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Items for discussion and decision: informal economy statistics

Background document

Available in English only

Report of International Labour Organization on informal economy statistics

Prepared by the International Labour Organization

I. Introduction

1. This background document provides additional details on the new informality statistics framework presented in the report of the International Labour Organization on informal economy statistics.

2. The first annex gives an overview of countries data coverage and the criteria used by countries to define the informal sector and informal employment. It is based on an assessment of national microdata sets collated for ILOSTAT as well as a global consultation on national practices in informality statistics conducted by the ILO. It highlights that while many countries are measuring the informal sector and informal employment, there are still important data gaps among OECD countries. It points at a convergence among countries around the main criteria used for operationalizing the different statistical concepts.

3. The second annex describes the key issues to be addressed in the revision of the current statistical standards on informality. This includes aligning the statistical framework to changes in labour statistics standards following the 19th and 20th ICLS, as well as issues with the current standards that need to be addressed. The annex is intended to give a more in-depth explanation and background to the proposals in the new framework.

4. The third annex provides more detailed definitions of the statistical concepts in the new framework. This includes improved definitions for existing concepts such as the operational definitions of informal jobs, the informal sector, formal sector and household and community sector. The annex also includes proposed definitions for new concepts, such as the informal economy, informal market economy and informal unpaid work. The definitions as presented reflect outcomes of the latest discussions in the ILO working group and will not be finalized until the 21st ICLS in 2023.

5. The fourth and final annex gives an overview of the work to develop guidance and tools to support implementation of the new conceptual framework for informality after the 21st ICLS. The project that is combined with research on the demand for and uses of gender data on informality includes cognitive and quantitative testing. This will generate evidence to guide and support countries to improve informality statistics for gender-sensitive policy and decision-making.

II. Annex 1. Global consultation on national practices related to statistics of informality

6. Many countries now have data on informal employment and employment in the informal sector. The ILO recently processed microdata for more than 100 countries representing more than 90 per cent of the world's employed population aged 15 years and older to produce global and regional estimates of informal employment and employment in the informal sector (ILO, 2018a). Not all these countries include the collection of such data as measurement objectives and improvements of the information collected could be made to better align it with the international definitions of informal sector and informal employment. Nor do all of them report data on these concepts. Nevertheless, they all have the minimum data needed to estimate the operational definitions of informal employment and informal sector.

7. The microdata is based on different types of household surveys, such as labour force surveys, income and living conditions surveys between 2003 and 2016 (ILO, 2018b, appendix A.2). An assessment of the availability of criteria for the 112 countries for which estimates could be produced points at a gap of criteria to define informal household market enterprises as part of identifying the informal sector, only half of the countries included the key criterion of registration of the business. The criteria concerning the definition of informal jobs among employees were more frequently included. All countries, except for two, had included the key criterion of employer's contributions to social security and more than half of the countries had information on entitlements or benefits from annual paid leave.

8. To review country practices of defining informal employment, the ILO circulated a questionnaire in 2018 to establish the data coverage and criteria used by countries to define employment in the informal sector and informal employment. Of the 107 countries that responded, 67 stated that informality had been measured to some extent at least once in the last 10 years, see table 1. Household surveys are the most frequently used survey type for collecting this information. Only 3 countries stated that they had used another source, such as a mixed survey or an establishment survey, in the most recent measurement (ILO, 2018a).

Table 1. Direct measurement of informal employment in the last 10 years

Region	Have measured	Have not measured	Total
Africa	17	2	19
Americas	18	4	22
Arab States	5	1	6
Asia and the Pacific	10	6	16
Europe and Central Asia	17	27	44
Total	67	40	107
OECD	5	16	21
Source: ILO, 2018a			

9. The direct measurement of informal employment is especially low among developed countries, as reflected by the fact that only five of the 21 Organisation for Economic Co-operation and Development (OECD) countries that responded to the questionnaire stated that they had measured informality directly in the last 10 years. As noted above, some countries do collect information that can be used to estimate informal employment and employment in the informal sector even though its primary objective is not to measure informality. This is especially common among developed countries, suggesting that informality is also relevant in those countries.

10. The coverage of informality and of what is included and excluded differs across countries, in relation to whether agriculture is included in the measurement or not. Among the 67 countries that had measured informal employment within the last 10 years one third excluded agriculture workers from the

scope of informality, which limits the possibilities for analysing, assessing, and understanding informality (ILO, 2018a).

11. The current statistical definition of the informal sector and informal employment includes a relatively high degree of flexibility for countries to operationalize the definition i.e., to choose which operational criteria to use taken their national context into account. This was a consequence from that countries had little experience of measuring informality at the time of the adoption of the resolution and the guidelines. Flexibility was therefore needed to allow countries to start measuring the informal sector and informal employment and by that gain experience. This flexibility has led to a situation where countries historically have used slightly different criteria in slightly different combinations. However, when assessing the criteria currently used by countries for defining respectively the informal sector and informal employment countries today tend to use a similar set of criteria. This can be viewed as convergence among countries towards a more harmonized approach.

12. Countries are typically using multiple criteria for defining the informal sector and registration is the key criteria. Fifty-one of the sixty-three countries measuring the informal sector either directly (for example through a mixed survey) or as part of measuring informal employment used registration as part of defining the informal sector. Only nine countries used a threshold of size of the enterprise without also including registration to separate between the informal and formal sector (ILO, 2018a). In other words, only few countries use the current option in the 15th ICLS resolution concerning statistics on employment in the informal sector to use size of the enterprise as criterion instead of using registrations.

13. Similar when assessing how countries defines informal employment among employees there seems like countries are converging in the criteria to use. There is a strong preference among countries to use employer's contribution to social insurance as a main criterion for the operationalization of the definition of informal jobs held by employees. Only eight countries out of the fifty-four did not include this criterion at all in their operational definition. This criterion is typically combined with existence of a written contract, paid annual leave, and paid sick leave. 15 countries use additional criteria such as payment of income tax, the possibility to be fired without notice or receiving of a thirteenth month salary (ILO, 2018a).

III. Annex 2. Identified key issues to be addressed in the revision

14. As part of the preparations for the 20th ICLS ILO carried out an assessment of the current statistical standards to identify key areas to be addressed in a revision (ILO, 2018a). This included how the statistical framework on informality needed to be adjusted to be aligned to the changes of the statistical labour standards that has been taken place during the 19th ICLS and 20th ICLS.

15. The adoption of 19th ICLS Resolution concerning statistics on work, employment and labour underutilization (hereafter 19th ICLS resolution I) changed the foundation of the 17th ICLS guidelines concerning statistics on informal employment, which are based on the previous definition of employment. The introduction of the concept of work and the five forms of work - own-use production work, employment, unpaid trainee work, volunteer work and other work activities - broadens the scope of labour statistics and highlights the different forms of unpaid work. At the same time, employment as a concept is narrower and more attached to remuneration.

16. The concept of informal employment as defined by the 17th ICLS guidelines concerning a statistical definition of informal employment is naturally not aligned to these important changes. The concept as currently defined, includes activities such as own-use production work, organization-based volunteer work, unpaid trainee work, i.e., activities within the SNA production boundaries that are not carried out for pay or profit and therefore not included in employment as defined by the 19th ICLS resolution I. At the same time the current statistical framework of informality does not address activities outside the SNA production boundary but within the SNA general production boundary such as own-use provision of services which forms part of the broader concept of work and has important gender implications.

17. The adoption of the 19th ICLS resolution I do not have any major impact on the definition of the informal sector. More generally, however, it does point at a gap in the current standards that only directly defines the informal sector. The formal sector can be indirectly derived while the third sector or domain i.e., households is not explicitly addressed in the standards. This issue is to some extent addressed in 17th ICLS guidelines concerning a statistical definition of informal employment however, the need to more explicit create three different sectors as well as addressing how production and work within the SNA general production boundary that is not carried out with the intention to generate pay or profit, relates to the concept of informality has become essential to create a comprehensive set of statistical standards. The broad scope of what can potentially be regarded as informal productive activities calls for a comprehensive framework of the informal economy that not only defines the boundaries of informality but also statistically clarifies how informality should be statistically understood, what are the relevant concepts to measure and how are these different concepts linked to each other.

18. Due to the re-definition of employment and the introduction of the statistical concept of work it became necessary to update the international classification of status in employment (ICSE-93). This work resulted in the Resolution concerning statistics of work relationships adopted at the 20th ICLS (ILO, 2018c). The classification of status in employment is an integrated part of the definition of informal employment that builds on the workers status in employment as defined by ICSE. The changes that took place with the new classification in employment (ICSE-18) have in general a limited impact on the definition of informal employment. However, one important change that has an impact is the introduction of dependent contractors, which is a new category of status in employment.

19. Dependent contractors are workers who share characteristics with independent workers as well as dependent workers. In common with many independent workers, they are in employment for profit and have contractual arrangements of a commercial nature. At the same time, they are operationally and/or economically dependent on another entity that exercises economic and/or organizational control over their productive activities. This element of control and reduced authority is shared with other dependent workers, in particular employees (ILO, 2018c). Dependent contractors have gained a lot of attention, not least because of the increased digitalization of work and the emerging digital platform employment in which a

significant share of dependent contractors can be expected to be found. However, dependent contractors are not a new phenomenon but constitute a category of workers that have traditionally existed in many countries such as home workers or workers in transportation. The “in-between situation” of dependent contractors is the very reason why this category was introduced with ICSE-18 however, at the same time; their in-between situation creates a statistical challenge for how informality should be understood for this group and how informality should be defined.

20. In addition to these issues, there are also other areas within the current standards on informality that needs to be addressed to improve the framework and the definitions relating to informality. One such issue is the current possibility for countries to exclude agriculture activities from the informal sector within the 15th ICLS resolution concerning statistics on employment in the informal sector. This flexibility was introduced in the resolution due to perceived practical challenges. At the same time, there are strong arguments to include agricultural production within the scope of the informal sector. Providing information regarding informal economic units and informal workers engaged in agricultural production is essential for policy makers to gain an understanding of the structure of the informality in the country and the situation of the workers. Information on informal agricultural production would also be important to achieve comprehensive measurement of the production of the informal sector as a contribution to GDP. The importance of including agriculture activities in the concepts of informal sector and informal employment has also lately been underlined by the adjustment of the SDG indicator 8.3.1 share of informal employment which no longer excludes agriculture.

21. The current statistical standards on informality includes a relatively high degree of flexibility for how countries can operationalize the criteria used for defining the informal sector and informal employment. In particular, regarding whether countries should use size of the unit or registration for defining the informal sector and the definition of informal jobs held by employees. This flexibility was at the time of the adoption of the standards necessary due to that at that time countries had little experience of measuring these concepts and only limited actual data was available. Countries therefore needed flexible definitions to initialize their measurement and by that gain more experience of how informality should be understood within their countries. However, at the same time there is a strong global need to access more harmonized data to be able to create regional and global estimates as well as being able to compare the structure and development of informality between countries. Based on the assessment on country practices there seems to have emerged a more common understanding among countries on the main criteria to use for defining the different concepts.

IV. Annex 3. Definitions of concepts

22. This Annex includes more detailed definitions for some selected key concepts in the new framework. For the complete framework please see the Draft resolution concerning statistics on informal economy (ILO, 2021a) and the Draft conceptual framework on the informal economy (ILO, 2021b).

A. Underlying concept and overarching concepts

Informal productive activities

23. The concept of informal productive activities is proposed to be defined as: *all productive activities carried out by persons and economic units that are – in law or in practice – not covered by formal arrangements.*

24. The concept includes productive activities within the SNA general production boundary that are not covered by regulations and laws such as:

- (a) *regulations that stipulate the responsibilities and obligations of the economic units and the workers;*
- (b) *commercial laws that regulate the productive activities carried out by economic units and their engagement in commercial contracts, safeguard of their intellectual and physical property etc.;*
- (c) *procedures to report economic activities such as fiscal obligations in order, for example, to pay taxes or to cover employees by social security;*
- (d) *coverage by labour laws and regulations such as annual paid leave, paid sick leave, minimum wage, hours of work and social security;*
- (e) *procedures that regulate access to the institutional infrastructure such as banks, markets or governmental support mechanisms.*

25. The concept is an underlying theoretical concept that links informality with production and the two reference concepts of respective economic units and persons/jobs. It should be viewed as an encompassing conceptual foundation from which the different statistical components are derived, thus pointing to which statistical components of informal productive activities that should be statistically quantified and described. Some of these statistical components should be measured regularly due to high policy interest, while other components might be measured with less frequency and some may only be relevant for special purposes and should only be measured if there is such a need.

Informal economy

26. Based on the underlying concept of informal productive activities the informal economy can be statistically understood as constituting *all informal productive activities of persons and economic units whether they are carried out for pay or profit.* The definition implies that all productive activities within the SNA general production boundary are potentially within the scope for the informal economy. This can be viewed as a broad umbrella concept aligned to the concept of work that encompasses all informal productive activities irrespective of whether these activities are intended for own use or for the use of others or whether they are for pay or profit.

27. Like informal productive activities, the informal economy would not typically be a meaningful statistical concept to measure in its totality. Instead, it is an umbrella concept that includes all different relevant statistical components at the most aggregated level while, the concept of informal productive activities links the components together.

28. Informal productive activities of persons would include informal tasks and duties carried out by persons in:

- i. *Informal employment,*
- ii. *Formal employment that includes partly informal activities, tasks and duties,*

- iii. *Unpaid trainee work, volunteer work, own-use production work, other work activities that include informal activities, tasks and duties*

Informal productive activities of economic units would include informal economic activities carried out by:

- i. *Economic units in the informal sector*
- ii. *Economic units in the formal sector carrying out partly informal production*
- iii. *Households producing for own final use and Non-formal non-profit organizations*

Informal market economy

29. The informal market economy would include *all productive activities, carried out by workers and economic units for pay or profit that are – in law or in practice – not covered by formal arrangements.*

30. The more restricted concept of informal market economy includes the core concepts of informal employment and informal sector supported by the supplementing concepts of partly informal activities carried out in relation to formal jobs and formal enterprises. The intention is to create a more focused overarching concept that has a high relevance for policy makers as an overarching concept covering informal productive activities taking place in relation to employment and among enterprises producing for the market, which aligns with the policy objective of formalizing the informal economy.

B. Operational definitions of the three sectors

31. ***The formal sector:*** *comprising economic units that are formally recognized as distinct producers of goods and services for the consumption of others, irrespective of the intended destination of the production.* This includes Corporations, Financial corporations, General government, formal NPISHs and Formal household unincorporated enterprises. These formal economic units are characterized by:

- (a) *having a formal status as distinct producers of goods or services by:*
 - (i) *being owned and/or controlled by the government; or*
 - (ii) *being recognized as separate legal entities from their owners; or*
 - (iii) *keeping a complete set of accounts for tax purposes; or*
 - (iv) *being registered in a nationally established system of registration; or*
 - (v) *producing for the market and employing one or more persons to work as an employee with a formal job(s).*
- (b) *the intended destination of the production being:*
 - (vi) *mainly for the market with the purpose of generating an income or profit, for a non-profit purpose, or non-market production for use of others*

32. ***The informal sector:*** *comprising economic units whose production mainly intended for the market with the purpose of generating a profit, but that are not formally recognized as producers of goods and services distinct from the own use production of the owner operators' household.* These household unincorporated enterprises can be operationally identified by the following characteristics:

- (a) *not having a formal status as a market producer by:*
 - (i) *not being owned and/or controlled by the government; and*
 - (ii) *not being recognized as separate legal entities from their owners; and*
 - (iii) *keeping a complete set of accounts for tax purposes; and*
 - (iv) *not being registered in a nationally established system of registration used for granting access to benefits and that carries obligations; and*
 - (v) *not employing one or more persons to work as an employee with a formal job*
- (b) *the intended destination of the production being:*
 - (vi) *mainly for the market with the purpose of generating an income or profit for the owner(s) of the enterprise*

33. **Household own-use and community sector:** *comprises of economic units that are not formally recognized as distinct producers of goods and services, whose production is not mainly intended for the market. These units are characterized by:*

- (a) *not being formally recognized as distinct producers of goods; and*
- (b) *the production that takes place being mainly intended for:*
 - *own final use; or*
 - *the use of others without the purpose of generating an income or profit.*

34. The sector includes households producing for own final use, direct volunteer work and non-formal non-profit organizations and the production taken place within the sector can be within the SNA production boundary as well as outside but within the SNA general production boundary.

35. Depending on the statistical objective there might be a need to further divide the household own-use and community sector into different dichotomous subsectors. The subsectors would differ, however, depending on the specific measurement objective. Three different dichotomies could be of relevance:

- i) *Informal production within the SNA production boundary versus informal production outside the SNA production boundary (but within the SNA general production boundary). This dichotomy would be relevant to enable a comprehensive measurement of all informal productive activities within the SNA production boundary for the purpose of SNA.*
- ii) *Households producing for own-final use versus non-profit organizations that are not formally recognized by the legal administrative framework of the country. A distinction that could be of relevance in relation to statistics on volunteer work.*
- iii) *Households with employees versus Households producing for own final use without employees. Allows the identification of households as employers engaging for example domestic employees.*

C. Definition of informal employment

36. *Informal employment is defined as any activity of persons to produce goods or provide services for pay or profit that is not effectively covered by formal arrangements. Informal employment comprises activities carried out in relation to informal jobs held by:*

- (a) *Independent workers who operate and own or co-own an informal household market enterprise;*
- (b) *Dependent contractors who operate and own or co-own an informal household market enterprise or whose activities are not registered for tax and statutory social insurance;*
- (c) *Employees, if their employment relationship is not in practice formally recognized by the employer in relation to the legal administrative framework of the country and associated with effective access to formal arrangements;*
- (d) *Contributing family workers who are not formally recognized in relation to the legal administrative framework of the country and associated with effective access to formal arrangements.*

37. Following the definition of employment as defined in the 19th ICLS resolution I and the underlying concept of informal productive activities, the concept of informal employment includes those productive activities carried out for pay or profit that are not – in law or practice - effectively covered by formal arrangements. Operationally, the concept of informal employment is constructed from its different

statistical components around the concept of an informal job, which, by definition, would imply informal productive activities. The operational definition of an informal job in its turn is built upon the different categories of status in employment as defined by the International Classification of Status in Employment). This creates a link between the conceptual definition of informal employment, the operational definition of informal employment and ICSE-18.

D. Operational definitions of informal and formal jobs

Proposed operational definition of informal/formal jobs for independent workers

Informal jobs held by independent workers

38. *Independent workers with informal jobs are “Independent workers in household market enterprises” who operate and own or co-own an informal household market enterprise.*

Formal jobs held by independent workers

39. *Independent workers in employment with formal jobs are workers in employment who operate and own or co-own a formal economic unit. They include:*

- (a) “Owner-operators of corporations”; and*
- (b) “Independent workers in household market enterprises” who operate and own or co-own a formal economic unit.*

40. The definition of informal jobs among independent workers relies on the informal/formal status of the economic unit they own and work for. The criteria used for operationally defining informal jobs for independent workers are therefore the same as for establishing the informal/formal status of the economic unit. Independent workers who own an informal household market enterprise would, by definition, have an informal job, while independent workers who own a formal economic unit would, by definition, have a formal job. This link between the definition of the informal sector and informal jobs among independent workers is already established in the current Guidelines concerning a statistical definition of informal employment (ILO, 2003).

Proposed operational definition of informal/formal jobs for dependent contractors

41. The definition of informal and formal jobs for dependent contractors is still being discussed within the working. There seems to be agreement around to categorize the sector for dependent contractors based on whether the dependent contractor has a formal enterprise or is registered in relation to tax. The registration can either be done by the dependent contractor or the entity on which they depend thus recognizing the dependency to another entity. ”

42. Whether additional, criteria should be used to enable a definition of informal and formal jobs for those dependent contractors that are categorized in the formal sector has not yet been concluded. The following definition is an example when registration is used in combination with the additional criterion of contribution to social insurance.

Informal jobs held by dependent contractors

43. *Dependent contractors are considered to have informal jobs if they:*

- (a) operate and own or co-own an informal household market enterprise; and*
- (b) are not registered for tax; or*
- (c) are registered for tax but are not registered for or do not contribute to statutory social insurance.*

Formal jobs held by dependent contractors

44. *Dependent contractors are considered to have formal jobs if they:*

- (a) operate and own or co-own a formal enterprise; or*
- (b) are registered for tax and are registered for and contributes to statutory social insurance*

Proposed operational definition of informal/formal jobs for employees

Informal jobs held by employees

45. *Employees are considered to have informal jobs if their employment relationship is not in practice formally recognized by the employer in relation to the legal administrative framework of the country and not associated with effective access to formal arrangements such as labour legislation, social protection, income taxation or entitlement to employment benefits.*

46. *They include:*

- (a) Permanent employees,*
- (b) Fixed-term employees,*
- (c) Short-term and casual employees, and*
- (d) Paid apprentices, trainees and interns*

who do not have access to effective formal arrangements such as statutory social insurance, access to paid annual leave and paid sick leave.

47. The definition requires a further operationalization regarding which criteria to use and how to combine them. This is an important step to further increase harmonization. At the same time a sufficient flexibility will be needed to allow countries to adapt the operational definition to the national context. The following clarifications regarding how countries should prioritize the criteria are proposed:

48. *A defining characteristic of informal jobs held by employees is the absence of the employer's contribution to statutory social insurance. Employer's contribution to statutory social insurance refers to whether the employer contributes fully or partly to a job-dependent statutory social insurance scheme on behalf of the employee. It therefore excludes universal non-contributory social protection schemes as well as voluntary contributions made by the employer if this does not imply a formal status of the economic unit and the worker.*

49. *Additional characteristics that may be relevant for the statistical identification of informal jobs held by employees are a lack of access to paid annual leave or a lack of access to paid sick leave.*

50. *Depending on national circumstances additional characteristics such as the non-existence of a written contract, no deduction of income tax made by the employer or no access to severance pay might be relevant to support the definition of informal jobs held by employees.*

Formal jobs held by employees

51. The operational definition of formal jobs held by employees mirrors the definition of informal jobs and can be summarized as:

52. *Employees are considered to have formal jobs if their employment relationship is, in practice, formally recognized by the employer in relation to the legal administrative framework of the country and associated with effective access to formal arrangements such as labour legislation, social protection, income taxation or entitlement to employment benefits.*

53. *Employer's contributions to a statutory social insurance as defined para 56 on the behalf of the employee, define the job held by the employee formal.*

54. *Additional characteristics that may be relevant for the statistical identification of formal jobs held by employees are access to paid annual leave and access to paid sick leave.*

55. *Depending on national circumstances, additional characteristics such as deduction of income tax made by the employer on the behalf of the employee or eligibility for severance pay might be relevant to support the definition of formal jobs held by employees.*

56. *An employee holding a formal job, by definition, carries out work for a formal economic unit, unless the employer is a household in the household own-use and community sector.*

Operational definition of informal and formal jobs held by contributing family workers

57. Contributing family workers would typically not be covered by formal arrangements and can therefore by default be considered to have informal jobs due to the informal nature of the jobs held by contributing family workers. However, in countries where formal arrangements such as registration of the worker and access to social insurance exists contributing family workers can, depending on national context be considered to have formal jobs if:

- (a) *the economic unit for which the work is formal: and*
- (b) *the job is registered for job-related statutory social insurance, and*
- (c) *contributions are made to a job-related statutory social insurance*

E. Operational definitions of informal productive activities in relation to the unpaid forms of work

Informal/formal own-use production work:

58. *Informal own-use production work comprises activities carried out in relation to own-use production work that are not effectively covered by formal arrangements. It includes productive activities carried out in relation to a work activity defined according to the latest version of the International Classification of Status at Work as:*

- (a) *Workers in own-use provision of services:*
- (b) *Workers in own-use production of goods:*

who are not effectively covered by formal arrangements that aim to promote or facilitate the work and protect and regulate the actions and functions of the worker.

59. *Depending on national contexts, own-use production work can be considered formal if the activities carried out are covered by formal arrangements in relation to the legal administrative framework of the country such as registration of the activities, access to insurances against work related injuries or accidents, access to social insurances such as a pension fund, cash transfers to support the work or other measures aiming to protect the worker and regulate and facilitate the activities carried out.*

60. The production of goods and the provision of services for own-final use would typically be informal productive activities due to a general lack of formal arrangements covering this type of production. However, depending on national contexts, certain types of activities within own-use production work could be considered formal if the activities carried out are covered by formal arrangements in relation to the legal administrative framework of the country such as registration of the activities, access to insurances against work related injuries or accidents, access to social insurances such as a pension fund or other measures aiming at support the work and to protect the worker and regulate and facilitate the activities carried out.

Informal/formal volunteer work:

61. *Informal volunteer work comprises activities carried out in relation to volunteer work that are not effectively covered by formal arrangements. It includes productive activities carried out in relation to a work activity defined according to the latest version of the International Classification of Status at Work as:*

- (a) *Direct volunteering; or*
- (b) *Organization-based volunteers and:*
 - (i) *the volunteer carries out work for or through a non-profit organization that is not considered a formal economic unit: or*

- (ii) *carries out work for or through a non-profit organization that is considered a formal economic unit when the volunteer is not covered by formal arrangements that aim to protect the worker and regulate and facilitate the activities carried out.*

Volunteer work can be considered formal if:

- (a) *the work activity is defined as organization-based volunteer work: and*
- (b) *the work is carried out in a formal economic unit: and*
- (c) *the volunteer and the activities carried out are covered by formal arrangements in relation to the legal administrative framework of the country such as registration of the activities, access to insurances against work related injuries or accidents, access to health insurance or other measures aiming to protect the worker and facilitate and regulate the work.*

62. In relation to volunteer work it seems useful to distinguish between organization-based volunteer work and direct volunteer work, since there might be different sets of formal arrangements depending on whether the work is organization-based or not. Direct volunteer work would typically be unregulated, and the productive activities would thus be informal. Organization-based volunteer work is different because it is carried out for or through an organization or community that may or may not be formally recognized. In this context, there might be situations in which the productive activities carried out could be considered formal if, for example, the volunteer is registered in a formal volunteer organization and the volunteer has a certain degree of protection following from this, e.g., health insurance, insurance against work related injuries or there is formal recognition of the experience/skills acquired.

Definition of informal and formal unpaid trainee work:

63. *Informal unpaid trainee work comprises activities carried out in relation to unpaid trainee work as defined by the latest standards of work and employment that are not effectively covered by formal arrangements aiming to protect the worker and facilitate and regulate the work carried out by worker.*

64. *Unpaid trainee work carried out for an informal household market enterprise is by default considered to be informal unpaid trainee work.*

65. *Unpaid trainee work carried out for a formal economic unit can, depending on the national context, be considered formal if the worker and the activities carried out are covered by formal arrangements in relation to the legal administrative framework of the country such as registration of the activities, formal recognition of the experience and skills acquired, access to social insurance, insurances against work related injuries or accidents or other measures aiming to protect the worker and facilitate and regulate the work.*

66. Unpaid trainee work shares several characteristics with paid trainee work, the main difference being that, in the latter case, the worker receives remuneration. Unpaid trainee work can be regulated and covered by formal arrangements such as access to a limited degree of protection. Informal unpaid trainee work would therefore comprise of the activities carried out in relation to unpaid trainee work that are not effectively covered by such formal arrangements.

67. It could also be argued that like employees, the formal status of the economic unit for which the work is carried out would have an influence on whether the work activity held by an unpaid trainee should be defined as formal or informal. Unpaid trainee work carried out for an informal enterprise could therefore by default be considered informal. In countries, where formal arrangements are in place for unpaid trainees, formal unpaid trainees could be defined as unpaid trainees that carries out work for a formal economic unit and where the unpaid trainee is effectively covered by formal arrangements in relation to the legal administrative framework of the country such as registration of the activities, formal recognition of the experience and skills acquired, access to social insurance, insurances against work related injuries or accidents or other measures aiming to protect the worker and facilitate and regulate the work.

V. Annex 4. Engendering Informality Statistics Project

68. In 2020, the ILO started a three-year project to engender informality statistics, with funding from the Bill and Melinda Gates Foundation. The project is running in parallel to the revision of informality statistical standards, supporting integration of gender in the new standards and in the guidance and tools that will support their implementation.

69. The main activity of the project is to test statistical concepts and household survey questionnaires, using qualitative methods in two countries in 2021, and a pilot field test in one country in 2022. Alongside the testing, the project is also assessing the existing and anticipated needs for gender data on informality and reviewing the use of data in policy formulation, making recommendations to strengthen the production, accessibility and use of gender statistics on informality.

A. Testing strategy

70. The ILO is conducting tests to enhance the generic labour force survey questionnaire, so it accommodates the changed standards and offers new questions that respond to changes in data needs, particularly those relevant to gender and informality. The objectives of this testing are to (a) explore identification of informality in an unbiased and comprehensive way; (b) reveal which questions and question sequences of the tested alternatives are most effective and efficient in collecting data on informal employment and informal enterprises; (c) generate ideas for new questions that respond to changes in data needs, and (d) produce evidence to support further development of robust standards and methods for the production of informality statistics.

71. The project currently provides funds to support qualitative testing in two countries (Peru and Uganda) and a quantitative pilot test in one country (Uganda). The qualitative component, primarily using cognitive interviewing, will explore understanding of existing and potential labour force survey questions used to identify informality. Building on this will be a pilot test of alternative questionnaires and methods with a random sample of 4,000 households.

72. Multiple waves of tests allow exploration of different issues at certain points of the project. The first round of cognitive interviews will test existing generic LFS questions used for identifying dependent contractors and identifying informality of employees or enterprises. The second round of cognitive interviews will test concepts and questions relevant to gender and informality, such as ownership of assets, earnings, necessity versus opportunity enterprises, and the use of ICT in microenterprises. The quantitative pilot test will see two alternative LFS questionnaires tested in the field to assess validity of results and alternative measurement approaches.

B. Expected project outcomes

73. The project will generate evidence used to inform further work on the new standards for informality statistics and to develop guidance and tools to support its implementation post ICLS in 2023. Reports on the process, findings and recommendations that emerge from the testing will be published by the ILO. They will be used to update the generic LFS questionnaire and data production tools. When combined with research on the demand for and uses of gender data on informality, the project will provide guidance and support to countries to improve informality statistics for gender-sensitive policy and decision-making.

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