as part of the informal sector.
- iii. **Question 3:** Identifying categories of workers and economic units that are most exposed to the risk of informality. Adopting a workers' perspective includes indicators such as share of informal employment in total employment for different groups according to demographic and other personal characteristics and employment related features. From an enterprise perspective, this includes personal features of the owner and characteristics of the enterprise.
- iv. **Question 4:** Working conditions and living conditions in the informal economy. The assessment of working conditions includes indicators related to dimensions such as income security, employment security, working time, health and safety issues and levels of representation of workers and units. The assessment of living conditions includes notably poverty related indicators and access to social protection (beyond the scope of employment related social protection, explored in section 3). As far as enterprises are concerned, this can include the identification of some of the main constraints perceived by entrepreneurs.

167. On the basis of these four main questions (associated indicators and additional information), the aim is to be able to answer the following questions which have a direct link with policies:

- i. Who, how many /what proportion of workers (and economic units) call for:
  - the formal recognition of the employment relationship and employment (or even work-) agreements attached to effective social and labour protections. This concerns employees and some dependent contractors in informal employment in the formal sector or in households; unpaid trainees and volunteers in informal work in the formal sector;
  - the formalization of economic units, bringing them under the regulation with the advantages and obligations that this entails which includes the extension of the scope of fiscal, labour and social security regulation to all enterprises without exception regarding the size, sector or other criteria, the legal recognition and registration of enterprises and compliance with legal requirements. This concerns independent workers and some dependent contractors in the informal sector;

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<sup>39</sup> Actors include notably representatives from the Ministries in charge of labour, social protection, vocational training, economy, finance, SMEs, agriculture, the national statistical office and enforcement bodies; representatives from workers' and employers' organizations dealing with the informal economy; representatives from representative organizations of informal economic units and workers; representatives from multilateral and bilateral organizations and academics.

<sup>40</sup> Step 4 often requires the analysis of micro data from national labour survey, ideally by the national statistical office with the support from the ILO when necessary. This can involve particular training sessions to accompany the process and build capacities to ensure the regular monitoring of the formalization process.



- both formalization of economic units and jobs that concerns employees, some dependent contractors in informal employment in the informal sector;
  - a reduction in decent work deficits and a move to another status in employment in the case of contributing family workers.
- ii. Do workers in informal employment benefit from a certain level of protection (at the individual and household level). By contrast is formality attached to adequate levels of protection?
  - iii. Who are the workers and units with the potential to formalize in the short run and, by contrast, workers (and units) for which formalization is realistically not the best option in the short run but call for measures to create enabling conditions for (sustainable) formalization in the longer run.
168. The assessment should provide information disaggregated by sex, age and rural/urban location and any other factor of particular relevance at the national level and cover the latest available year and trends.
169. There is in addition a **fifth question** which relates to the prevention of the risk of informalization. This question refers primarily to formal workers and units but is also of importance when supporting a sustainable transition to formality. This relates as well to the capacity of the economy to create and retain formal jobs and units (further discussed in section 3).
170. As part of Step 4 and contributing to step 5 on the drivers of formalization, a broader quantitative assessment of the context should include indicators related to the economic context and structural features of the labour market. These indicators are not developed further in the following sections; they can be numerous but should cover at least:
- i. the composition of employment by employment status: the comparative analysis of the share of informal employment and the composition of employment by employment status shows that higher proportions of own-account workers and contributing family workers are associated with higher shares of informal employment at the national level;
  - ii. the composition of employment by sector: some sectors are typically more exposed to informality than others;
  - iii. The level of GDP per capita, GDP growth and the sectoral composition of GDP.
171. Finally, this particular phase of the diagnosis should be used to set the baseline for a subset of selected indicators to be assessed on a regular basis to monitor formalization progress. To this end, the diagnostic offers the opportunity to assess the national capacity to produce such statistics on a regular basis.

## Step 5 | Identify the main drivers of informality and formalization

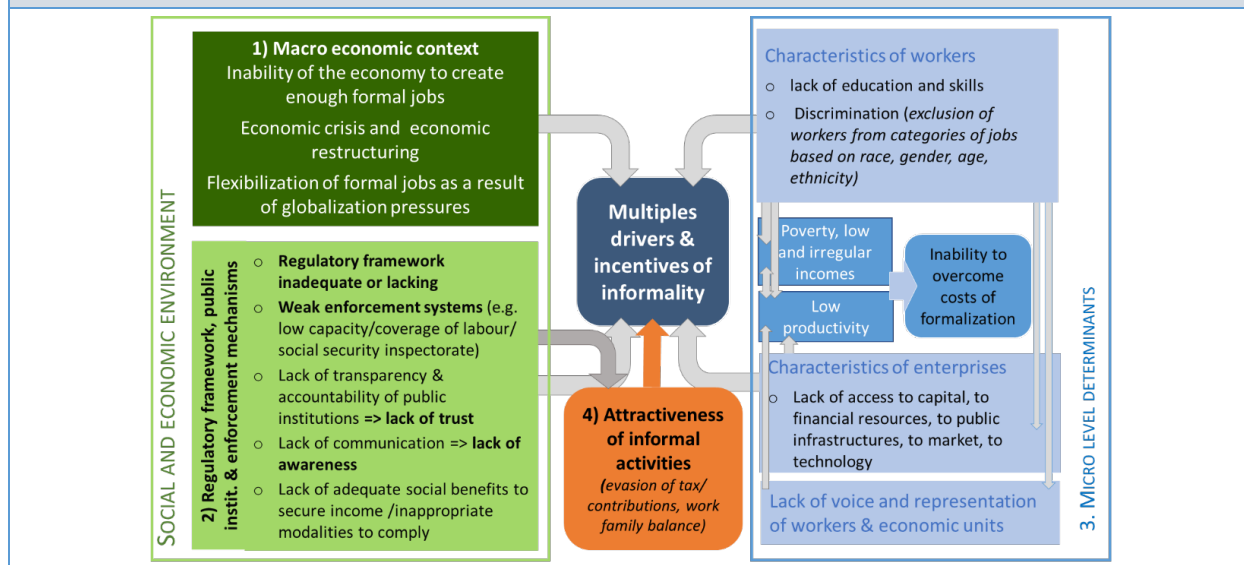
172. Drivers of informality are multiple and transcend the world of work (Figure 13). Not all of them can be quantified. They include drivers within the economic and social environment such as the inability of the economy to create sufficient formal jobs, economic fluctuations and shocks negatively affecting the world of work, an inadequate regulatory framework, a weak enforcement system or a lack of transparency and accountability (left hand side in figure 13). In addition, they include factors associated to some characteristics of workers and units as presented on the right-hand side in figure 10.
173. Drivers of informality can be transversal or specific. Transversal drivers of informality are those that relate to all (or a wide set) of manifestations of informality. A number of major determinants of informality beyond the world of work fall into this group such as the capacity of the economy to generate sufficient good quality, productive jobs, the functioning and incidence of labour market institutions. By contrast, specific drivers<sup>41</sup> of informality are those that relate to particular and identifiable groups of workers or economic units, often translating into certain manifestations of informality. Domestic workers for instance will face specific issues associated to the fact that

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<sup>41</sup> Explicit exclusion of domestic workers or agricultural workers from labour and social security law is an example. Specific regulations or exclusion from regulation for specific occupational groups, professions, sectors or types of enterprises fall into this group.

they work in private homes, not necessarily considered as a “real workplace”.<sup>42</sup> As part of the diagnostic, the main objective is to identify, at the country level, the most prevalent

**Figure 10.** The main drivers of informality



174. drivers of informality either transversal or specific to certain groups of workers or types of enterprises.

175. The analysis of drivers can be divided into 3 parts:

- i. The analysis of the effect of the economic environment, mentioned above.
- ii. A review of the legal and regulatory framework and its application. This aims at collecting information on how the existing framework limits or enhances the transition to formality. As part of the objectives, this review should seek for the identification of the sources of the deficit of protection (for workers and economic units). This will be further developed in section 3 (3.1) where a simplified framework is proposed.
- iii. The third part concerns the analysis of micro level determinants of informality or factors associated to some characteristics of workers or units that can make it difficult for them to access formality (formal employment or formal sector). This includes factors such as a low level of education, discrimination, poverty, a lack of voice and representation, of access to credit, to services or to markets. Some of those micro level determinants can be quantified and provided under step 4 (indicators proposed in section 2).

176. The review of the legal and regulatory framework and its application includes for instance: i) the inventory of what is in place and what are the gaps within the legal frameworks; ii) the assessment of legal provisions and the adequacy of the regulatory framework; iii) the assessment of enforcement systems, including labour, social security and tax inspections and the effective implementation of legal provisions; iv) the degree of transparency and accountability of public institutions and the associated trusts from workers and entrepreneurs; v) the assessment of the level of protection including the ability of social transfers to secure income or of the adequacy of compliance modalities.

177. The main objective is then to identify major gaps in the legislation and workers and economic units most affected; issues in terms of levels (legal) of protection provided; strengths and weaknesses of existing compliance mechanisms; governance issues on the institutional side and awareness and perceptions on the workers and enterprises side. Some of this information is used to understand and interpret some of the indicators in step 4 (notably on working conditions).

<sup>42</sup> Ample examples of specific drivers of informality for domestic workers can be found in ILO. 2016. These include some cultural and common beliefs that what happens within the household is a private matter and outside State regulation; the privacy of the household is sacrosanct, and regarded as off-limits to labour inspectors and domestic workers are not considered as employees, but rather as a “member of the family”.

## Step 6 | Mapping of actors and of coordination mechanism(s) in place, if any

178. This component contributes directly to Step 7 that deals with the identification and assessment of policies and policy approaches. In order to ensure a participatory, inclusive process in line with R204, the mapping of actors should be comprehensive and include members active in the formalization process from:

- i. The Government: Ministries, institutions, agencies involved, directly or indirectly, in the formalisation issues at the national, regional or local levels;
- ii. Social partners, i.e. workers and employers' organizations; main organizations of the informal economy (representative of economic units, workers, specific occupations or sectors); professional organizations, etc.;
- iii. Non-governmental actors both international and national.

179. The mapping of actors should notably include some information regarding:

- i. the type(s) of informality dimensions covered (e.g. fiscal issues; social security and labour law; effective implementation; other); formalisation versus reduction of decent work deficits;
- ii. the main target group(s), e.g. SMEs, self-employed or employees, specific sectors;
- iii. the main realizations and programmes: past, current and planned (linked to step 7);
- iv. their visions on informality and interest in the formalization process;
- v. their role in the formulation process and implementation of policies and programmes related to informal economy, reduction of decent work deficits and formalisation; and the role that could be envisaged, their political strength at the national level;
- vi. their technical and financial capacities and needs for improving their action.

180. The coordination between actors, i.e. between several ministerial departments and other public institutions, is a necessary condition for the effective implementation of an integrated approach. To this end, the objective is also to identify whether there is a formalized coordination mechanism in place in the country or otherwise some informal coordination mechanisms between the different actors, programmes and policies. The objective is also to identify factors, in the current institutional setting, that represent constraints and obstacles to an effective coordination.

## Step 7 | The identification and assessment of current policy approach to reduce decent work deficits in the informal economy and to facilitate transition to formality

181. There is a broad diversity of possible interventions across a large range of policy areas. The objective is not to get a detailed description of all single programmes but rather to identify main policies and programmes, main policy approaches, gaps and space for improvements and also main promising initiatives to build on. To do so, the mapping of policy measures can be structured along different criteria such as the type of measures in terms of policy approach (e.g. incentives or sanctions and assessment on whether there is a balanced approach between the two); main policy areas (e.g. social security; enterprise formalization; social dialogue; etc.); target groups (e.g. undeclared workers, MSMEs, street vendors); etc.

182. The objectives of this component are to:

- i. Assess if and how the reduction of decent work deficits in the informal economy and the transition to formality are part of main national strategic policy frameworks such as national development plans, poverty reduction strategies, budgets or subject to particular policies;
- ii. Identify and map existing policy measures, including deterrence measures (penalties and measures to improve detection) or measures to enhance compliance (curative and preventive measures and measures that foster commitment to formality) and, if possible, financial resources invested;
- iii. Get a better understanding of the main approach(es) opted with regard to formalization (including reduction of decent work deficits); and possible shifts in the type of policies adopted;
- iv. Collect evidence (and any evaluations) when available on the effectiveness of measures aiming at facilitating the transition of workers and economic units from the informal to the formal economy; promoting the creation, preservation and sustainability of enterprises and decent jobs in the formal economy; and/or preventing informalization.

## 4. Post diagnostic phase | Steps 8 to 10

183. The three final steps cover the tripartite validation of results, the definition of priorities and the definition of an action plan (or action plans) and a road map(s) with a sequencing of activities and definition of responsibilities. The validation of results and the endorsement of the diagnostic report by the Government and the social partners in a high-level tripartite validation meeting is a necessary condition for the process to be carried out further by national actors: the design of a National Action Plan with policy recommendations, respective roles and responsibilities and sequencing. The participative approach adopted throughout the diagnostic process, the establishment of a working group and the compilation of information and data from and by national actors through nationally trusted sources and according to agreed definitions can be seen as elements favourable to this national endorsement.