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Agenda item: 12

IE.1 Statistical Framework for the Informal Economy

FOR GLOBAL
CONSULTATION

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SECTION I: OVERVIEW

1. This guidance note aims to 1) present recommendations for a coherent set of statistical recommendations necessary for measurement of work and economic activity in the informal economy, and 2) identify and delineate the statistical issues on the informal economy that should be addressed as part of the update of the System of National Accounts 2008 (2008 SNA) and the Balance of Payments and International Investment Position Manual, sixth edition (BPM6).

SECTION II: BACKGROUND

II.1 POLICY NEEDS FOR A STATISTICAL FRAMEWORK

2. Interest in the informal economy continues to attract considerable attention. In addition, new informal types of economic activities are emerging, creating new types of jobs that could be characterized as being less formal or even informal in nature. Informal production activities provide employment and income to many people who might otherwise be unemployed. These are often associated with lower and uncertain income for workers, since informal workers and enterprises are less protected against negative economic shocks. This may have broader consequences for inequality and poverty. The quantification of the informal economy and data on its characteristics are needed for designing, implementing, monitoring and analyzing macro-economic and social policies and to assess their impact.

3. It is a common misconception that GDP is underestimated because it does not include the production of informal businesses. Conceptually the SNA includes all productive activities irrespective of whether these activities are formal or informal. While it is true, that a part of the informal economy may be considered unobserved, the framework for the informal economy outlined in this guidance note is not focusing on exhaustive measurements of production¹, but rather on a complete presentation of the informal economy.

II.2 INFORMAL ECONOMY IN THE 2008 SNA AND THE ILO FRAMEWORK

4. An important contribution of the 2008 SNA was establishing the connection between the work on the informal sector, the informal economy, and their integration in the national accounts. The 2008 SNA recognizes two separate goals for measuring that aspect of the economy that may be unregulated activities or activities that are not covered in statistical inquiries (2008 SNA para. 25.1). The rationale for the first is to have a complete view of the economy that is comparable over time and across economies. The second aspect recognizes the analytical importance, especially in developing countries, of being able to measure that part of the economy that reflects the efforts of people without formal jobs to engage in some form of monetary economic activity (2008 SNA, para 25.3), and is more closely aligned with the analytical framework of the informal economy. However, neither the 2008 SNA nor the ILO resolutions provide statistical recommendations or a comprehensive framework for the informal economy. This

¹ The OECD Handbook Measuring the Non-Observed Economy and the Eurostat Tabular Approach to Exhaustiveness provide frameworks for this issue.

note therefore aims to present a consistent and coherent set of statistical concepts and definitions relating to the informal economy across all statistical datasets (in particular, national accounts, external sector statistics and labour statistics) that are acceptable to labour statisticians and macroeconomic statisticians.

5. The update of the 2008 SNA considers an increased focus of household production of services for own use as part of its work to better reflect Wellbeing issues in the SNA and other supplementary presentations. Since this type of household production is not formal it should be reflected in a complete framework for the informal economy.

6. On this note, the ILO has been working actively on developing statistics on informality. This work has led to the adoption of standards for defining the two main components of the informal economy namely the informal sector and informal employment which was adopted at the International Conference of Labour Statisticians (ICLS) in respectively 1993 and 2003 (ILO, 1993, 2003). The standards provide conceptual and operational definitions for the two concepts thus reflecting informality from the perspective of economic units as well as workers. During the last ICLS in 2018, it was decided to update the standards with the objectives to address known problems and ensure alignment to the latest development in labour market standards. An ILO working group was formed in 2019 to support this work. The Working Group for the Revision of the standards of statistics on informality has made substantial progress in developing a comprehensive set of statistics on the informal economy, which forms the basis for the framework as outlined in this guidance note. In addition, the ILO provides a definition of the informal economy for policy purposes to cover all productive activities by workers and economic units that are—in law and in practice—not covered by formal arrangements (ILO, 2002).

SECTION III: PROPOSED FRAMEWORK FOR THE INFORMAL ECONOMY

7. While some of the statistical components of informality are covered by current statistical recommendations (such as the informal sector and informal employment) there is a general lack of a comprehensive framework that allows a statistical understanding of the scope of informality and how the different components relate to each other. Such a framework can contribute to a clearer understanding of what informality is, from a statistical point of view.

8. The following is a presentation of the proposed statistical framework on informality, focusing on the perspective of the economic unit and its relation to informal productive activities and the informal economy.

III.1 INFORMAL PRODUCTIVE ACTIVITIES AND THE CONCEPT OF THE INFORMAL ECONOMY

Informal productive activities

9. These are defined as all productive activities carried out by persons or economic units that are – in law or in practice – not covered by formal arrangements. This can be viewed as an underlying concept that contributes to a comprehensive framework recognizing the two highly linked but also slightly different perspectives of informality i.e., the perspective of workers and the perspective of economic units; informal labour inputs and informal production. This concept has the potential to create an encompassing conceptual foundation from which the different statistical components are derived and points towards which statistical components should be statistically quantified and described.

Informal economy

10. The overarching concept of informal economy is defined as constituting of all informal productive activities carried out by workers or economic units within the general production boundary (2008 SNA, para. 6.25).

III.2 THE THREE DOMAINS OF THE ECONOMY: FORMAL SECTOR, INFORMAL SECTOR, AND HOUSEHOLD PRODUCTION FOR OWN FINAL USE

11. The purpose of the framework for the informal economy is to include all SNA institutional units in the economy depending on their formal or recognized status and whether their production is mainly intended for the market (either market or non-market production) or mainly own-use production. For this purpose, the framework assigns all SNA institutional units to either the formal sector, the informal sector, or the household own-use production domain. All formally recognized economic units are in the formal sector. Economic units that are not formally recognized are in the informal sector if their production is mainly intended for the market. Economic units that are not formalized and produce mainly for own-use are classified in the household own-use production domain (cf. Box 1).

12. Economic units in these domains can engage in informal productive activities as outlined below. For a visualization refer to *Step 2: Identifying which productive activities are informal* in the decision tree (Figure 1).

Box 1: The formal and informal sectors and household own-use production

		Production mainly intended for the market with the purpose of receiving a profit	
		Yes	No
Formally recognized economic unit	Yes	Formal sector	Formal sector
	No	Informal sector	Household own-use production

Source ILO, 2021

Informal productive activities in the formal sector

13. The formal sector includes economic units that are formally recognized as producers of goods and services. The formal sector includes non-financial and financial corporations and quasi corporations, government units, NPISHs and household unincorporated enterprises that are registered for tax or similar purposes.

14. Undeclared and underdeclared production activities by formal economic units are not considered in the framework for the informal economy but should rather be accounted for as non-observed production activity as part of exhaustive measures of production.

15. Formal economic units can, however, use informal labour inputs for their production. These labour inputs are part of the informal economy.

16. All productive activities of informal workers are informal labour inputs. Informal workers include workers in informal employment such as informal employees and informal contributing family workers as well as workers in other forms of work including informal unpaid trainees and workers carrying out informal volunteer work for the formal enterprise.

17. Workers with formal jobs can also provide informal labour inputs to formal enterprises. For example, when income and hours worked are not declared.²

18. Data on informal labour input in the formal sector are compiled from a labour statistics perspective.

The informal sector

19. This domain is a subsector of the household sector and comprises all informal unincorporated household enterprises with the following characteristics:

- Production mainly intended for the market. This is a departure from the criterion that *at least some* production must be sold or bartered in the current ILO definition.
- Are not registered for tax purposes or similar registrations.

20. Note that the informal sector includes agricultural production of unincorporated household enterprises as long as the above criteria are met. This is a departure from the current ILO definition of the informal sector.

21. Note that size of the enterprise should not be considered as a criterion to classify unincorporated household enterprises as informal. This is a departure from the operationalization of the current definition of the informal sector.

22. The informal sector is a subsector of the household sector in the SNA. All production within the informal sector is part of the informal economy.

23. A single household can carry out more than one type of production activity, which are to be separately identified as informal enterprises.

24. Informal household enterprises can engage informal workers as either, employers or own-account workers or as informal employees and informal contributing family workers as well as workers in other forms of work including unpaid trainees and workers carrying out volunteer work for the informal enterprise.

25. Informal household enterprises do not engage any formal workers for carrying out the production. All labour inputs are informal.

26. The use of the term *sector* is not consistent with its meaning in the SNA (2008 SNA, para. 25.37). However, the term *informal sector* as comprising all informal household enterprises is well established and will therefore not be replaced with an alternative more consistent with SNA terminology. The term *formal sector* is equally well established and will also remain unchanged for the same reason.

² Please refer to the glossary in the annex for more information on the types of jobs/workers, when they can be considered informal and on partly informal activities of formal workers.

27. It should be noted that the framework clearly distinguishes the term *informal sector* from the term *informal economy* which have often been used ambiguously in the past. The latter is the overarching concept of the framework and includes all productive activities in the informal sector, the informal productive activities of workers in the formal sector and informal productive activities in the household own-use production domain.

Informal production in the household own-use production domain

28. This domain includes:

- Households producing goods and services mainly intended for own use.
- Informal or temporary NPISHs producing goods and services.
- Direct volunteer work.

29. The domain extends beyond the SNA production boundary by including production of services by households for own use, direct volunteering and services produced by informal NPISHs with the following exceptions.

30. Housing services of owner-occupiers are by convention excluded from the informal economy. No informal labour inputs are used for this production activity.

31. While production of households for own use without employees will mostly be informal, formal production is possible. For example, if there is some compensation from government for own-use production of services that requires registration.

32. Paid domestic staff are employed by households who are using the labour to produce goods and services for own use. This production is only informal if all paid domestic staff are informal employees.

33. Production of services of households for own use by engaging paid domestic staff is inside the SNA production boundary (2008 SNA, para. 6.2). Therefore, the production and employment of informal paid domestic staff should be separately identified within the household production for own use domain of the informal economy.

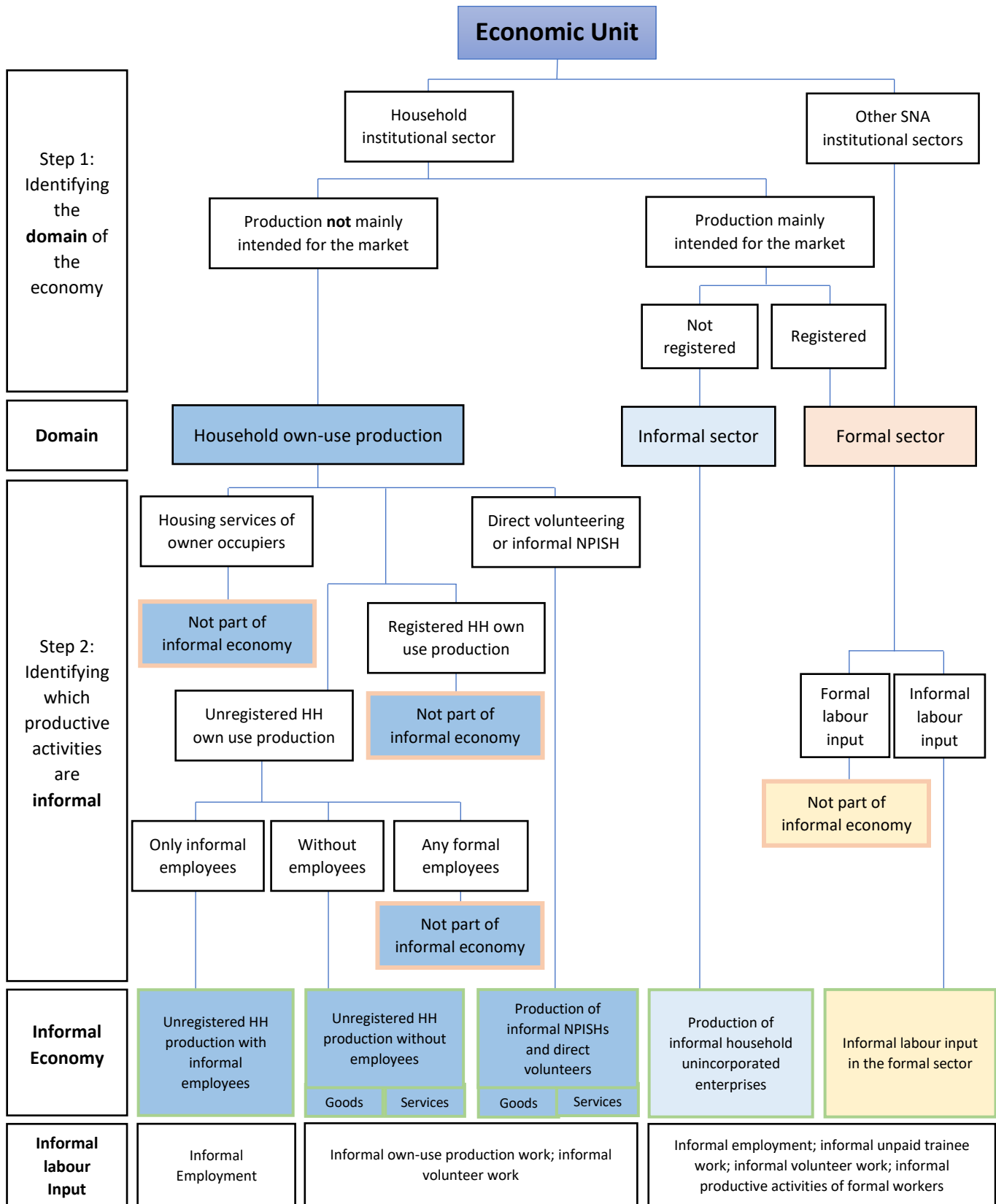
34. The three domains and their link to informal work can also be viewed in Box 2 below. The links between the three domains (i.e., the formal sector, the informal sector, and household own-use production domain) and the institutional sectors of the SNA can be viewed in Box 3.

Box 2: Framework for and scope of the informal economy

Informal productive activities within the domains of the economy					
	Informal productive activities in the formal sector	Informal sector	Informal household own-use production		
	All informal labour inputs of workers engaged by: formal household unincorporated enterprises, formal NPISHs, financial corporations, non-financial corporations, and general government	All production of: informal household unincorporated enterprises	Household production engaging informal employees	Informal production of: households producing for own use, informal or temporary NPISHs, direct volunteers	
Labour input:	Informal employment	Informal employment	Informal employment		
	Informal unpaid trainee work	Informal unpaid trainee work		Informal volunteer work	
	Informal volunteer work	Informal volunteer work		Own-use production work	
Relation to SNA production boundary:	Goods and Services			Goods	Services
	SNA production boundary				
	SNA general production boundary				
Informal Economy					

Informal productive activities of workers						
Type of informal work	Work for pay or profit			Work not for pay or profit		
		Informal Employment Either main or secondary informal jobs			Own-use production work, Informal unpaid trainee work, informal volunteer work including direct volunteering [Essential categories]	
Carry out the work for Economic units in:	Formal Sector	Informal Sector	Household own-use production (only informal domestic employees)	Formal Sector	Informal sector	Household own-use production
Informal Economy						

Figure 1: Decision tree to identify informal productive activities



Box 3: The formal sector, informal sector and household production for own use and its relation to the SNA institutional sectors

	SNA institutional sectors									
	a) Non-financial corporations and b) Financial corporations		c) General government	d) NPISHs	e) Households					
Type of SNA institutional unit	Corporations	Quasi-corporations	Government units	NPISH	Households**					
Main type of production	Market production	Market production	Non-market production	Non-market production	Market production	Market production	Own-use production			
							Housing services of owner-occupiers	Production of households for own use with employees	Production of Households for own use without employees. Including informal and temporary NPISHs and direct volunteers.	
Operational definition as part of identifying the formal status	Incorporated enterprise	Have a complete set of account for tax purposes; registered for tax or similar	Always formally recognized	Registration	Unincorporated enterprise: registered or engages formal employees.	Unincorporated enterprise: not registered; does not engage formal employees.	Always formal	Production is informal if all employees are informal employees	Direct volunteers and informal and temporary NPISHs are always informal; other HH production for own use without employees is informal unless production is registered.	
Within SNA production boundary	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Goods Yes	Services No
Domain of the economy	Formal Sector 1	Formal Sector 2	Formal Sector 3	Formal Sector 4	Formal Sector 5	Informal Sector	Household own-use production			
Productive activities are part of informal economy	Partly*	Partly*	Partly*	Partly*	Partly*	Yes	No	Yes, if employees are informal. No otherwise.	Yes, unless production is registered	

*By informal workers and informal labour inputs of workers with formal jobs in the formal sector;**Excluding institutional households and households that do not undertake production within the general production boundary.

SECTION IV: THE TREATMENT OF DEPENDENT CONTRACTORS

35. Dependent contractors constitute a new employment status category, introduced in the revised International Classification of Status in Employment (ICSE-18) adopted by the 20th International Conference of Labour Statisticians (ICLS). Dependent contractors have contractual arrangements of a commercial nature (but not a contract of employment) to provide goods or services for or through another economic unit; are paid by commercial transactions and do not have an incorporated enterprise, thus are: in employment for profit and are usually responsible for arranging their own social insurance and income tax; do not employ one or more persons as an employee and are operationally and/or economically dependent on another entity that exercises control over their productive activities and directly benefits from the work performed by them.

36. The treatment of dependent contractors is currently discussed in the ILO working group for the revision of the standards for statistics on informality.

37. From a National Accounts perspective, the preferred treatment would be to classify all dependent contractors as owners and operators of unincorporated household enterprises. This economic unit would then be part of the informal sector if it is not registered for tax or similar purposes and in the formal sector otherwise.

SECTION V: ILLEGAL ACTIVITIES

38. The *2008 SNA* states, "...illegal actions that fit the characteristics of transactions are treated the same way as legal actions." The production or consumption of certain goods or services, such as narcotics, may be illegal but market transactions in such goods and services have to be recorded in the accounts. Thus, some illegal activities fall within the scope of production in that they satisfy the characteristic that there is mutual agreement between the parties. If the purpose is to generate income, then the illegal nature of the activity may not be a precluding factor.

39. There are two kinds of illegal production (2008 SNA para. 6.43):

- a) The production of goods or services whose sale, distribution or possession is forbidden by law;
- b) Production that is usually legal but becomes illegal when carried out by unauthorized producers.

40. Most illegal productive activities would be part of the informal economy if the principles of informality are applied. However, from a policy perspective the aim is to stop production of goods or services whose sale, distribution or possession is forbidden by law. While information on informal productive activities is used for different policy goals, for example, to formalize economic units or to decrease the vulnerability of workers in informal employment.

41. From a policy perspective, it could be argued that there is an incentive to transform production that is usually legal but becomes illegal when carried out by unauthorized producers to become legal

similar to transforming informal production activities, into formal production arrangements. There is, therefore, no policy need to exclude these activities from the informal economy.

42. The Task Team proposes to exclude type a) illegal productive activities from the informal economy by convention and supplement statistics on informality with measures of type a) illegal productive activities. The production of informal production units of goods and services that are usually legal but become illegal when carried out by unauthorized producers should be included in the informal economy. A large expert group consultation of macroeconomic accountants and labour statisticians agreed with this proposal.

SECTION VI: NON-OBSERVED ECONOMY, UNDERGROUND ECONOMY, AND UNDECLARED PRODUCTION

43. The concept of informal economy and its different components does to some extent overlap with other related but conceptually different statistical concepts with different objectives. This includes concepts such as the non-observed economy, underground production, or undeclared production³. These concepts and their delineation from the informal economy are covered in greater detail in the Annex.

SECTION VII: OTHER ISSUES TO CONSIDER WHEN ADDRESSING COVERAGE OF THE INFORMAL ECONOMY

44. Other issues that need to be addressed include, but are not limited to, 1) Digitalization, 2) Informal cross-border flows, including tourism services for non-residents, and remittances of informal workers transmitted through formal and informal money transfer channels and of formal workers through informal channels due to lack of access to formal means of money transfer.

VII.1 DIGITALIZATION

45. Digitalization has penetrated many aspects of economic activity and the rapid pace of digitalization has led to concerns about the possible mismeasurement of economic activity. New types of economic activities – some of them informal – have arisen that make use of digital technologies. These activities create new types of jobs that could be characterized as being less formal or even informal in nature. Many of the types of jobs facilitated by digitalization are dependent contractors who are treated as outlined above.

46. Most new forms of dependent contractors facilitated by digitalization are dependent on large formal enterprises, that provide a digital intermediation service. The ties to this formal economic unit that exercises control over their productive activities can facilitate some formality for the dependent contractor.

³ These different concepts and how they relate to each other has also been discussed in the 2002 Handbook on Measuring the Non-Observed Economy (OECD, 2002).

47. Digitalization also facilitates household participation in production activities that can be part of the informal sector/informal economy, for example, through digital marketplaces. Classification of households participating in the sale of goods and services on these marketplaces as informal sector enterprises depends on 1) whether the sale of goods and services constitutes production⁴, 2) whether the production is done in a household unincorporated enterprise, 3) is mainly intended for the market and 4) whether the enterprise is informal.

48. Note that it is out of scope of this guidance note to make recommendations which household activities facilitated by digitalization should be considered production. Current SNA definitions should be applied.

49. Digital platforms can be a useful source of data on informal activity as they provide a link between formal enterprises and the informal economy.

VII.2 INFORMAL CROSS BORDER FLOWS

50. A leading cause of imperfections in external sector statistics is the omission of transactions that are outside the scope of the regular statistical inquiries and data collection systems. Some of these omissions may be related to activities in the informal economy but others may be related to activities outside the scope of the informal economy because they are undertaken by formal enterprises and with formal labour inputs. For instance, the merchandise trade statistics of some economies may not cover shuttle trade because these are undertaken by unincorporated household enterprises and may not be covered by customs recording. Although it should be included, the merchandise trade statistics of some economies may also not cover international trade in mobile assets (aircraft, ships) but these transactions are undertaken by large formal enterprises. Therefore, both types of transactions may be omitted from the merchandise trade statistics for practical reasons. However, whereas shuttle trade may fall within the scope of the informal economy, trade in mobile assets (undertaken by formal enterprises) is not. Some other flows may be outside the scope of the informal economy because they may be illicit (see below).

51. Informal cross border flows pose challenges to data collection and estimation because they represent transactions undertaken by small units and households that may not be covered by the regular data collection programmes used for external sector statistics.

52. The framework for the informal economy presented in this note relates to the production of goods and services in the domestic economy. It is therefore possible to extend the framework to account for the external transactions related to production of goods and services in the informal economy. These transactions would be recorded primarily in the current account and would include the following:

- (i) Informal cross border transactions in goods (exports and imports): This includes shuttle trade and smuggling of legitimate goods by informal units⁵.

⁴ The sale of second-hand goods without a trade margin is not considered production.

⁵ Shuttle trade covers transactions involving the purchase of goods in an economy by travelers (nonresidents) who then transport these goods back to their economy of residence where they are to be sold; goods purchased by travelers in their home country for resale abroad; and goods purchased by travelers abroad in one economy and sold abroad in a second economy (BPM6 10.19).

- (ii) Informal services: This includes primarily tourism services such as room rental and informal restaurants and bars. The growth of online marketplaces for accommodation rental has allowed households to provide accommodation services to non-residents.
- (iii) Remittances transmitted through informal channels: Workers without access to formal financial units may use informal money transfer systems. These workers may also be engaged in informal employment because they may not have the appropriate employment permits.

53. We may also consider the relationship between the income arising from production in the informal economy and external transactions. In addition to the informal money transfer systems, households may transmit income derived from the informal economy as remittances through formal money transfer channels. For instance, households increasingly use digital money transfer systems for remittances and other cross-border transactions. Income derived from the informal economy may generate imports of consumer goods and imports of services.

VII.3 ILLICIT FINANCIAL FLOWS

54. Illicit financial flows should be distinguished from cross-border informal economy flows. The Conceptual Framework for the Statistical Measurement of Illicit Financial Flows (UNODC and UNCTAD, 2020) identifies illicit financial flows as activities considered as criminal offences, but also some behaviours related to tax and commercial practices. This Framework identifies four main types of activities that can generate IFFs:

- i. tax and commercial activities
- ii. illegal markets
- iii. corruption; and
- iv. exploitation-type activities and financing of crime and terrorism.

55. The framework further notes that IFFs can generally emerge at two different stages:

- Illicit income generation, which includes the set of cross-border transactions that are either performed in the context of the production of illicit goods and services or generate illicit income for an actor during a non-productive illicit activity.
- Illicit income management, which refers to cross-border transactions that use illicit income to invest in financial and non-financial assets or to consume goods and services.

56. Illicit financial flows should be distinguished from illegal transactions. The latter are treated no different from legal transactions and are included in balance of payments statistics frameworks. Nevertheless, illicit financial flows are broad and may include illegal transactions at some point along their cycle. However, not all illicit financial flows are transactions; therefore, not all the flows would be recorded in macroeconomic statistics. Flows arising from exploitation-type activities are not transactions and are therefore excluded from the balance of payments statistics. These flows are not derived as a result of mutual agreement between parties as they involve an involuntary transfer of resources.

Annex I. Distinctions between the informal economy and the non-Observed Economy, as well as underground and undeclared production

Non-observed economy

57. The non-observed economy is a term used to describe economic activities that for different reasons are not captured in regular statistical enquiries. The non-observed economy is a pragmatic term that describes all activities that are not regularly measured and included in the SNA and the types of activities within the non-observed economy will vary between countries. Whether the activities taken place in the broad concept of informal economy and the more restricted concept of informal sector would be observed or unobserved in a given country would depend on the statistics produced in the country. For example, if a country is measuring the production of the informal sector regularly then the informal sector in that country, from an SNA perspective, would not be part of the non-observed economy.

58. The term non-observed economy is used in the context of achieving exhaustiveness of national accounts statistics, focusing primarily on GDP. The framework for the informal economy does not focus on GDP exhaustiveness but provides a comprehensive framework to identify and classify all informal productive activities in an economy. It includes production outside of the SNA production boundary and is thus going beyond GDP.

Underground production

59. Underground production includes productive activities that are legal but are deliberately concealed from public authorities to avoid payment of taxes, social security contributions, meeting legal standards or complying with administrative procedures. The concept of the informal economy, and in particular informal employment and the informal sector, includes to some extent the concept of underground production. However, the statistical concepts of informal economy and its different components are fundamentally different concepts in essence and scope, and go beyond underground production. There might be several different reasons why a specific type of production takes place in the informal sector. For example, because the production is at such a low scale that registration is not required, or because the producers are unable to comply with existing regulations as this would impose an impossible economic burden. It can be due to tradition and culture or the fact that the regulatory system in a country is limited, irrelevant or bureaucratic and expensive.

Undeclared production

60. Undeclared production includes all production of goods and services that is deliberately concealed from public authorities to avoid payment of taxes, social security contributions or other laws. Undeclared production includes underground production as well as illicit and illegal production and work. The non-illicit production and work that are undeclared would to some extent overlap with the informal market economy. An employee that carries out work for an enterprise, if the work is not declared for taxes, no social insurance etc. is paid by the employer, is an informal employee and carries out undeclared work. However, the concepts of undeclared production and work do still differ from the concept of informality. Undeclared production also includes tax evasion which affect the amount of value added of market transactions, either by understated the value of the transaction as such or by overstate associated costs with the production. This would consider formal productive activities that are partly undeclared. On the other hand, the informal economy includes informal productive activities that are not included in the concept of undeclared activities. For example, when the production of the economic unit is at such a low scale that registration and declaration of the activities are not required.

The economic unit would in these situations not deliberately conceal the informal production but is simply not required to declare it. Undeclared work also includes illegal production and illicit activities. As discussed in relation to illegal production and illicit activities this is not, by default included in the concept of the informal economy and informal productive activities. This adds to the discrepancy between undeclared work and the informal economy and underlines the differences in policy objectives and measurement methods for the different concepts.

Annex II: Glossary of relevant reference concepts

Work as classified in ILO classifications and informality of work as discussed in the ILO working group

A *job or work activity* is defined as a set of tasks and duties performed, or meant to be performed, by one person for a single economic unit. The term *job* is used in reference to employment. When relating to own-use production work, unpaid trainee work and volunteer work is referred as *work activity*.

Independent workers own the economic unit for which they work and control its activities. They make the important strategic and operational decisions about the economic unit for which their work is performed and the organization of their work, are not accountable to or supervised by other persons, nor are they dependent on a single other economic unit or person for access to the market, raw materials or capital items. They may work on their own account or in partnership with other independent workers and may or may not provide work for others.

Dependent workers are workers who do not have complete authority or control over the economic unit for which they work. If they are in employment for profit, they have no employees, and do not make the most important decisions about the activities of the economic unit for which they work.

Workers in *employment for profit* are employed persons whose remuneration is directly and entirely dependent on the profit or loss made by the economic unit in which they are employed, including remuneration in cash or in kind by way of a commercial transaction for goods produced or services provided. They do not receive a wage or salary in return for time worked. Workers in *employment for pay* are employed persons who receive, or expect to receive, remuneration in cash or in kind, in return for time worked or for each piece or service produced.

The International Classification of Status in Employment (ICSE-18) classifies jobs in employment for pay or profit into ten detailed categories. They include subcategories of *Employers, Independent workers without employees, Dependent contractors, Employees,* and *Contributing family workers*.⁶

Informal Employment

Employers and Independent workers without employees are and only are in *informal employment* if they are workers who operate and own or co-own an informal household enterprise.

Dependent contractors are in *informal employment* if:

- i) they operate and own or co-own an informal household market enterprise; and
- ii) are not registered for tax; or
- iii) are registered for tax but are not registered for or do not contribute to statutory social insurance.

Employees are in *informal employment* 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

⁶ All are defined in the 20th International Conference of Labour Statisticians Resolution concerning statistics on work relationship.

associated with effective access to formal arrangements such as labour legislation, social protection, income taxation or entitlement to employment benefits. They include:

- a) Permanent employees,
- b) Fixed-term employees,
- c) Short-term and casual employees,
- 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.

Contributing family workers are considered to have informal jobs if their job is not in practice formally recognized in relation to the legal administrative framework. This includes contributing family workers:

- a) who carry out work for an informal sector enterprise.
- b) whose job is not registered for job-related statutory social insurance, or for whom contributions are not made to job-related statutory social insurance.

Informal forms of work other than employment

Direct volunteering is always informal.

Organization-based volunteer work is informal if the work is carried out for:

- a) An informal NPISH or an informal sector enterprise; or
- b) For or through 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 carries out.

Unpaid trainee work is informal if it is not effectively covered by formal arrangements aiming to protect the worker and facilitate and regulate the work carried out by worker.

Own-use production work is informal if it is 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.

Other reference concepts

Informal or temporary NPISHs are defined in the 2008 SNA (paras. 23.42 and 4.168) as groups of households that pool resources of knowledge and volunteer labour to serve their local community whose output should be treated as own-account production. Their output is part of the household institutional sector. Services provided by informal or temporary NPISHs are outside of the SNA production boundary.

Direct volunteering is defined in the Handbook *Satellite Account on Non-profit and Related Institutions and Volunteer Work* as volunteer work performed outside organizations and is treated as an activity in the household institutional sector. Services provided by direct volunteers are outside of the SNA production boundary.

Housing services of owner-occupiers are included in the production boundary. Persons who own dwellings in which they live are treated as owning unincorporated enterprises that produce housing services that are consumed by the household to which the owner belongs. The housing services produced are deemed to be equal in value to the rentals that would be paid on the market for accommodation of the same size, quality and type, taking into account taxes paid on housing (cf., 2008 SNA 9.65). This value is imputed when compiling the national accounts.

The SNA production boundary excludes most services (except housing services of owner-occupiers) produced by households for their own use if the households do not engage employees to undertake this production. The *SNA general production boundary* (2008 SNA 6.25) does not, however, exclude these services.

Annex III. Resources

Reports of the *BOPCOM Task Force on the Informal Economy: [Phase I Report](#); [Phase II Report](#)*

BOPCOM Task Force on Informal Economy [Informal Economy Data: Compilation Practices](#)

IMF, 2021, "[Measuring the Informal Economy](#)", IMF Occasional Paper

International Labour Organization, 1993, "[Resolution Concerning Statistics of Employment in the Informal Sector, Adopted by the 15th International Conference of Labour Statisticians \(15th ICLS resolution on Informality\)](#)".

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