# Annex A. Definitions of informal economy, informal sector and informal employment

# Informal economy, informal employment and employment in the informal sector: international and operational definitions

The concept of "informality" was first introduced in the 1970s (Hart, 1973[1]; ILO, 1972<sub>[2]</sub>). For more than four decades, there has been much discussion on the causes of informality around the world but also about the definition and the measurement of informality. In 2015, the ILO Recommendation n°204 concerning the transition from the informal to the formal economy describes the "informal economy" as referring to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. The informal economy does not cover illicit activities. The Recommendation refers to the guidelines concerning the statistical definition of informal employment adopted by the 17th International Conference of Labour Statisticians in 2003 that themselves refer to earlier guidelines related to the informal sector. These guidelines are applied by many emerging and developing economies to measure informal employment, while developed economies typically do not measure such employment.

International standards distinguish between employment in the informal sector and informal employment. Employment in the informal sector is an enterprise-based concept and it is defined in terms of the characteristics of the place of work of the worker. By contrast, informal employment is a job-based concept and it is defined in terms of the employment relationship and protections associated with the job of the worker.

# Employment in the informal sector

According to the international standards adopted by the 15th ICLS, the informal sector consists of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. The informal sector is a subset of unincorporated enterprises not constituted as separate legal entities independently of their owners (ICLS, 1993<sub>[3]</sub>). They are owned by individual household members or several members of the same or different households. Typically, they are operating at a low level of organization, on a small scale and with little or no division between labour and capital as factors of production.

To facilitate international comparability, notably in the context of the Sustainable Development Goals (SDGs), and overcome previous limitations associated with the use of different measures by countries, the ILO recently applied a similar set of criteria, when processing micro-data, to determine informal employment and employment in the informal sector as a person's main job.

The translation of the international definition of the informal criteria was translated into a set of common criteria applied to micro datasets from national labour force surveys or similar household surveys.

Table A A.1. Operational criteria to define the informal sector and employment in the informal sector (in informal sector economic units)

1. Institutional sector	The "institutional sector" (government, public enterprises, non-governmental organisations (NGOs); private sector; households) is meant to separate persons working in government, public and private corporations, non-governmental and international organisations, and other institutions clearly recognised as belonging to the formal sector. It also serves to identify persons working in private households producing wholly for own final use.
2. Final destination of production	the purpose of the second mandatory criterion about the "destination of production" is to exclude from the scope of informal sector persons working in a farm or private business (unincorporated enterprise) where the main intended destination of the production is wholly for own final use.
3.Registration of the economic unit	Registration of the economic unit under national legislation (in the process of registration is considered as not registered). This includes registration with social security authorities, sales or income tax authorities and should be at national level. It identifies enterprises that are similar to corporations (quasi-corporations) and therefore outside the scope of the informal sector. The appropriate forms of registration relevant to the concept of informal sector should be examined in the national context.
4. Bookkeeping	This criterion assesses whether the economic unit maintains a set of accounts required by law (e.g. balance sheets) or keeps some official accounts. The purpose of the information on bookkeeping practices of the farm or private unincorporated enterprise is to identify whether the economic unit is constituted as a separate legal entity independent of its owner(s).
An alternative appro	ach was applied in case both criteria 3 and 4 were missing (no question, no answer or don't know).  Criteria 1 is a mandatory criteria.
5. Contribution of employer (and employee) to social	Contribution of employer (and employee) to social security or alternatively declaration of labour income (e.g. does the employer contribute to social security or declare labour income in order to pay income tax?)
security	•If employer is contributing on behalf of the employee to social security, then the economic unit is part of the formal sector, otherwise assessment of the combination of the size and location of the activity.
6. Size of the economic unit, and 7. Location of workplace	Are considered as informal, all private economic units that with five or fewer workers or located in non-fixed visible premises (e.g. in the owners' dwelling, in the street, in construction sites, in agricultural plots, that are itinerant, etc.).

#### Informal employment

Employees are considered to 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.). The underpinning reasons may be the nondeclaration of the jobs or the employees; casual jobs or jobs of a short duration; jobs with hours of work or wages below a specified threshold (e.g. for social security contributions); or lack of application of law and regulation in practice.

In the case of own-account workers and employers, the informal employment status of the job is determined by the informal sector nature of the enterprise. Employers (with hired workers) and own-account worker (without hired workers) are considered to be informal when their economic units belong to the informal sector.

All contributing family workers are classified as having informal employment, irrespective of whether they work in formal or informal sector enterprises.

# Table A A.2. Operational criteria to define informal employment

1. Status in employment	<ul> <li>a) If the person is reported as a contributing family worker, no further questions are required and the person is classified as having an informal job.</li> </ul>
	<ul> <li>b) If the person is recorded as an employer, or own-account worker, or member of a producer's cooperative, no additional questions are required and the formal or informal nature of the job is determined according to the formal or informal nature of the person's economic unit. Employers, own-account workers and members of producers' cooperatives with enterprises in the formal sector are classified as having a formal job. Similarly, employers, own-account workers and members of producers' cooperatives with enterprises in the informal sector are classified as having an informal job. If the enterprise is a household enterprise or a private business producing wholly for own or family use, the owner is also classified as having an informal job.</li> <li>c) The statistical treatment of "employees" and "not stated" is different and depends on the criteria of</li> </ul>
	social security contributions by the employer or alternatively to entitlements to paid annual leave and paid sick leave.
	Assessment of informal employment for employees
2. Employer's social security contribution on behalf of employee	Contributions to a social security (ideally for pension) scheme by the employer is the option most commonly used in countries and the one applied in the operational definition.  In case of contributions to social security, the employees is considered as being in formal employment
	If no contributions to social security, the employee is considered as being in informal employment.  If don't know or no answer, then go to the next two criteria
Entitlement to and benefit from: 3. paid annual leave and	Paid annual leave refers to paid vacation time, home leave, leave for national holidays, bereavement leave, or other casual leave. In some cases, the employee may receive paid compensation for some types of unused leave that has been accumulated. Such compensation is also included.
4. paid sick leave	Paid sick leave refers to entitlement to be paid by the employer during days that the employee is absent from work due to own illness or injury.
	In case of no answer concerning the contribution to social security, employees are considered in formal employment if they are entitled and effectively benefit from paid annual leave and paid sick leave.

Table A A.3. Operational definition of informal employment by country and survey

Country	Survey	Year	Employment	Employment rate	Formal/Informal sector criteria	Formal/Informal work criteria for employees	% population without any workers in the HH
Albania	Living Standards Measurement Survey	2012	M4A_Q02 (During the past 7 days, have you worked (at least one hour) for someone who is not a member of your household, for example, a public or private enterprise or company, an NGO or any other individual?)	29.81	Formal if government (M4B_Q09=1,3,4,5)	Formal if entitled to social security scheme (M4B_Q10=1)	35.06
Argentina	Encuesta Permanente de Hogares	2016	status (¿En la semana pasada, trabajó por lo menos una hora? (sin contar las tareas de su hogar))	53.65	Formal if government (pp04a='1),' formal if private and registered business (pp6e='1)' and fixed workplace (pp4g=1,2,4,6,7,8,10)	Formal if contributing to social security (pp07g4=1)	0
Armenia	Living Standards Measurement Survey	2014	d1_5 (Did you have any paid work or profitable job (own business) during the last 7 days, even if you worked only for one hour (include the work in a farm, family enterprise)?)	50.49	Formal if government (d1_7<4), formal if private and registered (d1_6=1)	Formal if enrolled in health insurance (i1_37='1)' or with a written contract (d1_5=1)	14.41
Benin	Enquete Modulaire Integree sur les Conditions de Vie des Ménages	2011	EA2 (Au cours de la semaine dernière, avez-vous travaillé ne serait-ce qu'une heure ?)	67.5	Formal if government or public company (AP4='1,' 2), formal if private sector (AP='3,4)' and registered (AP6_a, AP6_b, AP6_c='1)' or with written accounting (AP8c1 or AP8d=1)	Formal if contributing to social security (AP6_b='1)' or if contribution to social security if unknown (AP6_b='3)' if receiving written paystubs (AP8d=1)	2.41
Bolivia	Encuesta de Hogares	2015	s6a_01 (Durante la semana pasada, ¿trabajó al menos una hora?)	64.95	Formal if government (s6b_18='1,2,5,6),' formal if private and registered business (s6b_19=1,2)	Formal if paid annual leave (s6c_29a='1)' and medical insurance (s6c_29b=1)	0.02
Brazil	Pesquisa Nacional por Amostra de Domicilios	2015	v9001 (trabalhou na semana de 20 a 26 de setembro de 2015)	55.87	Formal if government (v9032='2,3),' formal if private and registered (v90531=1)	Formal if contributing to social security (v9059=1)	13.82

Burkina Faso	Enquête multisectorielle continue	2014	E01, E03, E05, E07, E09 (travaillé au moins une heure au cours des 7 derniers jours)	73.05	Formal if government (E26='1,2,7),' formal if private and paying taxes (E40='1),' formal if private and unknown tax information and firm has at least 4 workers (E27>2)	Formal if contributing to pension system (E41='1),' formal if unknown pension contribution and entitled to paid annual leave (E42='1)' and paid sick leave (E43=1)	2.64
Cameroon	Enquete Camerounaise aupres des menages	2007	s04q4 (Au cours des 12 derniers mois, c'est-à-dire depuis, (Nom) a-t-il/elle exercé une activité économique ?)	84.08	Formal if government (s04q13='1,2,5),' formal if private and written accounting (s04q16='1)' or business registration (s04q15=1)	Formal if affiliated with social security (s04q19='1),' formal if unknown social security affiliation and entitled to paid annual leave (s04q28d=1)	1.62
Chile	Encuesta de Caracterizacion Socioeconomica Nacional	2015	01 (La semana pasada, ¿trabajó al menos una hora, sin considerar los quehaceres del hogar?)	53.88	Formal if government (o15='3,8),' formal if private and more than 6 workers (o24>B)	Formal if affiliated with pension system (o29='1),' formal if affiliation with pension system unknown and with open ended contract (o16=1)	0
Colombia	Encuesta de Calidad de Vida	2015	P6240 (¿En qué actividad ocupó la mayor parte del tiempo LA SEMANA PASADA?), P6250 (Además de lo anterior, ¿ realizó LA SEMANA PASADA alguna actividad paga por una hora o más?(, P6260 (Aunque no trabajó LA SEMANA PASADA, por una HORA O MÁS en forma remunerada, ¿tenía durante esa semana algún trabajo o negocio por el que recibe ingresos?), 6270 (¿ trabajó LA SEMANA PASADA en un negocio por UNA HORA O MÁS sin que le pagaran?)	54.34	Formal if government (P6435='2),' formal if private with >5 workers (P8632>3) and with a fixed location (P8634='1),' formal if private and with insurance for work injury (P6990=1)	Formal if insured for work injury (P6990='1)' or pension system (P6920=1)	7.24

Costa Rica	Encuesta Nacional de Hogares	2016	CondAct (¿(Nombre) trabajó la semana pasada, aunque fuera una hora, en la semana, pero sin contar los oficios domésticos de su hogar?)	55.8	Formal if government or NGOs (SecInsPri), formal if private sector and business registered (D11='1,2)' or with written accounting (D12='1),' formal if private sector and unknown business registration/written accounting and contributing to social security (E10A='1),' formal if private sector and unknown business registration/written accounting and with more than 5 employees (C10>5) and with fixed workplace (C11=5,6)	Formal if contributing to social security (E10A='1),' formal if contribution to social security is unknown but entitled to paid leave (E9C='1)' and paid sick leave (E9B=1)	10.19
El Salvador	Encuesta de Hogares de Propósitos Múltiples	2014	actpr(LA SEMANA ANTERIOR ( ) ¿REALIZO ALGÚN TRABAJO ANTERIORES PARA BUSCAR TRABAJO O POR LO MENOS UNA HORA? ESTABLECER SU PROPIA EMPRESA O NEGOCIO?)	56.59	Formal if government (R420='2,3), formal if private and registered business (R426A='1)' and paying taxes (R426B='1),' formal if unknown or no registration and unknown tax paid but with workers having some type of private or public social security (422='1),' formal if unknown or no registration and unknown tax paid and business with >5 workers (R421>5) and fixed location (R426=8)	Formal if affiliated with public or private social security (R422='1)'	7.82
Ghana	Ghana Living Standards Survey	2012/13	s4aq1 (Did (NAME) do any work for pay, profit, family gain or did (NAME) produce anything for barter or home use during the last 7 days even if it was for only one hour?)	70.68	Formal if government (0> s4aq21 < 7), formal if private sector with at least 6 workers (s4aq35>5) and at fixed location (s4aq32='1,3,4,8,9,14,15),' formal if private and unknown size and location and enrolled in pension system (s4aq28='1)' or other type of social security (s4aq30='1)' or free or subsidized medical care in the job (s4aq29=1)	Formal if enrolled in pension system (s4aq28='1)' or other type of social security (s4aq30='1)' or free or subsidized medical care in the job (s4aq29='1),' formal if unknown pension, social security or medical care status and entitled to paid annual leave (s4aq26='1)' and paid sick and/or maternity leave (s4aq27=1)	53.45

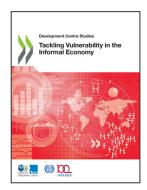
Honduras	Encuesta de Hogares de Propositos Multiples	2014	condact (Durante la semana pasada ¿dedicó una hora o más a algún trabajo o actividad con pago en dinero o en especie, u obtuvo algún ingreso? (Excepto quehaceres del hogar))	59.42	Formal if government (CE432='1),' formal if private with written accounting (CE444_5='5),' formal if private sector and unknown written accounting and at least 10 workers (CE431>1) and fixed work location (CE443=3)	Formal if contributing to socia security (CE438_1='1),' formal if unknown social security contribution and entitled to annual leave (CE438_3='3)' and paying	5.49
Indonesia	Indonesia Family Life Survey	2014/15	tk24a (Which category best describes the work that you do?)	47.6	Formal if government/NGOs (tka24a='4)' or in private sector with employer-provided pension/ health insurance policy (tk25a4='1,2,3,4;' tk25a3g='1,' tk25a3e2='1,' tk25a7_x=1)	taxes (CE434=1) Formal if employer- provided pension/ health insurance policy (tk25a4='1,2,3,4;' tk25a3g='1,' tk25a3e2='1,' tk25a7_x=1)	12.71
Kyrgyzstan	Life in Kyrgyzstan	2013	Activity	?	Formal if in government (i308='11,' 15), formal if business is registered (i313) or with medical insurance (i317), formal if in private sector and the registration (i313) and medical insurance (i317) are unknown and employer contributes to pension (i328)	Formal if enrolled in pension system (i328='1),' formal if pension affiliation status is unknown but entitled to paid sick leave (i330) and eligible for either unemployment benefits or paid paternity/maternity leave (i335_6='1' or i335_7=1)	26.51
Madagascar	Enquête nationale sur le suivi des objectifs du millénaire pour le développement à Madagascar	2013	qms04aq02 (Est-ce que (NOM) a travaillé au moins une heure au cours des 7 derniers jours ?), qms04aq04 (Même si (NOM) n'a pas travaillé au cours des 7 derniers jours, a-t-il un emploi permanent ?)	85.89	Formal if government (qms04bq03='11,12,' 16, 17), formal if private and registered enterprise (qms04bq07='1),' formal if unknown registration and at least 6 workers (qms04bq06>2)	Formal if contributing to pension system (qms04by18='1)' or employment-based social protection (qms04bq20='1),' formal if unknown contribution to pension and unknown social protection and with paid annual leave (qms04bq19=1)	1.95

Nicaragua	Encuesta Nacional de Hogares sobre Medición de Niveles de Vida	2014	EMPLOYED (trabajo durante la semana pasada por lo menos una hora como asalariado, o en su propio negocio familiar?)	60.15	Formal if government or NGO (7500 <s5p15 (s5p28="1)&lt;/td" 9799<s5p15<9801),="" <8031="" and="" contributing="" formal="" if="" or="" private="" sector="" security="" social="" to=""><td>Formal if contributing to social security (S5P28='1),' formal if social security contribution unknown and entitled to paid leave (S5P21='1)'</td><td>7.63</td></s5p15>	Formal if contributing to social security (S5P28='1),' formal if social security contribution unknown and entitled to paid leave (S5P21='1)'	7.63
Niger	National Survey on Living Conditions and Agriculture	2011	ms04q01 (During the last 30 days, did [NAME] work at least one hour for an enterprise, for the state, for an employer or other person who is not a member of the household?), ms04q03 (During the last 30 days, did [NAME] work at least one hour, with or without pay, in a field or garden that belongs to him/her or belongs to another member of the household? Or did [NAME] raise livestock?), ms04q05 (During the last 30 days, did [NAME] work for at least one hour, with or without pay, in a business, processing activities, provide service for his own business or for the business of another household member? For example as an artisan, businessman, or independent fisherman, lawyer, doctor or other independent work?), ms04q07 (During the last 30 days, did [NAME] work at least one hour as an occasional worker or part time?), ms04q12 (Even if [NAME] didn't work during the last 30 days, does [NAME] have a job s/he would have worked during the last 30 days?), ms04q22 (At any time during the last 12 months, did [NAME] have paid work for a salary (for the state, a local collective or an enterprise) or work in his/her field or his/her	79.99	Formal if government (ms04q26='1,2,7),' formal if private and paying taxes (ms04q40='1)' or business has at least 5 workers (ms04q27>2)	Formal if affiliated with pension system (ms04q41='1)' or employment-related health insurance (ms04q44='1),' formal if unknown pension or health insurance status and entitled to paid sick leave (ms04q43='1)' and paid annual leave (ms04q42=1)	0.91

			garden, or for he own account or for another member of the household in a business, processing activities, a service? (For example, as an artisan, businessman, or independent fisherman, lawyer, doctor or other independent worker, excluding occasional work))				
Paraguay	Encuesta Permanente de Hogares	2016	a02 (Durante los últimos 7 días ¿ha realizado algún trabajo ya sea como empleado, por cuenta propia, empleador (patrón) o como familiar no remunerado?), a03 (Independientemente de lo que me acaba de decir Durante los últimos 7 días ¿trabajó [NOMBRE] al menos 1 hora, por cuenta propia, como patrón o empleado en una empresa o negocio no agropecuario o al menos 7 horas en la chacra o en el cuidado de sus animales?), a04 (Aunque ya me dijo que no trabajó durante los últimos 7 días. ¿Tiene [NOMBRE] algún trabajo o una ocupación como obrero, empleado, cuenta propia o empleador (patrón) aunque no lo haya realizado en los últimos 7 días, pudiendo reincorporarse al empleo?)	66.17	Formal if government (B12='1),' if in private sector and registration (B28='1)' or written accounting (B30='1),' if in private sector and unknown registration/accounting but contributing to pension (B10='1),' if in private sector and unknown registration/accounting but business has >6 workers (B8>2) and not a single person business (B29=2,3,4)	Formal if affiliated with pension system (B10='1),' or if unknown affiliation with pension system entitled to paid leave (B13=1)	4.37
Peru	Encuesta Nacional de Hogares	2016	p501 (LA SEMANA PASADA, DEL	63.11	Formal if working for government (p510='1,2,3),' if private sector with written account (P510B='1)' or registration (P510A1=1,2)	Formal if affiliated with pension system (P558A='1,2,3,4)' and with a formal employment contract (P511A=1,2,3,4,5,6)	9.29

			¿TIENE ALGÚN NEGOCIO PROPIO AL QUE PRÓXIMAMENTE VOLVERÁ?), p504 =1,3,4,5,6,7,8,9,10,11				
Senegal	Enquete Suivi Pauvreté	2011	e1 (AU COURS DES 7 DERNIERS JOURS, [NOM] A-T-IL/ELLE ACCOMPLI LES TACHES MENAGERES SUIVANTES?)	65.15	Formal if government or NGO (e19a='1,2,6,7),' formal if private sector with written account and registration (e19b='1)' or affiliated with social security (e13=1)	Formal if affiliated with social security (e13='1),' formal if social security affiliation unknown but with a written contract (e9=1,2)	2.81
South Africa	National Income Dynamics Study	2014/15	w4_a_em1 (Are you currently being paid a wage or salary to work on a regular basis for an employer (that is not yourself) whether full time or part time? If you work for yourself, we will ask about this later) w4_a_ems (Have you engaged in any self-employment activities during the last 30 days? For example, you might buy and sell goods, be a commercial farmer, work for yourself as a doctor or hairdresser or be a freelance consultant.), w4_a_emc (Have you done any casual work to earn money in the past 30 days?), w4_a_emp (In the last 30 days did you do any work on your own or the household's plot, farm, food garden, cattle post or kraal, or help in growing farm produce or in looking after animals for your household? If you have already told us about your commercial farm, do not tell us about it again.)	45.11	Formal if private and business is	Formal if affiliated with pension fund (w4_a_em1dedpen='1)' or medical health (w4_a_em1dedmed='1)' or unemployment insurance (w4_a_em1deduif=1) and not entitled to paid leave (w4_a_em1pdleave=1)	30.12
Tanzania	National Panel Survey	2012/13	hh_e08b (In the last 7 days, did [NAME] work as an employee for a wage, salary, commission or any payment in kind; including doing paid apprenticeship, domestic work or paid	83.63	Formal if government (E19=1,2,3,4,6,7)	Formal if contributing to health insurance plan in the job (E35=1)	66.12

			farm work even if for one hour?) hh_e14 (Although [NAME] did not do any work during the last 7 days, do [NAME] have a job or own farm or enterprise at which [NAME] will definitely return to work?)				
Uruguay	Encuesta Continua de Hogares	2016	f66 (Durante la semana pasada, ¿trabajó por lo menos una hora sin considerar los quehaceres del hogar?), f67 (Durante la semana pasada, al menos durante una hora, ¿hizo algo para afuera, ayudó en un negocio o colaboró en el cuidado de animales, cultivos o huerta?), f68 (Aunque no trabajó la semana pasada, ¿tiene algún trabajo o negocio al que seguro volverá?)	59.6	Formal if government/public works/cooperative (f73='2,3,8),' formal if private and with written accounting (f262='1)' or registered with taxes or social security (f263='1)' or with legal status (f264='2,3,4,5),' formal if private with fixed work place (f78='1,3,4)' and business with >4 employees (f77>2)	Formal if affiliated with pension system (f82='1),' formal if unknown affiliation with pension system and entitled to paid annual leave (f267='1)' and paid sick leave (f268=1)	12.33
Vietnam	Viet Nam Household Living Standards Survey	2014	m4ac2 (Last 12 months)	76.76	Formal if government or NGO (m4ac8a='5,6),'	Formal if affiliated with social security (m4ac13c='1,' 2)	2.27
Zambia	Living Conditions Monitoring Survey	2015	sec5q1 (What is your main current economic activity status? Are you)	48.95	Formal if government (sec5q4='2,3,6,7),' formal if private and enrolled in pension, gratuity or social security (sec5q5='1),' formal if private and unknown social security and at least 5 workers (sec5q7=1)	Formal if enrolled in pension, gratuity or social security (sec5q5='1),' formal if unknown social security enrolment and entitled to paid annual leave (sec5q6=1)	0



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