



**UN-ESCWA Expert Group Meeting on Labour Statistics**  
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**Session 1:**

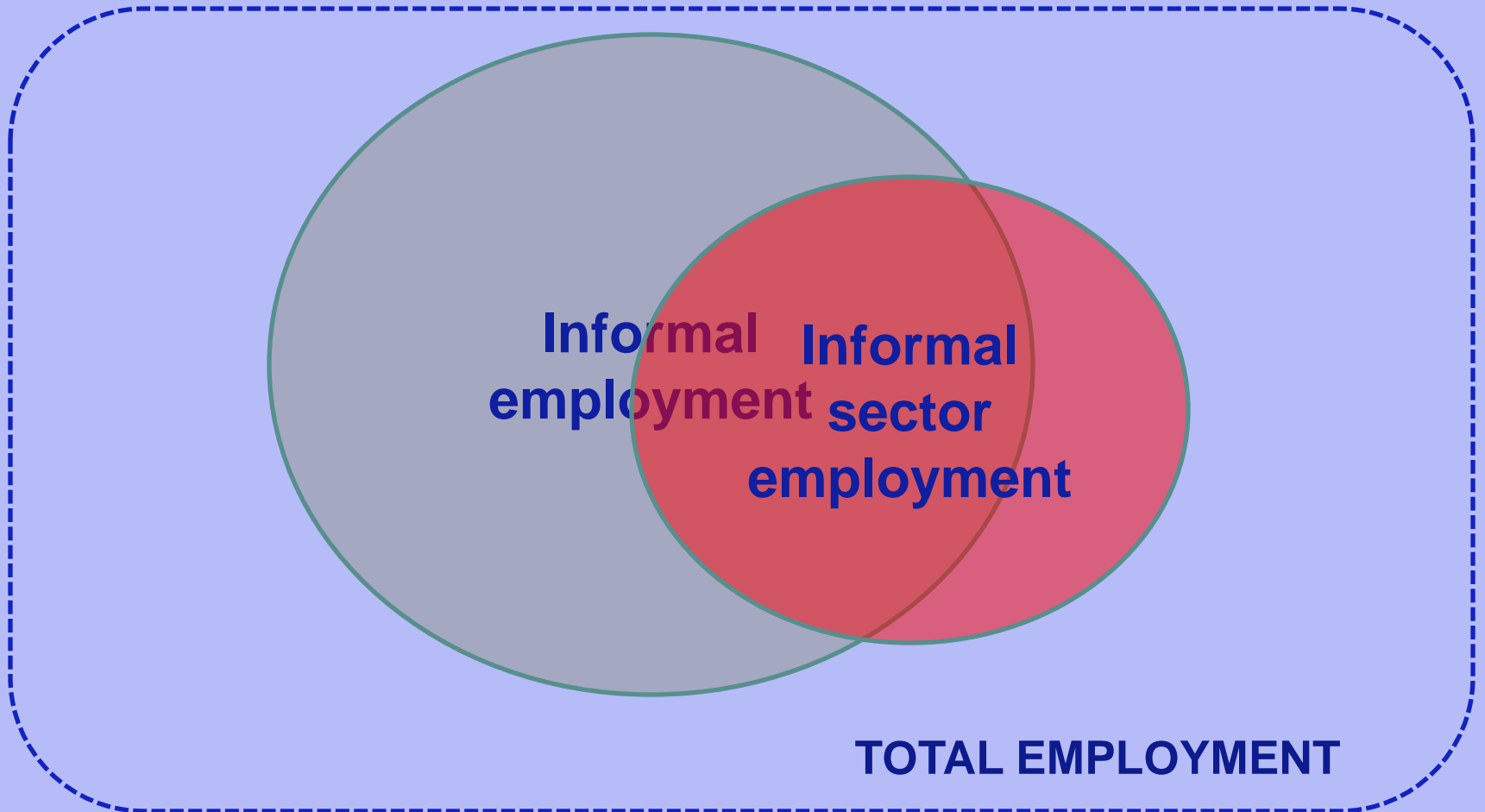
**MEASUREMENT OF EMPLOYMENT IN THE  
INFORMAL ECONOMY AND  
LABOUR UNDERUTILIZATION**

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# Employment in the informal economy

- ❖ Refers to two concepts:
  - Employment in the informal sector
  - Informal employment
- ❖ Related concepts that complement each other but are different
- ❖ Refer to different aspects of the informalisation of employment
- ❖ Important to keep them separate for measurement, analysis, and policymaking purposes

# Employment in the informal economy



# Conceptual framework: Employment in the informal economy

Production units	Informal jobs	Formal jobs
Informal sector enterprises	A	B
Other units of production	C	D

<b>Employment in the informal sector:</b>	<b>A + B</b>
<b>Informal employment:</b>	<b>A + C</b>
<b>Informal employment outside the informal sector:</b>	<b>C</b>
<b>Employment in the informal economy:</b>	<b>A + B + C</b>

# International standards

- ❖ Resolution concerning statistics of employment in the informal sector (15th ICLS, 1993)
- ❖ Guidelines concerning a statistical definition of informal employment (17th ICLS, 2003)

# Employment in the informal economy

- Employment in the informal sector
  - ❖ Enterprise-based concept
  
- Informal employment
  - ❖ Job-based concept

# Employment in the informal sector

- ❖ All jobs in informal sector enterprises, or all persons who, during a given reference period, were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job

# Informal Sector Enterprises

- ❖ Private unincorporated enterprises: i.e. owned by households, not constituted as separate legal entities independently of their owners, with no complete sets of accounts
- ❖ With some market output
- ❖ *\*Engaged in non-agricultural activities, including secondary non-agricultural activities of enterprises in the agricultural sector*
- ❖ Small: establishment size in terms of employment below a certain threshold (less than 5 employees, for international reporting)
- **and/or** enterprise not registered,
- **and/or** employees (if any) of the enterprise not registered.

\* For practical reason



# Informal sector enterprises

<b>Household enterprises</b>		
	<b>Own-account enterprises</b>	<b>Enterprises of employers</b>
<b>Informal sector enterprises</b>	Informal own-account enterprises	Enterprises of informal employers
<b>Other household enterprises</b>	Other own-account enterprises	Other enterprises of employers

## Summary: Criteria of the definition of informal sector enterprises (15th ICLS):

Criterion	Purpose
1. <b><u>Legal organization:</u></b> enterprise not constituted as a legal entity separate from its owner(s)	Identification of unincorporated enterprises
2. <b><u>Ownership:</u></b> enterprise owned and controlled by member(s) of household(s)	Identification of household unincorporated enterprises
3. <b><u>Type of accounts:</u></b> no complete set of accounts including balance sheets	Exclusion of quasi-corporations from household unincorporated enterprises
4. <b><u>Product destination:</u></b> at least some market output	Exclusion of household unincorporated enterprises producing goods exclusively for own final use by the household
5. <b><u>Kind of economic activity</u></b>	Exclusion of households employing paid domestic workers; possible exclusion of enterprises engaged in agricultural and related activities
6.1 <b><u>Number of persons engaged/</u></b> employees / employees employed on a continuous basis: less than n <b>AND/OR</b> 6.2 <b><u>Non-registration of the enterprise</u></b> <b>AND/OR</b> 6.3 <b><u>Non-registration of the employees of the enterprise</u></b>	Identification of informal sector enterprises as a subset of household unincorporated market enterprises

# When to use LFS and ISS to measure informal sector employment

## ❖ Use labour force survey

- When objective is to monitor informal sector employment: number & characteristics of persons involved, conditions of employment & work
- Periodicity: annual or more frequent (if possible)

## ❖ Use informal sector survey (enterprise-based surveys) or mixed household enterprise surveys

- When objective is to measure number & characteristics of IS enterprises: employment, production, income generation, organisation & functioning, constraints & potentials, etc.
- Periodicity: every 5 years (if possible).

# Example 1: Sample questions

Q18. In which sector were you employed?

*Read*

- Government ..... 1  Q20
- State-owned enterprise (e.g. TVTL, EDTL) ..... 2  Q20
- Privately-owned business or farm ..... 3
- Non-governmental/non-profit organization ..... 4  Q20
- Private household ..... 5  Q20
- Embassies and bilateral institutions (e.g. USAID, CIDA) ..... 6  Q20
- United Nations and other international org. .... 7  Q20
- Other (specify): \_\_\_\_\_ 8  Q20

legal organization  
and ownership  
(employees only)

Q19. Was your business/farm (or the business/farm where you worked) registered at the Ministry of Justice?

- Yes ..... 1
- Is in the process of being registered ..... 2
- No ..... 3
- Do not know ..... 4

Non-registration of enterprise  
(all)

**Recommendations for treatment of response options to Q19:**

**Q19=1 (registered, formal sector)**

**Q19=2 or 3 (not-registered, informal sector)**

# Example 2: Moldova LFS

## 23. Where is your place of work?

- At your home..... 1
- At the client's or employer's home..... 2
- Enterprise, plant, factory, office, shop, workshop etc. (separate from the house)..... 3
- On a farm or agricultural plot..... 4
- Construction site..... 5
- Fixed stall in the market or on the street ..... 6
- Without fixed location..... 7
- Other \_\_\_\_\_ 8

Type of workplace  
(all, analytical)

PLAS

## 24. Was your main activity carried out at...?

- An enterprise, organization, institution (as a legal entity)..... 1
- Private agricultural enterprise (farm)..... 2
- Private enterprise; private notaries' or lawyers' office, partnership (without the right of a legal entity) ..... 3
- Individual work activity..... 4

Legal org/ownership  
(all)

- Paid domestic workers employed by households (activity 95)..... 5
- Auxiliary household ..... 6
- I don't know..... 7

FOJ

## 25. Was the enterprise where you worked registered?

- Yes..... 1
- Is being registered..... 2
- No..... 3
- I don't know..... 4

REGIS

Registration  
(all)

## 30. How many persons work at the enterprise (establishment) including yourself?

- 1-4 ..... 1
- 5-9..... 2
- 10-19..... 3
- 20-49..... 4
- 50-99..... 5
- 100-199..... 6
- 200 and more..... 7
- more than 9 persons..... 8
- I don't know..... 9

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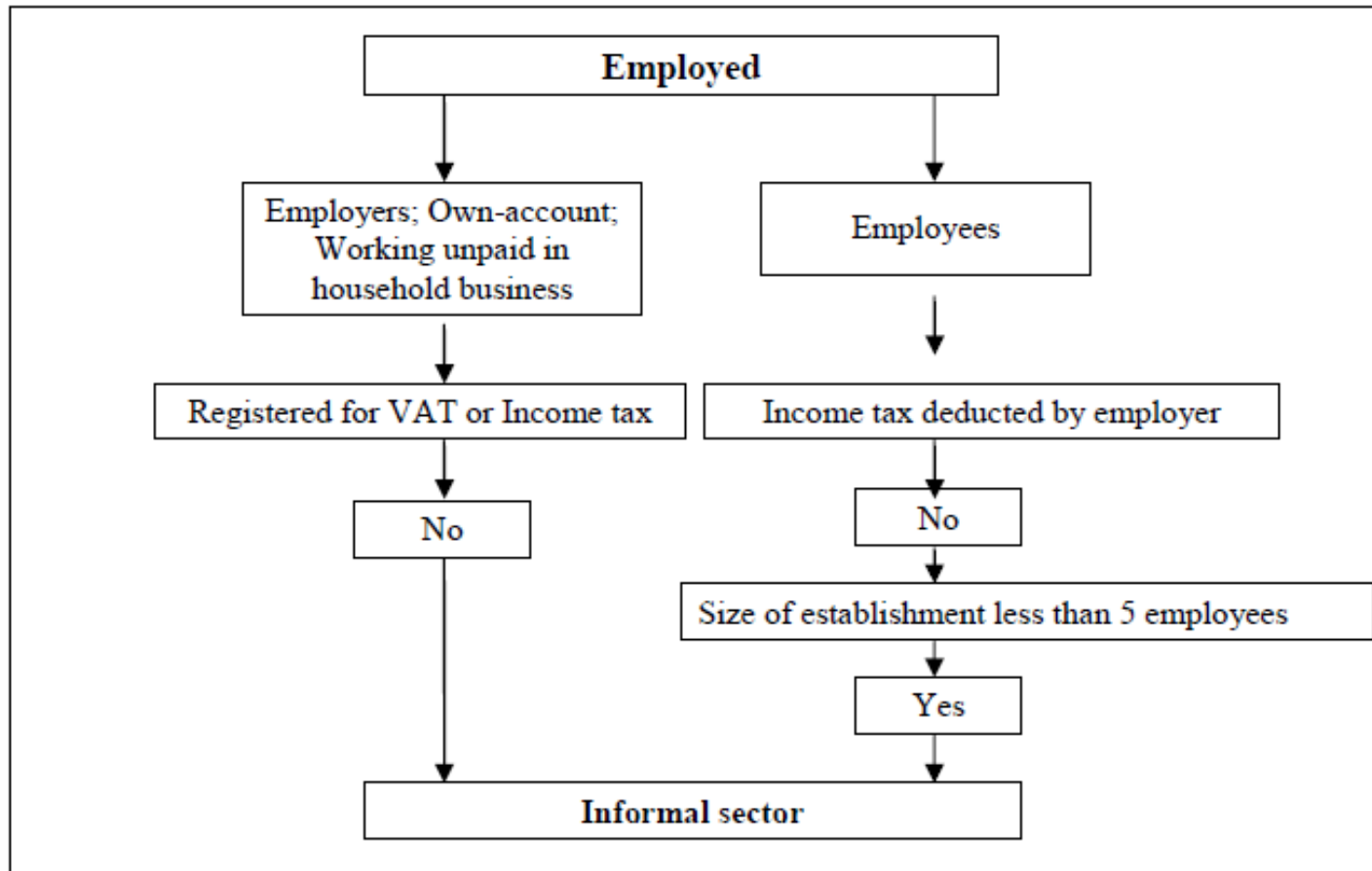
Size (all, analytical)

**National definition: Informal sector enterprises are defined as unincorporated enterprises (i.e. enterprises lacking the status of a legal person), which are not registered. Persons engaged in the production of agricultural goods exclusively for own consumption by their household, as well as households employing paid domestic employees, are excluded.**

**Q24=(3 or 4) & Q25=(2 or 3) & Q25=(4, if self-employed)**

# Example 3: South Africa QLFS

Figure 4.2 Two track approach to identify persons employed in the informal sector (Quarterly Labour Force Survey, South Africa)



# Informal employment

- ❖ Total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households (paid domestic workers, goods production for own-consumption), during a given reference period:
  - Informal employment refers to those jobs that generally lack basic social or legal protection or employment benefits.
  - Employees have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.)

# Conceptual framework for informal employment (17<sup>th</sup> ICLS)

- **Observation unit for employment:** Jobs rather than employed persons (reason: existence of multiple jobholding)\*
- **Approach:** Total employment classified by
  - (i) type of production unit; and
  - (ii) type of job

\* However, in practice we use the HH-based survey which measures persons employed; more specifically, we consider persons employed in their main job.



# Production units by type

- **Formal sector enterprises:** corporations (incl. quasi-corporate enterprises), non-profit institutions, government units including unincorporated enterprises own by governments, and those private unincorporated enterprises producing goods or services for sale or barter which are not part of the IS.
- **Informal sector enterprises:** as defined by 15th ICLS, excluding households employing paid domestic workers.
- **Households:** households producing goods exclusively for their own final use, and households employing paid domestic workers.

Production units by type	Jobs by status in employment								
	Own-account worker (OAW)		Employers		Contributing family member (CFW)	Employees		Members of producers' cooperatives (MPC)	
	I	F	I	F	I	I	F	I	F
Formal Sector Enterp.					<b>1</b>	<b>2</b>			
Informal Sector Enterp.	<b>3</b>		<b>4</b>		<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	
Households	<b>9</b>					<b>10</b>			

# Type of cells

## ❖ Black

- Jobs that, by definition, do not exist (e.g. contributing family workers in household non-market production units)

## ❖ Grey

- Formal jobs (e.g. employees holding formal jobs in formal sector enterprises)

## ❖ Light

- Informal jobs

# Definition of informal employment (17<sup>th</sup> ICLS)

Total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households, during a given reference period

Production units by type	Jobs by status in employment								
	OAW		Employers		CFW	Employees		MPC	
	I	F	I	F	I	I	F	I	F
Formal Sector Enterp.					<b>1</b>	<b>2</b>			
Informal Sector Enterp.	<b>3</b>		<b>4</b>		<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	
Hholds	<b>9</b>					<b>10</b>			

**Informal Employment=**

**Cells 1 + 2 + 3 + 4 + 5 + 6 + 8 + 9 + 10**

# Measurement of Informal employment

- ❖ Best source: Household surveys (LFS)
- ❖ Questions needed:
  - Questions to identify informal jobs of employees
  - All others: Classification of jobs as informal follows directly from the status in employment of the job and/or the characteristics of the enterprise
  - Questions to identify IS employment

**Note: Questions also needed for informal jobs held by OAW, employers and MPC in agriculture**

# Example: Moldova LFS

<p><b>18. Does your employer pay contributions to the pension fund, health insurance and unemployment fund for you?</b></p> <ul style="list-style-type: none"><li>• Yes, sure..... 1</li><li>• Possibly..... 2</li><li>• No..... 3</li><li>• I don't know..... 4</li></ul> <p style="text-align: right;">CONTRIB</p>
<p><b>19. Do you benefit from paid annual leave or compensation for unused leave?</b></p> <ul style="list-style-type: none"><li>• Yes..... 1</li><li>• No..... 2</li><li>• I don't know..... 3</li></ul> <p style="text-align: right;">CONAN</p>
<p><b>20. Would you benefit from paid sick leave in case of illness?</b></p> <ul style="list-style-type: none"><li>• Yes..... 1</li><li>• No..... 2</li><li>• I don't know..... 3</li></ul> <p style="text-align: right;">CONBO</p>

**Employees are considered to have informal jobs if the answer to any of the questions Q18, Q19 or Q20 is ' no '.**

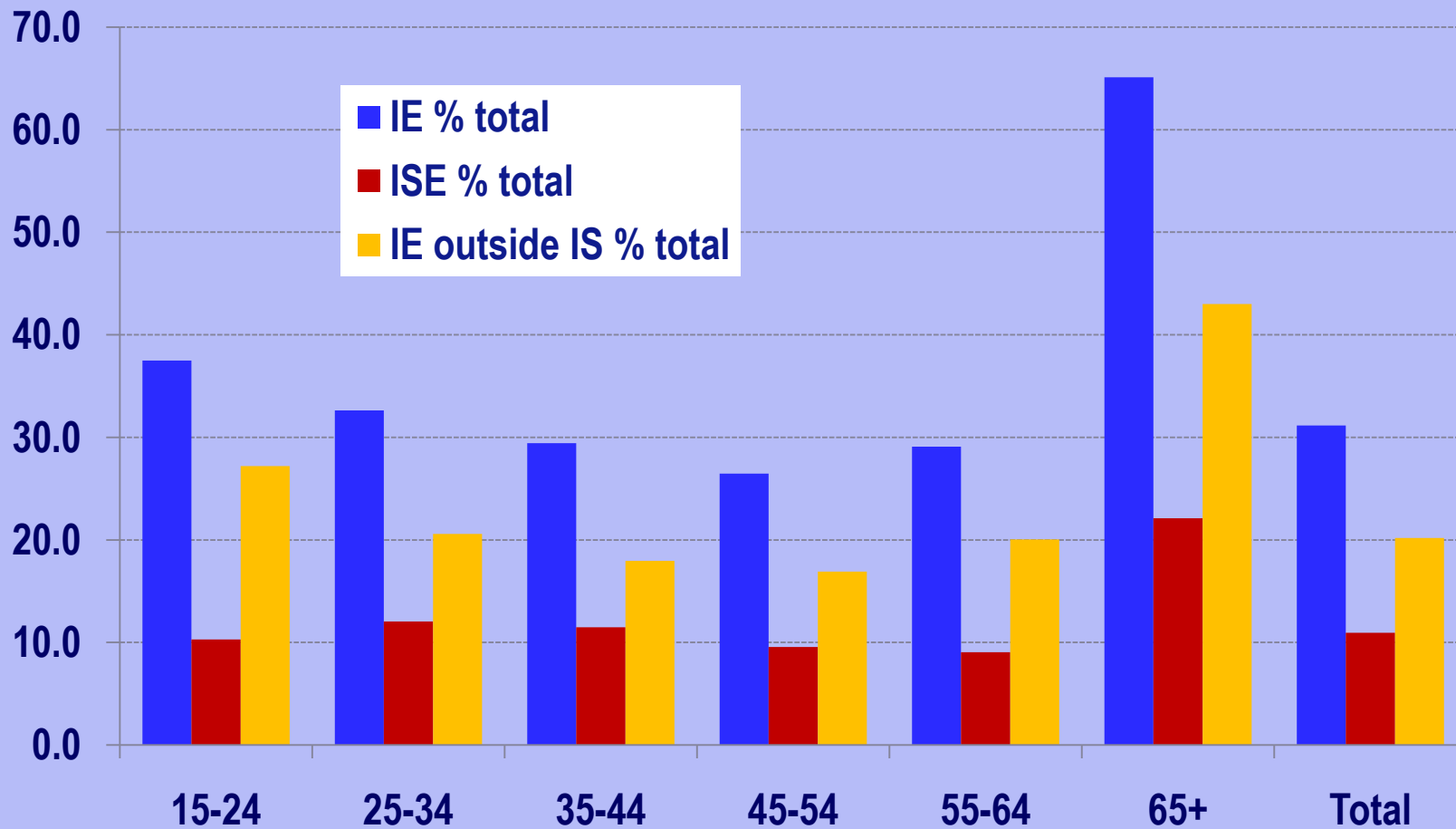
# Employment in the informal economy

## ❖ 3 key indicators:

- Informal employment as % of total employment
  - Informal sector employment as % of total employment
  - Informal employment outside the informal sector as % of total employment
- ✓ The above to be calculated separately for all branches of economic activity and excluding agriculture



# Informal sector employment and informal employment: Moldova 2009 LFS



# Measurement of labour underutilization

## ❖ Nov-Dec 2008: 18<sup>th</sup> ICLS

- *Resolution III concerning the development of measures of labour underutilization*
- Seminar on Employment & Unemployment Statistics: Revisiting the relevance & conceptual basis of the statistics

## ❖ Dec 2009: ILO Technical workshop on the development of measures of labour underutilization

- Creation of WG
- Agreement on WG Terms of Reference

## ❖ May 2010: Launch of WG for the Advancement of Employment and Unemployment Statistics

# Purpose

- ❖ To be submitted to the 19th ICLS for consideration and possible adoption:
  - Draft international statistical standard on (a) measure(s) of labour underutilization to supplement the unemployment rate
  - Draft recommendations for a possible revision or supplementation of the 13<sup>th</sup> ICLS (1982) *Resolution on statistics of the economically active population, employment, unemployment and underemployment*

# Unemployment rate

- ❖ Originally defined for use in macroeconomic analysis
  - Concept of unemployment intended to reflect a situation of complete lack of work
  - To ensure that employment is defined as work for at least one hour
  - Necessary to link all labour input (employment) with production
  - Main indicator of labour market performance
  - Considered to be a sign of deficiency in the use of labour resources

# Unemployment rate: Main criticisms (1)

## ❖ From economic perspective

- Criticised for failing to capture labour market downturns in all contexts as people's responses during downturns depend on specific circumstances:
  - ✓ Availability of unemployment or social insurance schemes
  - ✓ Channels and opportunities for seeking employment

## Unemployment rate: Main criticisms (2)

Context	Common responses	U. rate
Developed	Employed → Unemployed (however, since last decade does not fully capture the real labour slack)	High
Developing	Employed → Reduction in work hours/pay Take any available job Create work (self-employed) Not economically active	Low

**Limited relevance as an indicator of labour market performance in developing countries**

# Unemployment rate: Main criticisms (3)

## ❖ From social perspective

- Does not fit with people's perception of lack of work (often thought in terms of poor employment situation)
- Criticised for failing to capture the economic hardship experienced by workers
- Limited use as an indicator of economic well-being or as an indicator that people's aspirations for work are met

**Criticisms more targeted to concept of employment (i.e. marginal, precarious employment)**

# Unemployment rate: Main criticisms (4)

- No single indicator can capture the complexity of labour markets
- Unemployment as total lack of work is an indicator necessary for macroeconomic analysis
- Used by vast majority of countries, needed for continuity of long time-series and comparability
- Need for a more comprehensive measure of labour underutilization to supplement the unemployment rate

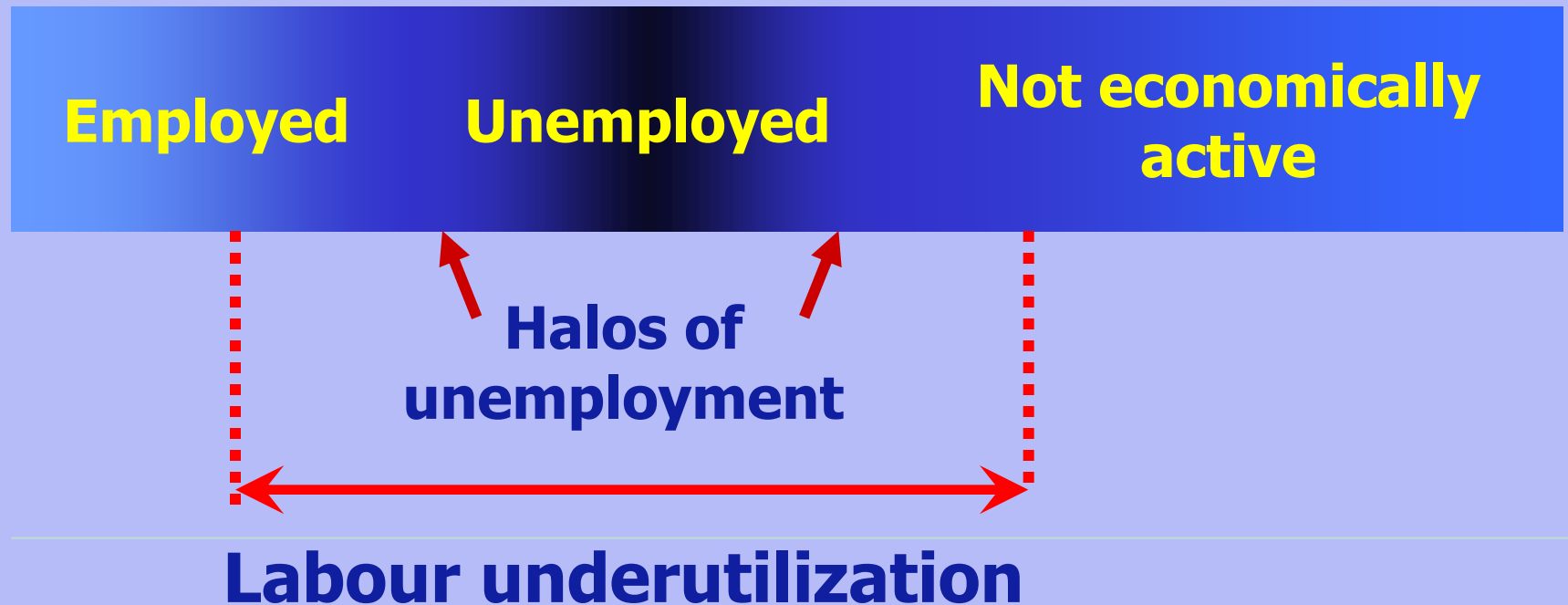


# Labour underutilization

- ❖ Broad concept that captures various major employment problems (“mal-employment”)
  - Fully consistent with labour force framework
  - Builds on existing related concepts
- ❖ To be used as a supplementary measure to the unemployment rate
  - Single composite indicator
  - Can be broken down into its components for deeper analysis
- ❖ To be reported along with unemployment rate

# Labour force framework and labour underutilization

- Labour force as a continuum



# Example: Underemployment

- ❖ Complements statistics of employment and unemployment
- ❖ Is part of and consistent with the **LABOUR FORCE FRAMEWORK**
  - Uses “**labour** supply” approach: based on actual capacities and desires of workers, as expressed by workers
    - Not based on theoretical models about the potential capacities and desires of workers
- ❖ Affects persons in employment
- ❖ Reflects the underutilisation of productive capacity of workers

# Underemployment in the Labour Force Framework

	<b>WILLING AND ABLE</b>	<b>NOT WILLING OR NOT ABLE</b>
<b>WORKING</b>	UNDEREMPLOYED	EMPLOYED
<b>NOT WORKING</b>	UNEMPLOYED	INACTIVE

# Current International Definitions (16TH ICLS)

## GENERAL DEFINITION :

- underutilisation of the productive capacity of the employed population
- in relation to an alternative employment situation
- in which persons are willing and able to engage

## TIME-RELATED UNDEREMPLOYMENT:

- when hours of work are insufficient
- in relation to an alternative employment situation

## INADEQUATE EMPLOYMENT SITUATIONS :

- when capacities and well being of workers are affected
- in relation to an alternative employment situation
- in areas such as: mismatch of occupational skills, income, excessive hours, precarious job, etc.

# Time-related Underemployment

## WILLING TO WORK ADDITIONAL HOURS :

- wants another job (or jobs)... in addition/as replacement
- wants more hours in the same job
- has actively sought to work additional hours

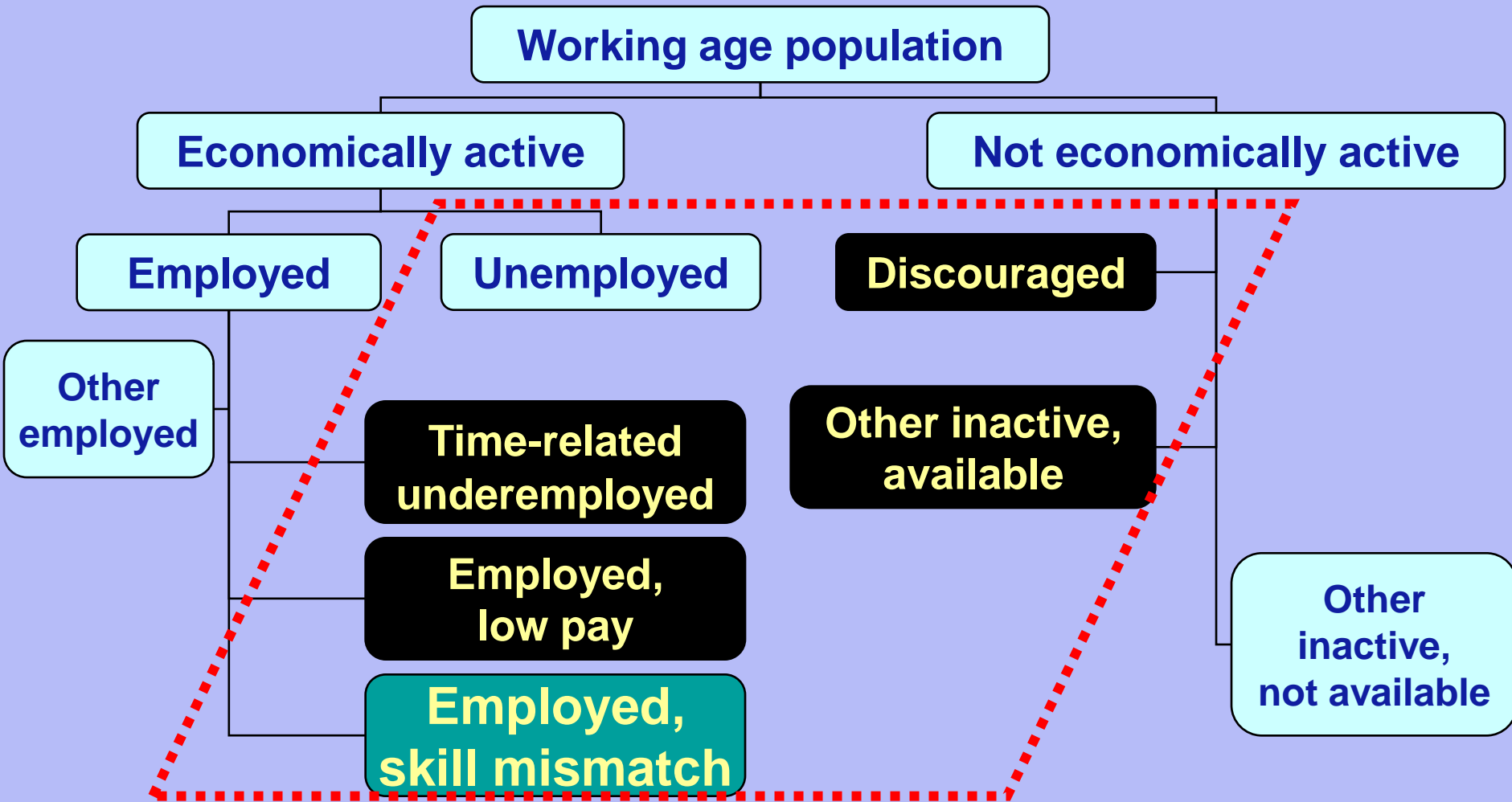
## AVAILABLE TO WORK ADDITIONAL HOURS :

- is ready to work additional hours
- within a specified subsequent period
- given opportunities to work additional hours

## WORKED LESS THAN A THRESHOLD RELATING TO WORKING TIME :

- hours actually worked in all jobs are below threshold
- threshold: boundary between full-time and part-time work/median values, averages or legal norms.

# Labour underutilization within labour force framework





Thank you for your attention!