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**OPTIONS FOR GENERATING INDICATORS ON THE INFORMAL
EMPLOYMENT USING THE LABOUR FORCE SURVEY:**

Part One: An Informal Sector Module for the Labour Force Survey

Please find attached Paper entitled “**Options for Generating Indicators on the Informal Employment using the Labour Force Survey: Part One – An Informal Sector Module for the Labour Force Survey**”, submitted by the ILO.

**Options for generating indicators
on the informal employment
using the labour force survey:**

Part one: An informal sector module for the labour force survey

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ILO Subregional Office for the Caribbean

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Introduction

The size of the informal sector varies in Caribbean economies from being of little significance in the high income tourism economies (6% in Barbados¹) to being the major source of employment in economies such as Jamaica where the latest informal sector (2004) survey estimated the sector at 57% of total employment.

In the mature tourism and service sector economies such as Aruba, Antigua and Barbuda, Bermuda, Barbados, Cayman Islands and others, the informal sector tends to be small to very small. However, there are reports that the informal economy is an area of concern considering qualitative information that non-standard employment relationships are on the increase. There are also reports of increasing informality in employment relationships in other economies, such as Guyana, Jamaica, Suriname and Trinidad and Tobago, which have sizeable informal sectors that expanded during the nineties.

So while the informal economy –in particular the informal sector- has been identified as a source of employment and income for many who could not find employment in the formal sector, work in the informal economy tends to provide less income and less protection. In this context, expansion of the informal economy tends to contribute to decent work deficiencies and is increasingly becoming a policy issue in the region.

None of the Caribbean countries have integrated informal sector surveys in their statistical programme of regular (household) surveys. With the exception of the informal sector surveys undertaken in Barbados and Jamaica, statistics on the sector are sketchy, based on proxy indicators and without established periodicity.

Considering the importance of adopting strategies and policies to confront the decent work challenges related to the informal economy in the region, and consequently the need for estimates of its size and characteristics, the ILO will collaborate closely with the National Statistical Organizations (NSOs) in the region to generate statistics on the informal economy. This working document aims to assist the NSOs in generating statistics on the informal economy on the short and mid term. It is designed to minimize the allocation of resources needed to this end. In addition to facilitating the efforts of the NSOs, the options presented here must contribute to a better application of the international standards on this topic.

Anna Theresa Romero

The Director of the ILO Sub regional Office for the Caribbean

¹ Informal sector survey 1997/98, Barbados Statistical Service, page 56 .

1. Scope and Objectives

In almost all countries of the region measurement of informal employment is not part of ongoing statistical operations. As a result, assessments of informal employment have to rely on proxy indicators from labour force or other surveys or qualitative sources. In addition there are conceptual and other challenges involved in defining both informal employment and the informal sector, considering that most enterprises in the Caribbean are micro, small or medium sized.

In national preparations for the CEF there is need for most countries to include better estimates of the size of informal employment and its characteristics. Employment policies in the region must be based on empirical evidence on informal employment highlighting (i) informal sector production units and their characteristics and (ii) informal employment relationships in the formal economy. With respect to the informal sector, information is needed on its share in employment and GDP, its growth, type of economic activities and challenges faced by both self-employed and paid employees. While it is not possible to setup full scale informal sector/employment surveys in the countries given the time frame the next best options for countries and their National Statistical Agencies are to:

- Evaluate to what extent existing LFS questionnaires/databases can be used to compile proxy indicators for the informal sector/ employment and produce those where feasible;
- Implement an informal employment module in one or more of their upcoming Labour Force Survey rounds.

In support of such efforts these documents were produced and the ILO specialists involved will be available to provide further guidance to national statistical officers engaged in this undertaking.

2. Conceptual issues

2.1. Challenges

Since its inception in 1972² various definitions³ of the informal sector have been put forward. The 15th International Conference of Labour Statisticians reached consensus on a statistical definition and guidelines on measuring the informal sector. Its inclusion into the revised System of National Accounts in 1993 was an important step forward in providing guidelines in the use of the concept for analysis and policy development, putting it into the context of the “unobserved economy”⁴ still generates discussions that remain to be settled.

In the Caribbean context issues that often surface in the discussion on the informal sector are the old dilemma of using a dual modal or continuum, its relation with the illegal and the

² The concept was first introduced in an ILO report on Kenya “Employment, incomes and equity: a strategy for increasing productive employment in Kenya” (ILO, Geneva, 1972)

³ Even after the 15th ICLS (1993), many countries used different definitions and statistical information has been collected on an ad hoc rather than regular basis resulting in reduced reliability of data that are often inconsistent. By 2002 about 60 countries had carried out informal sector surveys.

⁴ Measuring the non-observed Economy: A handbook”, OECD/IMF/ILO/CIS STAT 2002

underground economy, the dominance of small and medium size enterprises sector in Caribbean economies and more recently the increased informalisation of work through “non-standard employment relationships”. In this context it should be noted that while size is important size alone is not the only criterion for inclusion into the informal sector. Inclusion into SNA 93 has highlighted legal organization and book keeping as key criteria for inclusion into the Informal sector.

The increased informalisation of work intensified also in the formal sector on a global scale and this prompted the introduction of the concept informal economy⁵. The introduction of this concept is the most recent effort to capture informalisation of employment and integrate it into the existing body of (statistical) concepts and methodologies used to measure economic activities and employment without abandoning the concept informal sector. The General Discussion Paper of the 90th Session of the International Labour Conference noted that for three decades the concept “... has been found useful by academics and development specialists alike. It is a term used in a number of international labour standards and Committee of Experts observations, in official statistics and in national policies and practices.”

2.2. From the informal sector to the informal employment

2.2.1. Two approaches: jobs or enterprises

In designing a strategy to measure the informality in the labour market two fundamental approaches can be adopted regarding the units of measurement:

- Enterprise approach. In this approach observation units are enterprises defined⁶ in terms of their (level) of informality and doing so the employment, economic activities, GDP contribution and other characteristics.
- Labour approach. In this approach observation units are jobs defined⁷ in terms of the (level) of informality.

It was assumed that the enterprise approach adopted would sufficiently capture the various aspects of informalisation of employment in the labour market as a whole if a detailed classification of workers in the formal and informal sector was used. However, since the adoption of these standards in 1993, comparability of measurement of the informal sector proved less than expected both at the national and international level because:

1. A detailed, international classification of workers in the formal and informal sector was not adopted. As a result a proper set of sub-categories of status in employment

⁵ “Decent work and the informal economy: General Discussion Paper International Labour Conference 90th Session, June 2002”, ILO, Geneva, 2002

⁶ In 1993, the *Fifteenth International Conference of Labour Statisticians (15th ICLS)* adopted an international statistical definition of the informal sector that was subsequently included in the revised *international System of National Accounts (SNA 1993)*.

⁷ In 2003, the *Seventeenth International Conference of Labour Statisticians (17th ICLS)* adopted an international statistical definition of informal employment to complement the 15th ICLS informal sector definition.

- that would capture informal employment⁸ was not available to NSOs or other agencies compiling indicators on informalisation of employment.
2. Notwithstanding the standards set in the 15th ICLS, a variety of definitions for the informal sector have been used, and in some cases these definitions do not follow the standards.
 3. Only a limited number of countries implemented informal sector surveys and, if they did, the surveys often did not have a set periodicity⁹.

2.2.2. The existing international standards on measuring the informal sector

The statistical definition of the informal sector defines the sector as part of the “household sector”. The informal sector consists of private, unincorporated¹⁰ enterprises (excluding quasi-corporations) that are not registered and/or employ less than a nationally set threshold of employees, and which are usually limited to the non-agricultural sectors¹¹ producing at least partly for barter or sale. Informal sector enterprises so defined are classified into two broad categories¹²:

- Informal own-account enterprises
- Enterprises of informal employers

Using this *enterprise* approach the resolution defined the employed in the informal sector¹³ as persons who during a given reference period are i) employed¹⁴ in at least one informal sector enterprise, ii) whether this is their main or a secondary job and iii) irrespective of their status in employment. Classified by employment status this approach would also provide the total number of “employees” in the informal sector classified by sub categories where questionnaires allow for that.

It should be noted that, according to the 17th ICLS, employees in private households such as maids, cleaners, gardeners etc. should be excluded from the concept of the informal sector since the concept relates to employment in *enterprises* in the household sector. However, it must be recognized that in a number of national informal sector definitions this group is included in the sector. Whenever this group is included in statistics on the informal sector,

⁸R. Hussmanns: *Informal sector and informal employment: elements of a conceptual framework*. Paper presented at the Fifth Meeting of the Expert Group on Informal Sector Statistics (Delhi Group). New Delhi, 19-21 September 2001.

⁹ About 60 countries have carried out official surveys on informal sector enterprises or on employment in the informal sector.

¹⁰ Unincorporated enterprises are legally not separately established from their owners and book keeping does not allow a separation of income and assets of the owner and the enterprise (see also SNA-93)

¹¹ Limiting the concept to the non-agricultural sectors is recommended for practical reasons related to measurement of activities in the agricultural sector. In addition it should be noted that the ISIC and ISCO allow non-market and subsistence agricultural activities to be classified as “Subsistence or Traditional Agriculture” and “Subsistence agricultural workers” respectively. Using these categories allows a clear distinction between informal sector and such subsistence or traditional forms of agriculture including those in tribal communities. This is relevant in countries including Belize, Guyana and Suriname. However, it should be noted that some national IS definitions include the agricultural sector.

¹² These categories are further defined in paragraph 8 of the resolution

¹³ In cases where people are economically active in both the formal and the informal sector their main status may be determined on the basis (i) self-assessment, (ii) time spent at work or (iii) amount of remuneration received in each job).

¹⁴ In the sense of paragraph 9 of resolution I adopted by the Thirteenth International Conference of Labour Statisticians

it is recommended to provide a separate tabulation for this group (see also paragraph 3.5 for recommendations on measurement issues).

The major setback of this approach adopted at the 15th ICLS is that it (conceptually) does not capture informalisation of employment in the formal sector through various forms of non-standard employment relationships. The approach excludes formal sector enterprises from measurement. Labour standards analysts have concluded that non-standard contracts are increasingly used to engage persons to perform work in formal and informal sector enterprises. Those employed in these so called “non-standard employment relationships” are often invisible for the tax, statistical, social protection and regulatory system. So these “non-standard employment relationships” effectively informalise employment in the informal and formal sector.

In order to include the formal sector into measurement of the informalisation of work, the scope of measurement had to change from the *enterprise* approach adopted in the 15th ICLS to the *labour* approach (see paragraph 2.2.1). In an attempt to measure the informality of “jobs” labour standards specialists have classified “non-standard employment relationships” into three basic categories¹⁵:

1. Self-employment.
2. A-typical employment contracts which invariably involve *triangular employment relationships* where a third party is involved in the employment relationship such as temporary work agencies, sub-contractors, labour pooling, etc.
3. Clandestine or disguised employer-employee relations. These include undeclared labour (carried out beyond the reach of labour, fiscal and administrative law), family work and micro enterprises which operate outside of industrial regulations.

Measuring informality of the self-employed does not really offer conceptual or operational challenges other than those referred to in the resolution of the 15th ICLS. In addition, work carried out by persons employed in the informal sector for formal sector units has been the subject of study and debate on the various ways the formal and informal sector are related.

The new conceptual and methodological approach was necessary to support measurement of the two other types of relations that constitute informalisation of work in the formal sector: triangular and disguised relations. This new approach was presented to the International Labour Conference 90th Session, June 2002 and adopted in the 17th ICLS in 2003.

2.2.3. Expanding the concept: The informal economy and informal employment

Unprotected work and (statistically) unobserved employment has increased not only as a result of the expansion of the informal sector but also because of informalisation of work in the formal sector. This is due to *temporary work, part-time employment, outsourcing, clandestine, undeclared employment and the use of a third party in the employment relationship*. The recently developed conceptual approach¹⁶ combines the two

¹⁵ See also “CEF guidelines for national reports on “Changing Work Arrangements and the Scope of the Employment Relationship in the Caribbean: Trends and Challenges”, Roodal Moonilal, PhD, Port of Spain, October 2005

¹⁶ Id

basic approaches discussed in the paragraph 2.2.1. The report to the 90th International Labour Conference states on this issues:

“The term “informal economy” is used to refer to the conceptual whole of informality covering both production relationships and employment relationships. While the term “informal economy” is used to refer to the sum of all the parts, we have carefully defined a number of terms to refer to the various components of it which reflect relevant dimensions of informality”¹⁷.

Presented with this analytical approach the 17th ICLS adopted the concept of **informal employment** for statistical purposes and that is to be defined and measured as the total number of informal jobs whether carried out in formal sector enterprises, informal sector enterprises, or households, as specified in the five categories below¹⁸:

1. The jobs of informal own-account workers and informal employers (owner/managers of an informal enterprise)
2. The jobs of all contributing family workers. Conceptually this is justified under the assumption that they provide labour without having explicit, written contracts of employment and their employment is usually not subject to labour and/or social legislation, collective agreements, etc.
3. Jobs of employees who have an employment relationship that is not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits because the job is not-declared by their employer, the job is below a threshold for registration, the employee is a “home or out worker”, etc.
4. Jobs of members of informal producers’ cooperatives
5. Jobs of own-account workers engaged in the production of goods exclusively for own final use by their household.

2.3. Conclusions

The 17th ICLS recommended, in addition to standards adopted in the 15th ICLS and the SNA revision 93, to measure employment relationships in formal and informal enterprises and households with the aim to provide information on informal **employment**. The essential aspect of this recommendation is the notion of informal employment operationalised as informality of jobs in (i) informal sector enterprises (15th ICLS), (ii) formal sector enterprises, and (iii) private households. Since most jobs in the informal sector are by definition informal jobs, the guidelines of the 17th ICLS are of particular importance for measuring informality of formal sector employee jobs. The approach identifies two basic dimensions of informality of employee jobs:

- 1) **Exclusion** from:
 - a. National labour legislation
 - b. Income taxation
 - c. Social protection
 - d. Entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.)

¹⁷ See for the relevant terms Annex 1. The matrix is attached as Annex 2

¹⁸ See report of the 17th ICLS in 2003, paragraph 3.1.17. Note that the ICLS referred to ‘informal sector’ and ‘informal employment’, but did not endorse the use of the term ‘informal economy’ for statistical purposes.

- 2) **The reasons** for this exclusion which follow from the nature of employment relationship:
- a) non-declaration of the jobs or the employees (e.g., clandestine workers, illegal immigrant workers);
 - b) casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold (e.g. for social security contributions);
 - c) employment by unregistered enterprises
 - d) employment by persons in households (maids, guards and other servants in private households);
 - e) the employee's place of work is outside the premises of the employer's enterprise (e.g. outworkers without employment contract);
 - f) jobs, for which labour regulations are not applied, not enforced, or not complied with for any other reason.

Countries considering the adoption of one of the modules presented in this document should make an assessment of the prevalence of *informal jobs in the formal sector*. This will allow an informed decision whether the existing labour market situation requires the informal sector or informal employment approach. Below an overview is presented of the key characteristics of enterprises and jobs which are relevant in determining informality of enterprises and jobs. These issues are measured with this LFS Informal Sector Module.

1. Informality of enterprises:

- 1.1.The type of enterprise:
 - 1.1.1.Enterprises of employers
 - 1.1.2.Own account enterprises
- 1.2.Accounts kept that allow separation of income and assets of the enterprise and that of the owner.
- 1.3.Legal status of the enterprise
- 1.4.Type of premises used for business operations (this is an optional item)
- 1.5.The status in employment of all persons employed in the enterprise (this is an optional item)
- 1.6.Total number of employees in the enterprise
- 1.7.Relation to formal sector enterprises (this is an optional item)
- 1.8.Enterprise registration based on compliance with existing compulsory regulations as determined by national legislation:
 - 1.8.1. Factories or commercial acts
 - 1.8.2. Tax legislation
 - 1.8.3. Social security legislation
 - 1.8.4. Professional groups' regulatory acts
 - 1.8.5. Similar acts, laws, or regulations established by national legislative bodies.

2. Informality of jobs:

- 2.1.Type of enterprise or employer
- 2.2.The type of employment relationship that is formally established between parties:
 - 2.2.1.Paid employment (specified by sub-categories)
 - 2.2.2.No employment relationship: Contracting of work as a self employed (specified by sub-categories)

- 2.3. The type of contractual relationship with the employer or party for whom work is normally performed;
 - 2.3.1. Written or oral contract
 - 2.3.2. Duration of written or oral contract
- 2.4. The business premise or workplace where work is normally performed (this is an optional item)
- 2.5. Satisfaction with the existing employment relation (this is an optional item)
- 2.6. Level of informality based on compliance with existing labour regulations as determined by national legislation or collective agreements:
 - 2.6.1. Income tax legislation
 - 2.6.2. Social security legislation
 - 2.6.3. Entitlement to employment benefits (paid annual or sick leave, advance notice of dismissal, severance pay, etc.)

How these two approaches impact on key measurement issues is discussed in the next chapter.

3. The Informal Economy module for the LFS

3.1. Three approaches for measuring informal employment

In this document it is assumed that the Labour Force Survey covers all employed persons regardless of their status in employment or formality/informality of their jobs. Under this assumption there are three approaches possible (see also diagram 3.1 on the next page):

1. “Employers” and “own account workers” identified in the LFS provide information on formality/informality of their enterprises and in addition total employment in these economic units and its components is measured. This is basically the 15th ICLS approach.
2. All persons identified as “employed” in the LFS, regardless of their status in employment, provide information on (i) level of social/legal protection and registration of their job(s) as well as (ii) the informality of the enterprise where they are employed. This information is used to produce estimates for informal employment in both the formal and informal sectors. It should be noted that the major challenge encountered in measuring informality of jobs in the formal sector using the LFS is not collecting information on the level of (social and legal) protection or registration of employment with the relevant institutions. The most difficult challenge to overcome is measuring the formality of the employer or enterprise through (LFS) interviews of the employees sampled.
3. There are methodological drawbacks to both “basic” approaches (see diagram 3.1). A combination of both approaches may result in a design that delivers more favourable output in terms of the types of employment covered and reliability.

The two modules presented here -questions and processing instructions- are based on approaches 1 and 3. The user should decide which one of these modules to apply based on the local challenges and options. For obvious reasons NSOs should make all adaptations needed to ensure the relevance of the module in the local environment.

3.2. The Self-employed module

The self-employed module with a set of questions presented only to Employers and Own account workers¹⁹ to determine the formality status of and number of persons employed in their enterprises. This is the simplest and shortest version of the module containing 8 questions which are directed to owners of enterprises: own account workers and employers. The module collects information on the informality status of enterprises and employment in these enterprises which can be tabulated depending on other relevant characteristics contained in the questionnaire.

¹⁹ Employment of contributing family members in the households of informal own account workers or employers of informal enterprises can be classified as informal sector employment assuming that there is only one such enterprise in each household. If this assumption is not likely a question linking each contributing family member with a specific enterprise should be added to the module, or contributing family workers should be asked to answer the questions of the module in the same way as own-account workers and employers.

Diagram 3.1 Overview of the three options for measurement

Approach	Sampling and sampling issues	Respondents knowledge of the facts	Respondents willingness to respond	Remark
“Employers” and “own account workers”	<ul style="list-style-type: none"> - Part of the LFS sample - Employers make up a very small share of total employment. - In small LFS samples the number of “employers” and/or “own account” workers” captured in the actual sample may be inadequate to make estimates with acceptable a) precision and reliability 	Sufficient	Formal sector employers may reluctant to provide detailed information on: <ul style="list-style-type: none"> - Their linkage with informal sector enterprises - Persons they employ using triangular or disguised employment relations Owners of informal sector enterprises may be reluctant to provide information on: <ul style="list-style-type: none"> - the informal nature of their enterprise - the persons they employ 	Best captures self-employment in the informal sector and weak in covering paid employment in the informal sector and informal jobs in the formal sector
All employed persons	<ul style="list-style-type: none"> - Part of the LFS sample - Estimates of the various components of informal employment are not dependent on getting the “informal employers” adequately represented in the sample - Employment in “enterprises of informal employers” and “informal jobs” in the formal sector are directly estimated using the total sample. This improves the quality of the estimates 	Employees usually do not have sufficient information on: <ul style="list-style-type: none"> - Key characteristics of informality* of the enterprise - Total employment in the enterprise where they are employed. This may substantially increase non-sampling errors 	<ul style="list-style-type: none"> - There will be less reluctance to provide information on informality of one’s own job(s) - It is not likely that the information on informality of jobs can be linked to the enterprise they work in 	Best captures informal jobs but provides less reliable information on the informal enterprises
Both	Allows one to balance pro’s and con’s of the two approaches but implies a longer questionnaire and may complicate the lay out of the questionnaire			

* Including registration, book keeping and size of the enterprise

The simplicity of this version of the module comes at a price. The most important drawback is that it does not produce indicators on informal employment as a whole but only for the more limited concept of the Informal *Sector*. Since informal sector employment is measured as “components²⁰ of employment in informal enterprises” it is not possible to get specifics on the employed in the IS such as sex, age, occupation, education, income etc. Another major drawback relates to sampling issues. Since the estimates are in fact produced using a sub-sample of the LFS sample -the employers and own account workers- the total sample size is a critical consideration if this option is chosen. Those responsible for the LFS survey design and/or the production of estimates should closely examine the number of employers and the number of own account workers identified in the actual sample. This in order to decide if the sample size is sufficient to produce informal sector estimates with an acceptable precision and reliability.

3.3. The “all employed persons” module

The “all employed persons” module measures the informality status of the job(s) of all persons who are identified in the LFS as employed using a total of 14 questions. The module measures the concepts of both the **Informal Sector and Informal Employment**. The questions are presented to all employed persons with the exception of a set of questions which are relevant only to employees. This allows the survey to measure informality of jobs of those working in the formal sector: government, semi-government and large private sector entities etc. By isolating responses of employers and own account workers in the processing phase, the key questions on informality ensure almost the same information as that collected in a “self-employed” module (Module 1).

As discussed in Diagram 3.1 presenting questions 1 to 8 to employees to assess the informality of enterprises, is the main weakness of this approach. The assumption that they know the specific information of the enterprise they work in (registration, legal status, accounts kept and size of the enterprise) is false in most cases. Consequently, this may result in high non-response, don't know or false responses on the relevant questions. One could argue that the information on informality of jobs collected with questions 9 to 14 may offset this concern because one of the key aspects of informal employment relates to the issues of social protection. But this still does not solve the problem of reliable measuring the informality status of the enterprise where one is employed. If one is willing to adopt a lower standard for reliability, an option may be to lower the required information for classifying an enterprise (see also part two of this document on proxy indicators for the informal sector). Another option would be to formulate the questions in such a way that employees can answer them. An example is a question on whether or not the employer deducts income tax payments and/or social security contributions from the employee's salary. Such a question will be used in the redesigned labour force surveys of South Africa and Nicaragua. An affirmative answer means that the employer's enterprise is registered and keeps accounts, and thus forms part of the formal sector.

3.4. Recommendation on LFS questions on status in employment

Considering that much depends on the LFS question measuring status in employment, it is recommended to evaluate the formulation of this question using the recommendations of the ICSE²¹.

²⁰ In fact employment in each enterprise is measured as numbers of employed by category of the ICSE.

²¹ 15th ICLS resolution on the International Classification of Status in Employment (ICSE), January 1993

In particular the pre-coded answer options should be reviewed and adjusted where necessary. A number of countries in the Caribbean have already adopted answer options on the questions measuring status in employment that include sub categories for employees (options a, b, c and d below).

Employees in:

- a) Central and local government
- b) Statutory bodies
- c) State Owned enterprises
- d) Private sector enterprises
- e) Private households (*maids, cleaners, guards etc*)

In addition it is recommended to add the category 1.e as an answering option to capture employees in private households. While there are challenges in attempting to include this information in this question –which is really on status in employment- it is often the only option to get this information in cases where the question the type of economic activity (ISIC) does not allow one to classify the respondent into one of these categories. Other options to identify this section of informal employment are questions on the type of economic activity and/or occupations, if the responses contain enough information to properly use these classifications. These questions will provide an alternative option to identify this group that should be excluded from the informal sector but included into the informal employment concept. The ISIC division 95 identifies “employees in private households” as a separately category²² and would allow NSOs to identify these employees as a distinct section of informal employment. In addition to efforts to capture employees in private households such as maids, cleaners, guards etc it is recommended to include into the LFS processing and tabulations separate categories for these employees based on the ISCO 88 classification/codes.

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Diagram 3.2

Coverage	Questions	Approach	Remarks
1. Informal sector employment			
Informal sector employment	1 to 8 (size of the enterprise, registration, legal status, type of work premise, book keeping)	While questions are presented to all, responses of employers and own account workers are selected to restructure the information to conform to the “enterprise” approach	1) Options for estimates of informal sector contributing family workers can be based on: a. Number per enterprise as reported by informal own account workers and employers b. Number per household of informal employers/own account workers c. Contributing family workers identified the enterprise they work in as an informal enterprises 2) Options for estimates of employees in enterprises of informal employers: a. Number of employees in informal enterprises as reported by informal employers b. Employees that identified the enterprise they work in as an informal enterprise
2. Informal employment (jobs) in formal sector enterprises or private households			
a) Informal employment/jobs	9 to 14 (classification of the actual employment situation, type of employment contract, annual leave, social protection, unfair dismissal protection)	Questions on inadequate social protection or registration of jobs are presented to all with a set of questions that are specific to the informalisation of jobs of employees	Considering that labour standards set by social and labour legislation as well as collective agreements vary from country to country the definition of informality of jobs (protection and registration) as specified in this module (Annex 3a and Annex 3b) may need to be adapted to country circumstances.
b) Formal sector enterprises	1 to 8 (size of the enterprise, registration, legal status, type of work premise, book keeping) <i>(Note: Type of work premise is not part of the informal sector definition but has much relevance for analysis and policy design)</i>	Questions on the formality/informality of employers/enterprises where one is employed are presented to all. However, this information suffers from issues related to the problem of an employee having the information needed to make this classification	Classification of employers/enterprises as “formal” depends on information to be provided by employees responding. This may limit the reliability of the information. Based on the actual situation in the country of application the NSOI may want to adapt the classification of “formal” using less information than specified in this Module (Annex 3b)

4. The Self employed module

The following set of questions should be inserted into the LFS questionnaire preferably right after the item “status in employment”. The numbering of the questions could best be a continuation of the sequence in the LFS questionnaire. Questions directed at Own Account workers and Employers

Note

This preceding LFS question (#28) is taken from LFS of Trinidad and Tobago (suggested changes are highlighted in grey). A skip routine should filter respondents that need to answer the self-employed informal sector module. In this case only employed persons classified as: Own account workers, employers and, possibly, contributing family workers.

28. What category of worker does <name> belong to?

- 0 Statutory Board/similar body
- 1 Government state enterprise
- 2 Central or Local Government
- 3 Private enterprise
- 4 Household
- 5 Unpaid family worker
- 6 Learner/Apprentice
- 7 Own-account worker
- 8 Employer
- 9 Not applicable
- 10 Not stated

The self-employed informal sector module starts here!

1. What is the total number of persons -including you- who work in this business for an hour²³ or more per week?

- 1 1 person (myself only)
- 2 2 to 4 persons
- 3 5 to 10 persons
- 4 11 to 15 persons
- 5 More than 15 persons
- 6 Don't know

²³ One hour is according to the international recommendations; 13th ICLS resolution on measuring the economically active population. However, some countries use a higher threshold in their national definition. In such cases the national limit should be used to ensure overall consistency in the LFS.

2. How many are employees?

----- Number

99 None

3. How many are household members contributing without pay their labour to the business (excluding you)?

----- Number

99 None

4. Do you have co-owners in this business who also actually work in this business?

----- Number

99 None

5. From which of the following places do you usually run your business?

- 1 A fixed, specialised business premise such as factory, office, shop
- 2 Your home but no separate workspace
- 3 A separate workspace in your home (whether inside or attached to the home)
- 4 In a market place
- 5 On the side walk of the street or public space (not an official market)
- 6 On an empty, private lot
- 7 I am a moving vendor
- 8 I am a taxi/bus driver
- 9 A farm or agricultural plot
- 10 A construction site
- 11 Other
- 12 Unknown

6. Is your business registered with or licensed by one of the following Government or Social Insurance agencies? (Registration/license: (Please enter code: 1=Registered/licensed; 2=In the process of being registered/licensed; 3=None (neither). More than one option is possible (data processing could become more complicated at this last option and should be designed carefully)

- 1 Board of Inland Revenue (tax)
- 2 The office responsible for licensing in your area of business
- 3 The National Insurance Board
- 4 Registrar of Companies
- 5 Other (please specify) -----
- 6 None
- 7 Don't know

7. What kind of accounts do you keep for your business?

- 1 I don't keep accounts
- 2 Only write up the cash transactions
- 3 A full financial account is kept including a profit and loss statement
- 4 Don't know

8. What is the legal status of your business²⁴?

A corporate enterprise:

- 1 Unlimited corporation
- 2 Limited corporation
- 3 Cooperative

An unincorporated enterprise:

- 5 Single owner
- 6 Partnership
- 7 Don't know

End of Self-Employed module (questions for employers, own-account workers) → Go to the next question in the LFS

²⁴ Considering that legislation and types of corporate enterprises differ substantially amongst the various legal systems it may be necessary to adapt this listing to reflect the national legal system

5. “All employed persons” module

Questions 1 to 8 are presented to all employed persons, including employers and own account workers who run their own business.

- 1. What is the total number of paid employees (and apprentices) who work in the business where you are employed?** *Instruction: Exclude yourself if you are an employer or own account worker for the count. Also exclude co-owners and unpaid household members working in the business.*

- 0 No paid employees or apprentices
- Exact number of employees and apprentices (*response of employers*)
- 9995 1 to 4 employees or apprentices
- 9996 5 to 10 employees or apprentices
- 9997 11 to 15 employees or apprentices
- 9998 More than 15 employees or apprentices
- 9999 Don't know

- 2. What is the number of owners and co-owners who work in the business where you are employed?**

----- Number

- 99 None
- 98 Don't know

- 3. What is the number of household members of the owner(s) who work without pay in the business where you are employed?**

----- Number

- 99 None
- 98 Don't know

- 4. From which of the following types of workplaces does the business where you work operate?**

- 1 In a fixed, specialised business premise such as factory, office, shop
- 2 Your or the business owner's home, without separate workspace
- 3 Your or the business owner's home, but a separate workspace (whether inside or attached to the home)
- 4 In a market place
- 5 On the side walk of the street or public space (not an official market)
- 6 On an empty, private lot
- 7 A moving vendor
- 8 A taxi/bus
- 9 A farm or agricultural plot

- 10 A construction site
- 11 Other
- 12 Unknown

5. Is the business where you work registered with or licensed by one of the following Government or Social Insurance agencies? (Registration/license: (Please enter code: 1=Registered/licensed; 2=Registration/license was requested and awaiting response; 3=None (neither). More than one option is possible

- 1 Board of Inland Revenue (tax)
- 2 The office responsible for licensing in this area of business
- 3 The National Insurance Board
- 4 Registrar of Companies
- 5 Other (please specify) -----
- 6 None
- 7 Don't know

6. What kind of accounts is kept for the business where you work?

- 1 No accounts are kept
- 2 Only cash transactions are recorded
- 3 A full financial account is kept including a profit and loss statement
- 4 Don't know

7. What is the legal status of the business, where you work²⁵?

A corporate enterprise:

- 1 Unlimited corporation
- 2 Limited corporation
- 3 Cooperative

A private unincorporated enterprise:

- 4 Single owner
- 5 Partnership
- Other:
- 6 Central or local government agency
- 7 Public sector enterprise
- 8 Foundation or other non-profit institution
- 9 Private household
- 10 Don't know

²⁵ Considering that legislation and types of corporate enterprises differ substantially amongst the various legal systems it may be necessary to adapt this listing to reflect the national legal system

8. Which of the following best describes your work situation?

- 1 I work at my employer's business place
- 2 I work for a sub-contractor who has assigned me to one of his clients and the client determines the workplace
- 3 I work for a sub-contractor who assigns me to different clients/workplaces
- 4 I work for several businesses through a private employment agency
- 5 I have a contract with the business for which I work at home
- 6 I work as an independent worker for several employers at several workplaces
- 7 I have my own business in which I also work
- 8 I am working in the business of a family member
- 7 I am employed as a domestic servant
- 8 Other
- 9 Unknown

**For employers, own-account workers and contributing family workers
→ Go to question 12**

Questions 9 to 11 are for paid employees and apprentices only

9. What kind of employment contract do you have with your employer?

- 1 Written, indefinite contract & permanent employment
- 2 Written contract for ...Y/M/W/D
- 3 No written contract; accepts work daily/weekly/monthly
- 4 Contract only for this work assignment
- 5 Special contract as an apprentice
- 6 Other

10. Do you receive paid annual leave or financial compensation for unused leave from your employer?

- 1 Yes
- 2 No
- 3 Non response

11. (Only for women under 50) If you became pregnant, would you run the risk to be dismissed by your employer?

- 1 Yes
- 2 No
- 3 Non response

Questions 12 to 14 are presented to all employed persons, including employers and own account workers who run their own business.

12. Are you fully or partially covered by employment related social insurance (security)?

- 1 Yes
- 2 No (*End of informal employment module*)
- 3 Unknown (*End of informal employment module*)

13. How are you enlisted in this insurance coverage?

- 1 By yourself as a self-employed person
- 2 By the household member who owns the business you work in
- 3 By your employer
- 4 I enlisted as a private person

14. What issues are covered by this employment related social insurance? (Multiple responses)

- 1 Occupational accidents (injury or death)
- 2 Pensions (old age and survivors)
- 3 Sickness
- 4 Unemployment

6. Processing and analysis

6.1 Data processing

In order to ensure that coding and tabulation procedures are consistent with the conceptual approach in the international standards NSOs should carefully design and document these. The list under 6.2 provides an overview of indicators and how they relate to each other. For each indicator included the data processing documentation should specify how it will be generated from the questionnaire and micro data file. Such documentation will show the actual operational definitions adopted by each country, support the work of the survey processing staff and provide basic information to the users. The preparation of such documentation will also facilitate any technical advice or support requested from the ILO in the data processing stage. It is recommended to reproduce these sections whenever changes are made to the questionnaires or the definitions used.

6.2 List of basic employment indicators for the Informal Sector and Employment

	Indicator	
A	Total number of jobs in enterprises of informal own account workers (persons as informal own-account workers or as contributing family workers of informal own account enterprises)	
A.1	Persons working as informal own account workers	
A.2.1	Contributing family workers in informal own account enterprises	Number of contributing family workers in informal own account enterprises as reported per enterprise
A.2.2		Number of contributing family workers in households of informal own account workers
B	Total number of jobs in enterprises of informal employers	
B1	Owners in enterprises of informal employers	
B2.1	Contributing family workers in enterprises of informal employers	Number of family workers in enterprises of informal employers as reported per enterprise
B2.2		Number of family workers in households of informal employers
B3	Employees/apprentices in enterprises of informal employers	Employees/apprentices in enterprises of informal employers as reported per enterprise
B3.1	Persons holding formal jobs	
B3.2	Persons holding informal jobs	
C	Total number of informal jobs in formal enterprises	
C1	Persons holding informal jobs in the formal sector and working in a direct relation with their employer	
C2	Persons holding informal jobs in the formal sector and working in a triangular employment relationship	
C3	Persons holding informal jobs in the formal sector as home workers	
C4	Contributing family workers in formal enterprises	
D	Persons holding informal jobs in private households	
D.1	Persons holding informal jobs as paid domestic workers	
D.2	Producers of goods exclusively for own final use by their household	
E	Total employment in the Informal Sector	A + B
F	Total employment in the Informal Economy	A+B+C+D
G	Total Informal Employment	A+B1+B2+B3.2+C+D

6.3 Recommended tabulations

The total number of informally employed should be presented in such a way that it shows the division between informally employed in formal, informal enterprises and households. Depending on issues such as sample size, the formal sector should be subdivided at least by public and private sector enterprises. The following characteristics of those informally employed are a priority:

1. Age
2. Sex
3. Economic activity
4. Status in employment
5. Occupation
6. Education
7. Hours of work
8. Income
9. Kind of work place
10. Form of ownership of the enterprise
11. Size of the establishment
12. Legal organization of the enterprise`

Cross tabulation between these variables and the number of persons who are informally employed, will render valuable information about the structure of the informally employed population. A very important variable which in most countries renders valuable policy information is the total informally employed population by economic activity.

Annex 1: Concepts and definitions²⁶

- 1) **Formality** consists of multiple legal requirements and regulations. One should distinguish between informality of:
 - a) *Enterprises* often depending on size of establishment, below a certain threshold of which (usually five or ten employees) an enterprise may be exempt from relevant national legislation, such as factories or commercial acts, tax or social security laws, regulatory acts, or similar acts, laws or regulations established by national legislative bodies.
 - b) *Jobs* may comply with certain requirements such as contracts, leave with pay, social security deductions, etc., or they may not. Self-employed persons are often exempt from some of these requirements, but if they are self employed in the formal economy, they are treated as legitimate businesses and often receive protection from the law, including some parts of the labour law, such as social security.
- 2) **Informality** refers to non-compliance by either enterprises or workers with **all or some** of the rules and regulations in the body of national or local commercial and/or labour legislation. The non-compliance could be because the regulations are not known or are too complex or costly, rather than because of deliberate intention to avoid the regulation since that would be one of the reasons to classify enterprises as being part of the “underground economy”.
- 3) **Illegal activities** refer to (i) the production of goods and services whose sale, distribution or mere possession are forbidden by law (e.g. the production and distribution of illegal drugs), and (ii) production activities which are usually legal but which become illegal when carried out by unauthorised persons (e.g. the unlicensed practice of medicine). Another distinction may be made between illegal and underground activities.
- 4) **Underground activities** are legal productive activities that are deliberately concealed from public authorities for the following kinds of reasons: (a) to avoid payment of taxes; (b) to avoid payment of social security contributions; (c) to avoid compliance with certain legal labour standards such as minimum wages, maximum hours, safety or health standards, etc.; (d) to avoid compliance with certain administrative procedures, such as completing administrative forms. Informal activities cannot be equated with underground activities, although there is some overlap. In many cases, people may not actually be aware of bureaucratic or regulatory requirements, while in others, these requirements may be so cumbersome and costly that compliance is virtually impossible. While the borderline between illegal and underground activities is often blurred, generally speaking illegal activities are those violating the penal code and associated with criminal behaviour, and underground activities those that break the law in not complying with administrative rules
- 5) **Enterprise:** A unit engaged in the production of goods or services. In terms of legal organization, enterprises are corporations (including quasi-corporate enterprises), non-profit institutions, government units, unincorporated enterprises owned by government units, or private unincorporated enterprises. The term “enterprise” is used in a broad sense. It covers not only production units which employ hired labour, but also production units that are owned and operated by single individuals working on own account as self-employed persons, either alone or with the help of unpaid family members. The activities may be undertaken inside or outside the enterprise owner’s home, and they may be carried out in identifiable premises or without fixed location.

²⁶ Taken from “Decent work and the informal economy: General Discussion Paper International Labour Conference 90th Session, June 2002”, ILO, Geneva, 2002, and the “Guidelines concerning a statistical definition of informal employment” endorsed by the 17th ICLS.

Accordingly, self-employed street vendors, taxi drivers, home based workers, etc are all considered enterprises.

- 6) **Private unincorporated enterprises:** Enterprises owned by individuals or households, that are not constituted as separate legal entities independently of their owners, and for which no complete accounts are available that would permit a financial separation of the production activities of the enterprise from the other activities of its owner(s). The capital used does not belong to the enterprises as such, but to their owners. The enterprises as such cannot engage in transactions or enter into contracts with other units, nor incur liabilities on their own behalf. The owners have to raise the necessary finance at their own risk and are personally liable, without limit, for any debts or obligations incurred in the production process. Expenditure for production is often indistinguishable from household expenditure and capital equipment such as buildings or vehicles are often used for both business and household purposes. Producers' cooperatives, which are not formally established as legal entities, are treated as private unincorporated enterprises owned by members of several households. Private unincorporated enterprises include not only unincorporated enterprises created by households for the purpose of producing goods or services for sale or barter to others, but also households producing goods for their own final use and households employing paid domestic employees.
- 7) **Informal sector enterprises (Informal enterprises):** As defined by the 15th ICLS (1993), an informal sector enterprise is a private unincorporated market enterprise whose size in terms of employment is below a certain threshold to be determined according to national conditions (usually 5 or 10 workers), and/or which is not registered under specific forms of national legislation, such as factories or commercial acts, tax or social security laws, professional groups' regulatory acts, or similar acts, laws or regulations established by national legislative bodies (as distinct from local regulations governing trade licenses or business permits. However, for the purposes of this report, local regulations are included for reasons elaborated on in Chapter Three. Also, this report uses the term "informal enterprises" as synonymous with "informal sector enterprises".
- 8) **Sector:** For statistical purposes, a sector groups together similar kinds of enterprises which, in terms of their economic objectives, functions and behaviour, have certain characteristics in common. The result is not necessarily a homogeneous set of enterprises. For the purposes of analysis and policy making, it can thus be useful to divide a sector into more homogeneous sub-sectors.
- 9) **Informal sector:** It encompasses the total of all informal (sector) enterprises as defined above, and is distinct from the employment dimension.
- 10) **Employment:** can be defined from either the supply or the demand side of the labour market. From the supply side, it refers to the total number of employed persons during a given reference period, as defined by the 13th ICLS (1982). From the demand side, employment refers to the total number of filled jobs which, due to the existence of multiple job holding, tends to be higher than the total number of employed persons. Employment includes paid employment as well as self-employment, including unpaid work in an unincorporated enterprise owned and operated by another member of the household or family, and the production of goods for own final use by households. The production of unpaid services (e.g. house work, caring for family members) for own final consumption by households is excluded.
- 11) **Employment in the informal sector:** All persons who, during a given reference period, were employed in at least one informal enterprise, irrespective of their status in employment and whether it was their main or a secondary job (the sum of matrix cells 3 to 8).

- 12) **Job:** a set of tasks and duties (meant to be) executed by one person. A person can have more than one job at a time (e.g. a teacher driving a taxi during evening hours and weekends).
- 13) **Status in employment:** Refers to the type of explicit or implicit contract of employment that the incumbent of a job has with other persons or organisations. The basic criteria for classification are the type of economic risk, including the strength of attachment between the incumbent and the job, and the type of authority over enterprises and other workers that the job incumbents have. The International Classification of Status in Employment (ICSE-93) distinguishes six groups: employees; employers; own-account workers; members of producers' cooperatives; contributing family workers; and workers not classifiable by status. Employees can be employed in any type of enterprise while, by legal definition, employers, own-account workers and contributing family workers can only be employed in private unincorporated enterprises.
- 14) **Informal job:** Employers, own-account workers and members of producers' cooperatives are considered to have an informal job if their enterprise is an informal enterprise. All contributing family workers have informal jobs, irrespective of the characteristics of the enterprise for which they work. Activities of persons exclusively engaged in the production of goods for own final use (e.g. subsistence farmers) are also considered informal jobs, provided the activities fall within the definition of 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 (e.g. advance notice of dismissal, severance pay, paid annual or sick leave) for reasons such as non-declaration of the jobs or the employees (Note: the latter refers, for example, to the employment of illegal immigrants), casual or short duration jobs, jobs with hours of work or wages below a specified threshold (e.g. for social security contributions), jobs where the employer is an unregistered enterprise or a person in a household, or the employee's place of work is outside the premises of the employer's enterprise (e.g. outworkers without employment contract), or jobs, for which labour regulations are not applied, not enforced, or not complied with for any other reason.
- 15) **Informal employment:** Refers to the total number of informal jobs, whether carried out in informal enterprises, formal enterprises or households, during a given reference period. It comprises the activities of employers, own-account workers and members of producers' cooperatives in informal enterprises, the activities of all contributing family workers (whether working in formal or informal enterprises), the employment of all employees in informal jobs as well as the activities of persons engaged in the own-account production of goods for own final use by their household (if such activities fall within the definition of employment).

Annex 2 Informal sector and informal employment

Conceptual framework: Informal employment

Production units by type	Jobs by status in employment									
	Own-account workers		Employers		Contributing family workers		Employees		Members of producers' cooperatives	
	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal
Formal sector enterprises					1	2				
Informal sector enterprises ^(a)	3		4		5	6		8		
Households ^(b)	9					10				

(a) As defined by the 15th ICLS (excluding households employing paid domestic workers).
 (b) Households producing goods exclusively for their own final use and households employing paid domestic workers.

Note: Cells shaded in dark grey refer to jobs which, by definition, do not exist in the type of production unit in question. Cells shaded in light grey refer to formal jobs. Unshaded cells represent the various types of informal jobs.

Informal employment: Cells 1 to 6 and 8 to 10.
 Employment in the informal sector: Cells 3 to 8.
 Informal employment outside the informal sector: Cells 1, 2, 9 and 10.

Producers' co-operatives, which are not formally established as legal entities, are treated as private unincorporated enterprises. Persons working in such informal co-operatives are included in one of the other categories of status in employment, and their jobs classified accordingly