

Goal: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Target: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

Indicator: 8.3.1: Proportion of informal employment in total employment, by sector and sex

Institutional information

Organization(s):

ILO

Concepts and definitions

Definition:

This indicator presents the share of employment which is classified as informal employment in the total economy, and separately in agriculture and in non-agriculture.

Rationale:

In contexts where social protection coverage is limited, social security benefits (such as unemployment insurance) are insufficient or even inexistent, and/or where wages and pensions are low, individuals may have to take up informal employment to ensure their livelihood. In these situations, indicators such as the unemployment rate would provide a very incomplete picture of the labour market situation, overlooking major deficits in the quality of employment. Statistics on informality are key to assessing the quality of employment in an economy, and are relevant to developing and developed countries alike (ILOSTAT indicator description for informality, available at <https://ilostat.ilo.org/resources/methods/description-informality/>).

Concepts:

Employment comprises all persons of working age who, during a short reference period (one week), were engaged in any activity to produce goods or provide services for pay or profit.

Informal employment comprises persons who in their main or secondary jobs were in one of the following categories:

- Own-account workers, employers and members of producers' cooperatives employed in their own informal sector enterprises (the characteristics of the enterprise determine the informal nature of their jobs);
- Own-account workers engaged in the production of goods exclusively for own final use by their household (e.g. subsistence farming);
- Contributing family workers, regardless of whether they work in formal or informal sector enterprises (they usually do not have explicit, written contracts of employment, and are not subject to labour legislation, social security regulations, collective agreements, etc., which determines the informal nature of their jobs);
- Employees holding informal jobs, whether employed by formal sector enterprises, informal sector enterprises, or as paid domestic workers by households (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).

An enterprise belongs to the informal sector if it fulfils the three following conditions:

- It is an unincorporated enterprise (it is not constituted as a legal entity separate from its owners, and it is owned and controlled by one or more members of one or more households, and it is not a quasi-corporation: it does not have a complete set of accounts, including balance sheets);
- It is a market enterprise (it sells at least some of the goods or services it produces);
- The enterprise is not registered or the employees of the enterprise are not registered or the number of persons engaged on a continuous basis is below a threshold determined by the country.

Comments and limitations:

The considerable heterogeneity of definitions and operational criteria used by countries to measure informal employment greatly hinders the international comparability of statistics on informality.

In order to counter this challenge, for the purpose of SDG global reporting and monitoring, two series are compiled for indicator 8.3.1: one on nationally-reported data (data reported by the country using the country's definition of informal sector and informal employment) and one on harmonized data produced by the ILO using the same criteria and definitions for all countries.

Methodology

Computation Method:

$$\text{Proportion of informal employment in total employment} = \frac{\text{Informal employment}}{\text{Total employment}} \times 100$$

$$\begin{aligned} &\text{Proportion of informal employment in agriculture} \\ &= \frac{\text{Informal employment in agricultural activities}}{\text{Total employment in agriculture}} \times 100 \end{aligned}$$

$$\begin{aligned} &\text{Proportion of informal employment in non agricultural employment} \\ &= \frac{\text{Informal employment in non agricultural activities}}{\text{Total employment in non agricultural activities}} \times 100 \end{aligned}$$

Disaggregation:

Data on this indicator is requested disaggregated by sector and sex.

Here, sector refers to the breakdown by agriculture/non-agriculture. Where necessary and possible, the disaggregation by sector could go into a more detailed breakdown by economic activity, but for the purpose of global and regional monitoring, the aggregate categories of agriculture and non-agriculture are used.

In order to produce this indicator, employment statistics disaggregated by formal / informal employment and by economic activity (agriculture / non-agriculture) are needed.

Treatment of missing values:

- [At country level](#)

- At regional and global levels

Regional aggregates:

Sources of discrepancies:

Methods and guidance available to countries for the compilation of the data at the national level:

- ILO Guidebook - Decent Work and the Sustainable Development Goals: A Guidebook on SDG Labour Market Indicators (https://www.ilo.org/stat/Publications/WCMS_647109/lang--en/index.htm)
- Resolution concerning statistics of employment in the informal sector, adopted by the Fifteenth International Conference of Labour Statisticians (January 1993), available at http://ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-byinternational-conferences-of-labour-statisticians/WCMS_087484/lang--en/index.htm
- Guidelines concerning a statistical definition of informal employment, adopted by the Seventieth International Conference of Labour Statisticians (November-December 2003) available at http://ilo.org/global/statistics-and-databases/standards-and-guidelines/guidelines-adopted-byinternational-conferences-of-labour-statisticians/WCMS_087622/lang--en/index.htm
- ILO manual Measuring informality: A statistical manual on the informal sector and informal employment available at http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_222979.pdf

Quality assurance

With a view to ensuring data quality and reliability, and especially cross-country comparability, the ILO derives statistics on informal employment based on a standard definition and standard operational criteria through processing microdata sets from household surveys.

Thanks to this exercise, two series of indicators on informality are disseminated in the ILO's central statistical database, ILOSTAT (<https://ilostat.ilo.org/>): one referring to the statistics produced and reported by countries, and another based on ILO's standard criteria (harmonized).

For the purposes of international reporting on the SDG indicators, both series are used (the country-reported estimates of informal employment are submitted alongside the ILO harmonized estimates of informal employment).

Data Sources

Description:

The preferred source of data for this indicator is a labour force survey, with sufficient questions to determine the informal nature of jobs and whether the establishment where the person works in belongs to the formal or the informal sector.

Collection process:

The ILO Department of Statistics sends out its annual questionnaire on labour statistics to all relevant agencies within each country (national statistical office, labour ministry, etc.) requesting for the latest

annual data available and any revisions on numerous labour market topics and indicators, including many SDG indicators. Indicator 8.3.1 is calculated from statistics submitted to the ILO Department of Statistics via this questionnaire as well as through special agreements with regional and national statistical offices or through the processing of microdata sets of national labour force surveys.

Data Availability

Description:

Both country-reported estimates and ILO harmonized estimates of informal employment are available in ILOSTAT (<https://ilostat.ilo.org/>).

Time series:

Calendar

Data collection:

The ILO Department of Statistics sends out its annual questionnaire on labour statistics usually in the 2nd quarter, with a view to receiving the requested statistics by the 3rd quarter or the end of the year at the latest. Data received in batch from regional and national statistical offices and data obtained through the processing of microdata sets of national labour force surveys by the ILO Department of Statistics are continuously updated in ILOSTAT (as they become available).

Data release:

The ILO's online database ILOSTAT is continuously updated to reflect statistics compiled and processed every week.

Data providers

Mainly National Statistical Offices.

Data compilers

ILO

References

- ILO Guidebook - Decent Work and the Sustainable Development Goals: A Guidebook on SDG Labour Market Indicators (https://www.ilo.org/stat/Publications/WCMS_647109/lang--en/index.htm)
- Resolution concerning statistics of employment in the informal sector, adopted by the Fifteenth International Conference of Labour Statisticians (January 1993), available at http://ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS_087484/lang--en/index.htm

- Guidelines concerning a statistical definition of informal employment, adopted by the Seventieth International Conference of Labour Statisticians (November-December 2003) available at http://ilo.org/global/statistics-and-databases/standards-and-guidelines/guidelines-adopted-byinternational-conferences-of-labour-statisticians/WCMS_087622/lang--en/index.htm
- ILO manual Measuring informality: A statistical manual on the informal sector and informal employment, available at http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_222979.pdf
- ILOSTAT database, available at <https://ilostat.ilo.org>
- ILOSTAT's indicator description on informality, at <https://ilostat.ilo.org/resources/methods/description-informality/>
- Resolution concerning statistics of work, employment and labour underutilization adopted by the Nineteenth International Conference of Labour Statisticians (October 2013), available at http://ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-byinternational-conferences-of-labour-statisticians/WCMS_230304/lang--en/index.htm
- International Standard Industrial Classification of All Economic Activities (ISIC Rev.4) <https://unstats.un.org/unsd/cr/registry/isic-4.asp>

Related indicators as of February 2020

1.1.1, 1.3.1, 8.5.2