

ENDORSED

IE.1 Statistical Framework for the Informal Economy

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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).
2. The conceptual guidance presented in this guidance note will be complemented with a supplementary note on proposed practical guidance which will include tables and recommended indicators to present statistics on the informal economy.

SECTION II: BACKGROUND

II.1 POLICY NEEDS FOR A STATISTICAL FRAMEWORK

3. 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.

II.2 DELINEATION OF THE INFORMAL ECONOMY AND THE NON-OBSERVED ECONOMY

4. The non-observed economy includes economic activities that, for various reasons, are not captured in regular statistical enquiries. It is a pragmatic term that describes all activities that are not regularly measured and included in the SNA. Therefore, the types of activities within the non-observed economy may vary between countries. It is used in the context of achieving exhaustive statistics.
5. Frameworks on the non-observed economy provide tools to exhaustively include production in the informal sector, illegal production, underground production, household production for own final use within the SNA production boundary, and other production that is not covered due to deficiencies in the data collection programme.¹ Many countries that use these frameworks do not publish details of their adjustments, nor an overall measure of the non-observed economy.
6. The informal economy and the non-observed economy have considerable overlaps, but each may include elements not included in the other. An important example is undeclared and underdeclared

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

production of registered economic units. This is not part of the informal economy but is highly relevant for the non-observed economy.

7. The most important difference between frameworks for the non-observed economy and the framework for the informal economy is their purpose. The framework for the informal economy aims to ensure consistent measures of informal production and informal labour inputs. The main purpose is to inform policy decisions to formalize economic units and to decrease the vulnerability of informal workers. It is, therefore, not primarily a tool to achieve exhaustive measures of production.

II.3 INFORMAL ECONOMY IN THE 2008 SNA AND THE ILO FRAMEWORK

8. 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 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.

9. 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 typically not covered by formal arrangements it should be reflected in a complete framework for the informal economy.

10. 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

11. 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 informality from a statistical point of view.

12. 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

Informal productive activities 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.

13. 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. It provides 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

The overarching concept of the informal economy is defined as constituting all informal productive activities carried out by workers or economic units within the general production boundary².

III.2 INFORMALITY IN THE FORMAL SECTOR, THE INFORMAL SECTOR, AND THE HOUSEHOLD OWN-USE PRODUCTION SECTOR

14. The framework first assigns all economic units to either the formal sector, the informal sector, or the household own-use production sector depending on the intended destination of the production and the formal status of the economic unit.

15. All non-household economic units (corporations, general government, and NPISHs) are assigned to the formal sector, as those economic units are formally recognized as producers of goods or services.

16. Households are assigned to the formal sector if they undertake production through a household unincorporated market enterprise (defined below) that is registered for tax or similar purposes and is therefore formally recognized as a producer of goods and services. The Households are assigned to the informal sector if they undertake production through a household unincorporated market enterprise that is not formally recognized by government authorities by not being registered for tax or similar

² The general production boundary is described in the 2008 SNA, paragraphs 6.24 and 6.25.

purposes. Households producing goods and services, mainly intended for own final use are assigned to the household own-use production sector.

Household unincorporated market enterprises

Household unincorporated market enterprises are created for the purpose of producing goods or services for sale or barter on the market, therefore representing resident households that are producing goods and services mainly intended for the market.

17. Household unincorporated market enterprises do not have a complete set of accounts and it is not possible to separate all assets, including financial assets down to the level of cash, into those that belong to the household in its capacity as a consumer from those belonging to the household in its capacity as a producer.³

18. In a second step, the framework identifies the productive activities (production and labour inputs) that are informal and thus part of the informal economy.

19. The three sectors, their link to informal work (labour inputs) and the SNA and general production boundary are shown in Box 1 below. The links between the three sectors (i.e., the formal sector, the informal sector, and the household own-use production sector) and the institutional sectors of the SNA are shown in Box 2. Figure 1 provides a visualization of how the framework identifies informal productive activities.

Formal sector

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

20. Production carried out by economic units in the formal sector, including undeclared and underdeclared production, is not part of the informal economy. Formal economic units can, however, use informal labour inputs for production. These labour inputs are part of the informal economy.

21. All independent workers in the formal sector are formal workers. Dependent workers in employment (workers who work for pay or profit) as well as unpaid trainees and volunteers can be informal.

22. All labour inputs of informal workers are informal. However, workers in formal employment can also provide informal labour inputs to economic units in the formal sector. For example, when income and hours worked are not declared.⁴

23. Data on informal labour inputs in the formal sector are compiled from a labour statistics perspective.

³ 2008 SNA paragraphs 4.155, 4.157, 4.42 and 5.1.

⁴ 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.

Informal sector

The informal sector is a subsector of the household institutional sector and comprises all household unincorporated market enterprises that are not formally recognized by government authorities because they are not registered for tax or similar purposes.

24. These *informal household unincorporated market enterprises* can also be called *informal enterprises* for brevity.
25. All production within the informal sector is part of the informal economy.
26. 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.
27. In addition, the size of an enterprise should not be considered as a criterion to classify unincorporated household enterprises as informal. This is also a departure from the operationalization of the current definition of the informal sector.
28. A single household can carry out more than one type of production activity intended mainly for the market that is not registered for tax or similar purposes, which are to be identified as separate informal enterprises if feasible and relevant.
29. All workers engaged in informal enterprises are informal workers⁵. Therefore, all labour inputs in the informal sector are informal.

Household own-use production sector

The household own-use production sector includes all households producing goods and services that are mainly intended for own final consumption.

30. Note that this includes the production of informal or temporary NPISHs⁶, as well as direct volunteer work.
31. The household own-use production sector extends beyond the SNA production boundary by including production of services by households for own use, direct volunteering and services produced by informal NPISHs.
32. Production of informal or temporary NPISHs as well as direct volunteer work is always informal.
33. Housing services of owner-occupiers are by convention excluded from the informal economy, as no informal labour inputs are used for this production activity.

⁵ Informal household market enterprises can engage informal workers for profit as either employers or own-account workers, for pay as informal employees and informal contributing family workers, and in other forms of work including unpaid trainees and workers carrying out volunteer work for the informal enterprise.

⁶ 2008 SNA, paragraph 23.42 and 4.168. See the glossary for a summary of the treatment of informal and temporary NPISHs in the 2008 SNA.

34. Household own-use production – other than housing services of owner occupiers, informal or temporary NPISHs, and direct volunteering – that is undertaken using the labour of household members is mostly informal. Exceptions are, however, possible. For example, if there is some compensation from government for own-use production of services that requires registration.

35. Own-use production of households that is undertaken through the labour of a domestic employee⁷ is only informal if the employee is in informal employment.

36. Households undertake different types of production activities that need to be separately evaluated to be considered as part of the informal economy or not. For example:

- Provide free childcare services to neighbours. This production of direct volunteers is part of the informal economy.
- Live in a home they own and thus produce housing services for own-final consumption. This production is not part of the informal economy.
- Formally employ a gardener. The production undertaken using the labour inputs of the gardener is excluded from the informal economy because he/she is in formal employment.
- Informally employ a cook. The production undertaken using the labour inputs of the cook are part of the informal economy because he/she is in informal employment.
- Household members providing full-time childcare for children living in the household; receiving compensation from the government. To receive this compensation, the household needed to register these childcare services. Because it is registered, the production activity is not part of the informal economy.
- Household members using their own labour to undertake other production of goods and services for own final consumption. If the production is not registered, it is part of the informal economy.

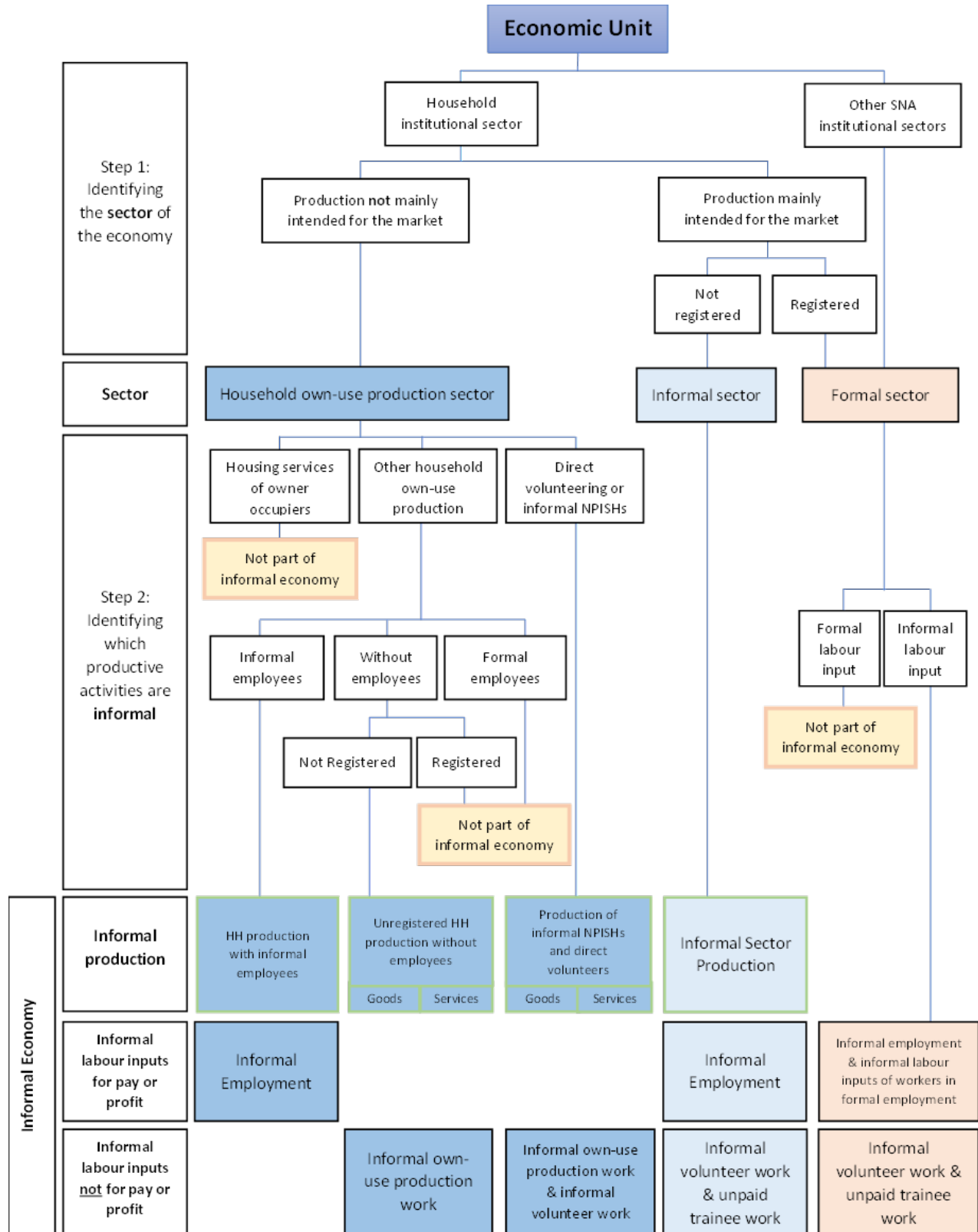
37. For analysis of the informal economy, it may be helpful to separately identify the production of services by informal or temporary NPISHs and direct volunteer work, as well as other informal production of services by households that is undertaken without engaging domestic employees.

⁷ The 2008 SNA often uses the term paid domestic staff.

Box 1: Framework for and scope of the informal economy

Informal productive activities – The Informal Economy						
Sector		Formal sector	Informal sector	Household own-use production sector		
Informal productive activities		Production in the formal sector is never informal All informal labour inputs of workers engaged by: formal household unincorporated market enterprises, formal NPISHs, corporations, and general government	All production of informal household unincorporated market enterprises & All labour inputs used to undertake this production	Household production engaging informal domestic employees & All labour inputs used to undertake this production	Unregistered household own-use production including informal or temporary NPISHs and direct volunteers & All labour inputs used to undertake this production	
Type of informal labour inputs	For pay or profit	Informal employment	Informal employment	Informal employment		
		Informal labour inputs of workers in formal employment				
	Not for pay or profit	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				
		General production boundary				

Figure 1: Decision tree to identify informal productive activities



Box 2: 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 (excluding institutional HH and HH as consumers)					
					Unincorporated household market enterprises					
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	Registered or engages formal employees.	Not registered and does not engage formal employees.	Never informal	Production is informal if 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
Sector of the economy	Formal Sector 1	Formal Sector 2	Formal Sector 3	Formal Sector 4	Formal Sector 5	Informal Sector	Household own-use production sector			
Productive activities are part of informal economy	Only informal labour inputs					Yes, both production and labour inputs	No	Yes, both production and labour inputs if employees are informal.	Yes, both production and labour inputs unless production is registered	

SECTION IV: 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 informal workers.

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. Therefore, type a) illegal productive activities are by convention excluded from the informal economy and statistics on informality should be supplemented 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.

SECTION V: OVERARCHING CLARIFICATIONS AND REMARKS ON THE FRAMEWORK

43. The informal economy is defined in section III.1. After presenting the components and clarifying the delineation of illegal activities the following definitions can be derived:

Informal Economy

The informal economy is defined as constituting all informal productive activities carried out by workers or economic units within the general production boundary; this includes informal household own-use production of goods and services, informal sector production, and the labour inputs that are used to undertake these types of production, as well as informal labour inputs in the formal sector.

Informal household own-use production

Informal household own-use production consists of all unregistered household production of goods and services, whose sale, distribution and possession is not forbidden by law, that is mainly intended for own final use, except for housing services of owner occupiers, and that is undertaken using the labour inputs of household members or informal domestic employees.

Informal sector production

Informal sector production includes all household production of goods and services whose sale, distribution and possession is not forbidden by law, that is mainly intended for the market and is undertaken by unincorporated household enterprises that are not formally recognized by government authorities by not being registered for tax or similar purposes.

Informal labour inputs in the formal sector

Informal labour inputs in the formal sector include all labour inputs of workers in informal employment, of unpaid trainees and volunteers in informal work arrangements and all informal labour inputs of formal employees undertaking the production of goods and services whose sale, distribution and possession is not forbidden by law in the formal sector.

44. The use of the term *sector* in the framework for the informal economy is not consistent with the meaning of *sector* in the SNA (2008 SNA, para. 25.37). However, the term *informal sector*, comprising all informal enterprises, is well established and will therefore not be replaced with an alternative more consistent with SNA terminology. For consistency within the framework, the term *sector* is also used for the formal sector and the household own-use production sector.

45. It should be noted that the framework clearly distinguishes the “*informal sector*” and the “*informal economy*”, although the two have often been used interchangeably. The former is only a component of the latter, which is the overarching concept of the framework.

46. While the formal sector—consisting of economic units that are formally recognized as producers of goods and services—is well defined in the framework, the concepts of *formal economy* and *formal production* have not been introduced or defined. This is because the terms are not considered to be analytically useful for the purposes of this guidance note.

47. While a meaningful definition of formal production could be derived by further classifying all production within the SNA production boundary, such a classification is not required to analyse the informal economy and would add considerable unnecessary complexity.

48. Finding a clear definition of the formal economy would be even more complex, as labour inputs would need to be considered.

49. For these reasons, the framework for the informal economy does not benefit from introducing the concepts of *formal production* and *formal economy* and it is recommended to avoid the use of these terms.

SECTION VI: THE TREATMENT OF DEPENDENT CONTRACTORS

50. 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 thus are in employment for profit; do not have an incorporated enterprise; 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.

51. Dependent contractors own and operate unincorporated household market enterprises. Registration of this economic unit and registration of the dependent contractor for tax are both sufficient criteria for classifying these unincorporated household market enterprises as formal. If neither the dependent contractor nor the economic unit is registered, the economic unit will be part of the informal sector.

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

VII.1 DIGITALIZATION

52. 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.

53. Most new forms of dependent contractors facilitated by digitalization are dependent on large formal enterprises, that provide a digital intermediation service.⁸ The ties to this formal economic unit that exercises control over their productive activities can facilitate some formality for the dependent contractor.

54. Digitalization also facilitates household participation in production activities that can be part of the informal sector/informal economy, for example, through digital marketplaces. Assigning the activities of households participating in the sale of goods and services on these marketplaces to the informal sector depends on 1) whether the sale of these goods and services constitutes production⁹, 2) whether the production is done in a household unincorporated enterprise, 3) whether the production is mainly intended for the market, and 4) whether the enterprise is registered for tax or similar purposes.

⁸ See DZ.9 Incorporating Digital Intermediation Platforms into the System of National Accounts which has been developed by the Digitalization Task Team.

⁹ The sale of second-hand goods without a trade margin is not considered production.

55. 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.

56. 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

57. 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).

58. 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.

59. 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 units¹⁰.
- (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.

¹⁰ 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).

60. 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

61. 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.

62. 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.

63. 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: 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*.¹¹

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:

- a) do not own or co-own a formal economic unit and are not registered for tax and thereby do not have a formal status;
- b) own or co-own a formal economic unit or are registered for tax, and thereby have a formal status but without effective access to formal arrangements intended to reduce the economic risk related to the job.

¹¹ All are defined in the 20th International Conference of Labour Statisticians Resolution concerning statistics on work relationship.

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 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 in *informal employment* 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 SNA 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 *General production boundary* (2008 SNA 6.25) does not, however, exclude these services.

Annex II. 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 \(15th ICLS resolution on Informality\)](#)".

International Labour Organization, 2003, "[Guidelines Concerning a Statistical Definition of Informal Employment](#)"

International Labour Organization, 2013, "[Measuring Informality: A Statistical Manual on the Informal Sector and Informal Employment](#)".

[15th ICLS Resolution Concerning statistics of Employment in the Informal Sector](#)

[17th ICLS Resolution Concerning a Statistical Definition of Informal Employment](#)

[Conceptual Framework for Statistics on Informal Economy \(Draft 31-01-2021\)](#)

[Measuring the Non-observed Economy: A Handbook](#) (OECD, CIS STAT, IMF, ILO 2002)

[Eurostat Tabular Approach to Exhaustiveness](#)

