

# **WOMEN AND MEN IN THE INFORMAL ECONOMY:**

## **A statistical picture**



EMPLOYMENT SECTOR

INTERNATIONAL LABOUR OFFICE GENEVA

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*First published 2002*

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ISBN 92-2-113103-3

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## PREFACE

The purpose of this report is to provide a statistical picture, using the available data, of the informal economy worldwide. The statistics and indicators presented in this book are designed to give a wide audience of users a better understanding of the size, components and characteristics of the informal economy. Such information is essential in formulating policies and programmes at national and international levels to promote decent conditions of work as well as contribute to poverty eradication.

The statistics in the report were analysed and presented according to a new conceptual framework for the informal economy proposed in the report on *Decent Work and the Informal Economy* for general discussion at the 90th Session of the International Labour Conference, Geneva June 2002. The resulting analysis shows the feasibility and usefulness of the framework as a basis for the development of statistics and for policy analysis. Notably, in the three countries featured as case studies, the main elements in the framework were already being implemented in their most recent surveys. However, the report also clearly shows that much still needs to be done to develop and harmonise statistics on all components of employment in the informal economy.

*Women and Men in the Informal Economy* was written by a team of consultants working with the Task Force and team members of the International Labour Office responsible for preparation of the report on *Decent Work and the Informal Economy*. The co-authors of the report and co-directors of the project that produced it were Martha Chen,

Harvard University, and Joann Vanek, recently retired from the United Nations Statistics Division. Jacques Charmes, University of Versailles, prepared the international data on employment in and contribution of the informal economy. Margarita Guerrero, United Nations Statistical Institute for Asia and the Pacific, provided statistical advice in all aspects of the project including table design and preparation of the final tables. Françoise Carré, Radcliffe Institute for Advanced Study, and Joaquín Herranz, Massachusetts Institute of Technology, prepared the report on non-standard work in developed countries. The country case studies were prepared by Debbie Budlender, the Community Agency for Social Enquiry, and Peter Buwembo and Nozipho Shabala, Statistics South Africa (South Africa); Rodrigo Negrete, National Institute of Statistics, Geography and Information and Mercedes Pedrero, National Autonomous University of Mexico (Mexico); and Jeemol Unni, Gujarat Institute of Development Research (India). Technical advice was also provided by Richard Anker, Ralf Hussmanns, Eivind Hoffmann and Adriana Mata of the ILO and Grace Bediako of the United Nations Statistics Division. Production assistance was provided by Joanna Jackson, ILO, and Marais Canali, Harvard University; and administrative assistance was provided by Sasithorn Santiwongsakul, ILO.

This report was prepared under the supervision of Lin Lean Lim and funded by the Gender Promotion Programme (GENPROM).

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### Size of the Informal Economy

- Informal employment comprises one half to three-quarters of non-agricultural employment in developing countries: specifically, 48 per cent of non-agricultural employment in North Africa; 51 per cent in Latin America; 65 per cent in Asia; and 72 per cent in sub-Saharan Africa. If South Africa is excluded, the share of informal employment in non-agricultural employment rises to 78 per cent in sub-Saharan Africa. If data were available for additional countries in Southern Asia, the regional average for Asia would likely be much higher.
- Some countries include informal employment in agriculture in their estimates of informal employment. In these countries the inclusion of informal employment in agriculture increases significantly the proportion of informal employment: from 83 per cent of *non-agricultural* employment to 93 per cent of *total* employment in India; from 55 per cent to 62 per cent in Mexico; and from 28 per cent to 34 per cent in South Africa.
- Three categories of non-standard or atypical work – self-employment, part-time work, and temporary work – comprise 30 per cent of overall employment in 15 European countries and 25 per cent of total employment in the United States. Although not all self-employed, part-time workers, and temporary workers are informally employed, the majority receive few (if any) employment-based benefits or protection. In the United States, for instance, less than 20 per cent of regular part-time workers have employer-sponsored health insurance or pensions.

### Components of the Informal Economy

- Informal employment is comprised of both self-employment in informal enterprises (i.e., small and/or unregistered) and wage employ-

ment in informal jobs (i.e., without secure contracts, worker benefits, or social protection). In all developing regions, self-employment comprises a greater share of informal employment (outside of agriculture) than wage employment: specifically, self-employment represents 70 per cent of informal employment in sub-Saharan Africa, 62 per cent in North Africa, 60 per cent in Latin America, and 59 per cent in Asia. Excluding South Africa, where black-owned businesses were prohibited during the apartheid era and have only recently begun to be recognised and reported, the share of self-employment in informal employment increases to 81 per cent in sub-Saharan Africa.

- Self-employment represents nearly one-third of *total* non-agricultural employment worldwide. It is less important in developed countries (12 per cent of total non-agricultural employment) than in developing countries where it comprises as much as 53 per cent of non-agricultural employment in sub-Saharan Africa, 44 per cent in Latin America, 32 per cent in Asia, and 31 per cent in North Africa.
- Informal wage employment is also significant in the developing world: comprising 30 to 40 per cent of informal employment (outside of agriculture). Informal wage employment is comprised of employees of informal enterprises as well as various types of informal wage workers who work for formal enterprises, households, or who have no fixed employer. These include casual day labourers, domestic workers, industrial outworkers (notably homeworkers), undeclared workers, and part-time or temporary workers without secure contracts, worker benefits, or social protection.
- Non-standard wage employment, much of which is informal, is significant in the developed world. In 1998, part-time work represented 14 per cent of total employment for the Organization for Economic Co-operation and Development (OECD) countries as a whole and more than 20 per cent of total employment

in eight of these countries. In the countries of the European Union, temporary work comprises 11 per cent of total employment. Comparable data on other categories of non-standard wage work that are even more likely to be informal in nature – namely, contract work, industrial outwork, and casual day labour - are not available.

- Home-based workers and street vendors are two of the largest sub-groups of the informal workforce: with home-based workers the more numerous but street vendors the more visible of the two. Taken together they represent an estimated 10-25 per cent of the non-agricultural workforce in developing countries and over 5 per cent of the total workforce in developed countries.

### **Women and Men in the Informal Economy**

- Informal employment is generally a larger source of employment for women than for men in the developing world. Other than in North Africa where 43 per cent of women workers are in informal employment, 60 per cent or more of women workers in the developing world are in informal employment (outside

agriculture). In sub-Saharan Africa, 84 per cent of women non-agricultural workers are informally employed compared to 63 per cent of male non-agricultural workers; in Latin America 58 per cent for women in comparison to 48 per cent for men. In Asia, the proportion of women and men non-agricultural workers in informal employment is roughly equivalent.

- Although women's labour force participation rates are lower than men's, the limited data available point to the importance of women in home-based work and street vending in developing countries: 30-90 per cent of street vendors (except in societies that restrict women's mobility); 35-80 per cent of *all* home-based workers (including both self-employed and homeworkers); and 80 per cent or more of homeworkers (industrial outworkers who work at home).
- Although women's labour force participation rates are lower than men's, women represent the vast majority of part-time workers in many developed countries. In 1998, women comprised 60 per cent or more of part-time workers in all OECD countries reporting data. Women's share of part-time work for specific countries was as high as 98 per cent in Sweden, 80 per cent in the United Kingdom, and 68 per cent in both Japan and the United States.

# 1. THE INFORMAL ECONOMY

## Informal Workers

Street vendors in Mexico City; push-cart vendors in New York city; rickshaw pullers in Calcutta; jeepney drivers in Manila; garbage collectors in Bogotá; and roadside barbers in Durban. Those who work on the streets or in the open-air are the more visible occupational groups in the informal economy. The streets of cities, towns, and villages in most developing countries – and in many developed countries – are lined by barbers, cobblers, garbage collectors, waste recyclers, and vendors of vegetables, fruit, meat, fish, snack-foods, and a myriad of non-perishable items ranging from locks and keys to soaps and detergents, to clothing. In many countries, head-loaders, cart pullers, bicycle peddlers, rickshaw pullers, and camel, bullock, or horse cart drivers jostle to make their way down narrow village lanes or through the maze of cars, trucks, vans, and buses on city streets.

But the informal economy also includes activities and workers that are less visible and, even, invisible. Less visible informal workers work in small shops and workshops. On the street corners of most cities, towns, or villages, even in residential areas, are countless small kiosks or stalls that sell goods of every conceivable kind. Down the crowded lanes of most cities, towns, or villages are small workshops that repair bicycles and motorcycles; recycle scrap metal; make furniture and metal parts; tan leather and stitch shoes; weave, dye, and print cloth; polish diamonds and other gems; make and embroider garments; sort and sell cloth, paper, and metal waste; and more.

The least visible informal workers, the majority of them women, sell or produce goods from their homes: garment makers; embroiderers; incense-stick rollers; cigarette-rollers; paper bag makers; kite makers; hair band makers; food processors; and others. These least visible workers are not confined to developing countries. Home-based workers are to be found around the world, including: garment workers in Toronto; embroiderers on the island of Madeira; shoemakers in Madrid; and assemblers of electronic parts in

Leeds. Some of these home-based workers work on their own account, while others work on a piece-rate basis for a contractor or a firm.

Other categories of informal work are common in both developed and developing countries: casual workers in restaurants and hotels; sub-contracted janitors and security guards; casual or day labourers in construction and agriculture; piece-rate workers in sweatshops; and temporary office helpers or off-site data processors. Most workers in all of these categories of work are informally employed, without secure contracts, worker benefits, or social protection.

Conditions of work and the level of earnings differ markedly among those who scavenge on the streets for rags and paper, those who produce garments on a sub-contract from their homes, those who sell goods on the streets, and those who work as temporary data processors. Even within countries, the informal economy is highly segmented by location of work, sector of the economy, and status of employment and, across these segments, by social group and gender. But most workers in the informal economy share one thing in common: the lack of formal labour and social protection.

## The Informal Sector

### *Discovery of the Informal Sector*

It was widely assumed during the 1950s and 1960s that, with the right mix of economic policies and resources, poor traditional economies could be transformed into dynamic modern economies. In the process, the traditional sector comprised of petty traders, small producers, and a range of casual jobs would be absorbed into the modern capitalist – or formal – economy and, thereby, disappear. This perspective was reinforced by the successful rebuilding of Europe and Japan after World War II and the expansion of mass production in Europe and North America during the 1950s and 1960s. By the mid-1960s, however, the optimism about the prospects for economic growth



in developing countries began to give way to concerns about persistent widespread unemployment. Reflecting this concern, the International Labour Organization (ILO) mounted a series of large multi-disciplinary “employment missions” to various developing countries. The first of these was to Kenya in 1972.

The Kenya employment mission, through its fieldwork and in its official report, recognised that the traditional sector had not just persisted but expanded to include profitable and efficient enterprises as well as marginal activities.<sup>1</sup> To highlight this fact, the Kenya mission chose to use the term “informal sector” rather than “traditional sector” for the range of small-scale and unregistered economic activities. This term had been coined the year before by a British economist, Keith Hart, in his 1971 study of economic activities in urban Ghana.<sup>2</sup>

#### *Debates about the Informal Sector*

Although both Hart and the Kenya mission team were very positive about the informal sector – noting its efficiency, creativity, and resilience – the concept received a mixed review in development circles. Many observers subscribed to the notion that the informal sector was marginal or peripheral and not linked to the formal sector or to modern capitalist development. Some of these observers continued to believe that the informal sector in Kenya, Ghana, and other developing countries would disappear once these countries achieved sufficient levels of economic growth or modern industrial development. Other observers argued that industrial development might take a different pattern in developing countries – including the expansion of informal economic activities – than it had in developed countries.

By the 1980s, the focus of the informal sector debate expanded to include changes that were occurring in advanced capitalist economies. Increasingly, in both North America and Europe, production was being reorganised into small-scale, decentralised, and more flexible economic units. Mass production was giving way to “flexible specialisation” or, in some contexts, reverting to sweatshop production.<sup>3</sup> These new patterns of capitalist development were (and are still) associated with the informalisation of employment relations – standard jobs being turned into non-standard or atypical jobs with hourly wages but few benefits or into piece-rate jobs with no benefits – and with sub-contracting the production of goods and services to small-scale informal units and industrial outworkers. In the process, the informal

economy becomes a permanent, albeit subordinate and dependent, feature of capitalist development.<sup>4</sup>

Meanwhile, in the 1980s, the economic crisis in Latin America served to highlight another feature of the informal sector: namely, that employment in the informal sector tends to grow during periods of economic crisis.<sup>5</sup> In the Asian economic crisis a decade or more later, millions of people who lost formal jobs in the former East Asian Tiger countries tried to find jobs or create work in the informal economy.<sup>6</sup> Meanwhile, structural adjustment in Africa and economic transition in the former Soviet Union and in Central and Eastern Europe were also associated with an expansion of employment in the informal economy. Why does employment in the informal economy tend to expand during periods of economic adjustment or transition? When private firms or public enterprises are downsized or closed, retrenched workers who do not find alternative formal jobs have to turn to the informal economy for work because they cannot afford to be openly unemployed. Also, in response to inflation or cutbacks in public services, households often need to supplement formal sector incomes with informal earnings.

During the 1990s, globalisation of the economy contributed to the informalisation of the workforce in many industries and countries.<sup>7</sup> Whereas globalisation generates new jobs and new markets, available evidence suggests that not all the jobs are “good” jobs and that the most disadvantaged producers have not been able to seize new market opportunities. This is because global competition erodes employment relations by encouraging formal firms to hire workers at low wages with few benefits or to sub-contract (or out-source) the production of goods and services<sup>8</sup>; and global integration reduces the competitiveness of many informal firms or self-employed producers vis-à-vis imported goods (in domestic markets) and vis-à-vis larger, more formal firms (in export markets).

#### *Statistics on the Informal Sector*

At the 1991 International Labour Conference, the informal sector was the topic for tripartite debate. This was the first time that the informal sector was featured as a major agenda item in an international conference.<sup>9</sup> The 1991 tripartite debate reinforced the growing interest in statistics on the informal sector within the ILO Bureau of Statistics and among the members of the International Conference of Labour Statisticians (ICLS). In 1992, the ILO Bureau of Statistics prepared a report on “Statistics on Employment in the Informal Sector” as the basis for discussion at the

International Conference of Labour Statisticians (ICLS) meeting the following year. The 1993 ICLS adopted an international statistical definition of the “informal sector” that, subsequently, was included in the revised International System of National Accounts (1993 SNA).

In order to be consistent with the framework of the System of National Accounts and provide for a separate accounting of Gross Domestic Production (GDP) in the informal sector, the definition was based on production units or enterprises rather than on employment relations.<sup>10</sup> The 1993 ICLS defined the informal sector as all unregistered or unincorporated enterprises below a certain size, including: micro-enterprises owned by informal employers who hire one or more employees on a continuing basis; and own-account operations owned by individuals who may employ contributing family workers and employees on an occasional basis (see box on 1993 ICLS definition of the informal sector).

However, the Conference of Labour Statisticians also recognised that an enterprise-based definition would not capture all dimensions of informal employment. The Conference recommended that further work was needed on the employment-based dimensions of informality.<sup>11</sup>

## The Informal Economy

The concept of the informal sector has been debated since its “discovery” in Africa in the early 1970s. Nevertheless, it has continued to be used by many policy makers, labour advocates, and researchers because the reality it seeks to capture – the large share of the global workforce that

remains outside the world of full-time, stable, and protected employment – continues to be important and probably has been increasing over time. At present, there is renewed interest in informal work arrangements. This current interest stems from the fact that informal work arrangements have not only persisted and expanded but have also emerged in new guises and unexpected places.

### *New Term and Expanded Concept*

In recent years, some policy makers, activists, and researchers – both within and outside the ILO – have started to use the term “informal economy” for a broader concept that incorporates certain types of informal employment that were not included in the 1993 international statistical definition of the “informal sector”. They seek to incorporate in this concept the whole of informality – including both enterprise and employment relations – as manifested in industrialised, transition, and developing economies.

This shift toward an expanded concept of the “informal economy” reflects a rethinking of some of the key assumptions regarding the so-called “informal sector”. Those involved in the current rethinking, both within and outside the ILO, seek to incorporate the real world dynamics in labour markets today – particularly the employment arrangements of low-income workers. Key elements of this alternative framework are summarised below:

- **What Is Not the Informal Economy:** Historically, the informal sector was defined largely in opposition to the formal sector: as the sum total of all income-earning activities outside of legally regulated enterprises and employment relations. But this is too inclusive

### 1993 ICLS Definition of the Informal Sector

The Resolution concerning Statistics of Employment in the Informal Sector, adopted by the Fifteenth International Conference of Labour Statisticians in 1993, defined the informal sector as follows: The informal sector is regarded as a group of household enterprises or unincorporated enterprises owned by households that includes:

- informal own-account enterprises, which may employ contributing family workers and employees on an occasional basis; and
- enterprises of informal employers, which employ one or more employees on a continuous basis.

The enterprise of informal employers must fulfil one or both of the following criteria: size of unit below a specified level of employment, and non-registration of the enterprise or its employees.

This framework proposed by the ICLS Resolution allows countries to adapt the basic operational definition and criteria to their specific circumstances. In particular, flexibility is allowed with respect to the upper limit on the size of employment; the introduction of additional criteria such as non-registration of either the enterprise or its employees; the inclusion or exclusion of professionals or domestic employees; and the inclusion or exclusion of agriculture.

Source: ILO Report of the Fifteenth International Conference of Labour Statisticians, Geneva 1993.

a definition. As defined and used here, the informal economy is distinguished from the following:

- Formal Economy: By definition, the informal economy is understood to be outside the world of regular, stable, and protected employment and of legally regulated enterprises.
- Criminal Economy: The informal economy should not be confused or conflated with the criminal economy. While production or employment arrangements in the informal economy are often semi-legal or illegal, the informal economy produces and distributes legal goods and services. In contrast, the criminal economy deals in illegal goods and services.
- Reproductive or Care Economy: The reproductive or care economy – comprised of unpaid domestic work and care activities – is also not part of the informal economy. This is because the informal economy is defined as part of the market economy: that is, as producing goods and services for sale or some other form of remuneration.

■ **What Is the Informal Economy:** In the expanded conceptual framework the informal economy is seen as comprised of informal employment (without secure contracts, worker benefits, or social protection) both inside and outside informal enterprises (see box on **A Conceptual Framework: The Informal Economy**):

- Informal Employment in Informal Enterprises (small unregistered or unincorporated enterprises), including: employers, employees, own account operators, and unpaid family workers in informal enterprises.<sup>12</sup>
- Informal Employment outside Informal Enterprises (for formal enterprises, for households, or with no fixed employer), including: domestic workers, casual or day labourers, temporary or part-time workers,<sup>13</sup> industrial outworkers (including home-workers), and unregistered or undeclared workers.

■ **What Characterises Informal Employment:** Under the expanded concept, informal employment is understood to include all remunerative work – both self-employment and wage employment – that is not recognised, regulated, or protected by existing legal or regulatory frameworks and non-remunerative work undertaken in an income-producing enterprise.

Most informal workers – including both self-employed and wage workers – are deprived of secure work, worker’s benefits, social protection, and representation or voice. The self-employed have to take care of themselves and their enterprises. Moreover, they often face a competitive disadvantage vis-à-vis larger formal firms in capital and product markets. Informal wage workers also have to take care of themselves as they receive few (if any) employer-sponsored benefits. Moreover, both groups receive little (if any) legal or social protection. As a result of these and other factors, a higher percentage of people working in the informal economy, compared to those working in the formal economy, are poor.

■ **Continuum of Economic Relations:**

Historically, many observers considered the informal and formal sectors as two distinct economic sectors without direct links to one another. The reality is more complex. To begin with, production, distribution, and employment relations tend to fall at some point on a continuum between “formal” relations (i.e., regulated and protected) at one pole and “informal” relations (i.e., unregulated and unprotected) at the other. Moreover, the more formal and the more informal parts of the economy are often dynamically linked. For instance, many informal enterprises have production or distribution relations with formal enterprises: supplying inputs, finished goods, or services to each other either through direct transactions or sub-contracting arrangements. Also, many formal enterprises hire wage workers under informal employment relations: for example, many part-time workers, temporary workers, and industrial outworkers work for formal enterprises through contracting or sub-contracting arrangements.

■ **Segmentation of the Informal Economy:**

The informal economy consists of a wide range of informal enterprises and informal jobs. Despite its heterogeneity, there are meaningful ways to classify its component segments, including: by type of economic unit and by employment status. Informal enterprises consist of micro-enterprises (with an employer plus some employees), family businesses (with an owner operator and, sometimes, unpaid family workers), and own account operations (with an individual owner operator). Informal employment relations consist of employees of informal enterprises as well as domestic workers without a regular

### A Conceptual Framework: The Informal Economy

Production units by type	Jobs by status in employment								
	Own-account workers		Employers		Contributing family workers	Employees		Members of producers' cooperatives	
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal
Formal sector enterprises					1	2			
Informal sector enterprises <sup>(a)</sup>	3		4		5	6	7	8	
Households <sup>(b)</sup>	9					10			

<sup>(a)</sup> As defined by the Fifteenth International Conference of Labour Statisticians in 1993 (see box on 1993 ICLS definition of informal sector)

<sup>(b)</sup> Households producing goods for their own final use and households employing domestic workers.

Dark blue cells refer to jobs that by definition do not exist in the type of production unit in question. Light blue cells refer to jobs which exist in the type of production unit in question but which are not relevant to our concerns.

The unshaded cells are the focus of our concern – they refer to types of jobs that represent the different segments of the informal economy.

**Cells 1 and 5:** Contributing family workers: no contract of employment and no legal or social protection arising from the job, in formal enterprises (cell 1) or informal enterprises (cell 5). (Contributing family workers with a contract of employment, wage, social protection, etc. would be considered employees in formal employment).

**Cells 2 and 6:** Employees who have informal jobs whether employed by formal enterprises (cell 2) or informal enterprises (cell 6).

**Cells 3 and 4:** Own-account workers (cell 3) and employers (cell 4) who have their own informal enterprises. The informal nature of their jobs follows directly from the characteristics of the enterprise they own.

**Cell 7:** Employees working in informal enterprises but having formal jobs. (This may occur, for example, when enterprises are defined as informal using size as the only criterion).

**Cell 8:** Members of informal producers' cooperatives.

**Cell 9:** Producers of goods for own final use by their household (e.g. subsistence farming).

**Cell 10:** Paid domestic workers employed by households in informal jobs.

Source: ILO, *Decent Work and the Informal Economy* Report VI, International Labour Conference, 90th Session, (Geneva 2002).

contract, casual day labourers without a fixed employer, temporary workers who get work through an agency, part-time workers for a fixed employer, industrial outworkers for formal or informal firms (and their intermediaries), and unregistered or undeclared workers.

### Why Improve Statistics on the Informal Economy?

Changing employment arrangements – associated with economic growth, transition or crisis and with global integration and competition – require not only new ways of conceptualising the informal

economy but also new approaches to measuring its size and contribution and to classifying those who work in it. How can one predict and model economic performance if a large share of total output is not adequately measured and valued? Or how can one predict and model labour market behaviour if a major segment of the total workforce is not adequately measured or understood? Labour statistics and national accounts need to more adequately capture and measure the size and contribution of the total economy, including the informal economy.

Current debates on poverty focus largely on human capabilities to the relative neglect of market opportunities. How can one understand and

address poverty without having better statistics on the income sources, the income levels, and the financial risks of those who are poor? There is a link – although not a complete overlap – between working in the informal economy and being poor. This is because those who work in the informal economy are generally not covered by labour legislation or social protection and earn less, on average, than workers in the formal economy. However, there is no simple relationship between working in the informal economy and being poor or working in the formal economy and escaping poverty. In many countries, male owner operators of micro-enterprises earn more, on average, than low-skilled workers in the formal economy. In most countries, women homeworkers earn way below the minimum wage.<sup>14</sup> The link between working in the informal economy and being poor, especially in the lowest-return activities, is stronger for women than for men.

To focus the attention of economists and policy makers on the links between informality and growth, statistics on the size and contribution of the informal economy are needed. To focus the attention of policy makers and academics on employment opportunities and employment arrangements as a key determinant of poverty, statistics on the links between informality, poverty, and gender are also needed.

### **User-Producer Collaboration to Improve Statistics on the Informal Economy**

Under the international statistical system, directed by the United Nations Statistical Commission, the International Labour Office has responsibility for setting standards relating to the collection of labour force statistics and for compiling and publishing official labour force statistics from around the world. As part of this mandate, the ILO's Bureau of Statistics has played a lead role in developing methods for the collection of data on employment in the informal sector, in compiling and publishing official statistics in this area, and in providing technical assistance to national statistical offices to improve their data collection on employment in the informal sector.

During the late 1990s, activists organising informal workers began collaborating with researchers and statisticians to improve statistics on the informal economy. In lobbying for appropriate policies, activists need improved statistics on the informal economy as a whole and on

specific categories of informal workers. For instance, in 1995, the Self-Employed Women's Association (SEWA) of India and the international alliance of home-based workers (called HomeNet) needed statistics on homework worldwide for use in their lobbying efforts for an international convention on homework. The researchers, who were asked to collect statistics on homework, found that only seven countries in the world – Morocco, Japan, and five countries in Europe – had the category of homework in their official labour force statistics.<sup>15</sup> Because so few official statistics were available, the researchers collected and analysed available data from micro-surveys around the world.<sup>16</sup> The statistics they collected helped to convince government and worker delegations to the International Labour Conference that homeworkers were a significant part of the workforce, especially in key export industries. The Home Work Convention (No. 177) was passed in 1996.

In 1997, recognising the importance of the joint action of activists, researchers, and statisticians, representatives of SEWA and HomeNet joined other experts on the informal economy to form a global network called Women in Informal Employment: Globalizing and Organizing (WIEGO). One of WIEGO's five programme themes is to improve and develop statistics on the informal economy. In implementing this objective, the statisticians and researchers in the WIEGO network work closely with the International Labour Organization, the United Nations Statistics Division and the International Expert Group on Informal Sector Statistics, known as the Delhi Group.

That same year, SEWA started a collaborative research project on the informal economy in India with the National Council of Applied Economics Research (NCAER) and the Gujarat Institute of Development Research. Among other studies, this project included a study on the size and contribution of the informal economy in Ahmedabad city that compared official data with the results of a special sample survey. Convinced by this study of the desirability and feasibility of better capturing the informal economy in national sample surveys, the National Sample Survey Office (NSSO) of the Government of India commissioned the principle investigator of the Ahmedabad study to assist the NSSO to design special modules to measure the rural and urban informal economy. These modules were administered in the 1999-2000 round of the national sample survey; the findings are reported in the case study of India (see Chapter 3).

During the late 1990s, other countries also undertook major new initiatives to collect data on the informal sector and the informal economy. For example, South Africa and Mexico - the two other countries featured as case studies in Chapter 3 - encouraged strong user- producer collaborations to develop new surveys to measure the informal economy. In the case of South Africa, the effort to better measure the informal economy was part of a larger effort to develop the post-apartheid national statistical system. In the case of Mexico, the effort to better measure the informal economy was part of a larger effort to monitor the impact of the North America Free Trade Agreement (NAFTA) and on-going privatisation of the economy.

Meanwhile, in 1997, the UN Statistics Commission formed an International Expert Group on Informal Sector Statistics, called the Delhi Group. The convenors of the Delhi Group have invited the stakeholders in these various initiatives

- including the user groups - to participate in the Delhi Group meetings. These meetings have provided an important international forum for the discussion and dissemination of the innovative methods and new data coming out of these initiatives. In collaboration with the ILO, the members of the Delhi Group have encouraged the rethinking of the informal economy.

This booklet reflects the joint action of activists, researchers, and statisticians at the national and international levels to improve statistics on the informal economy. All of the contributors to this booklet have worked with one or more of these initiatives. For the first time, the key findings from these and other recent initiatives are being presented in a single publication which provides a statistical picture of the informal economy worldwide. It is only a beginning, however. As detailed in Chapter 4, a great deal more work is needed to generate the data required for improving policies on the informal economy.

## NOTES

<sup>1</sup> International Labour Office, *Employment, Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya* (Geneva, 1972).

<sup>2</sup> Keith Hart, "Informal Income Opportunities and Urban Employment in Ghana", *The Journal of Modern African Studies*, Vol. 11, No. 1, pp. 61-89 (1973).

<sup>3</sup> Michael Piore and Charles Sabel, *The Second Industrial Divide* (New York, Basic Books, 1984).

<sup>4</sup> Alejandro Portes, Manuel Castells, and Lauren A. Benton, eds., *The Informal Economy: Studies in Advanced and Less Developed Countries* (Baltimore, John Hopkins University Press, 1989).

<sup>5</sup> Victor Tokman, ed., *Beyond Regulation: The Informal Economy in Latin America* (Boulder, Colorado, Lynne Rienner Publishers, 1992).

<sup>6</sup> Eddy Lee, *The Asian Financial Crisis: The Challenge for Social Policy* (Geneva, International Labour Organization, 1998).

<sup>7</sup> Guy Standing, *Global Labour Flexibility: Seeking Distributive Justice* (New York, St. Martin's Press, 1999).

<sup>8</sup> Dani Rodrik, *Has Globalization Gone too Far?* (Washington, D.C., Institute for International Economics, 1997).

<sup>9</sup> Paul E. Bangasser, *The ILO and the Informal Sector: An Institutional History*, ILO Employment Paper, No. 2000/9.

<sup>10</sup> Ralf Hussmanns, *Informal Sector and Informal Employment: Elements of a Conceptual Framework*. Paper presented at the Fifth Meeting of the Expert Group on Informal Sector Statistics, Delhi (September 2001).

<sup>11</sup> *Ibid.*

<sup>12</sup> In the earlier conceptualization of the informal sector, informality was seen as a characteristic of enterprises not of employment relations. For this reason, the 1993 ICLS definition of the informal sector includes all employment, both formal and informal, inside informal enterprises. Formal employment within informal enterprises is a relatively rare phenomenon. In line with the expanded concept of informal economy, the term "informal enterprises" is used in this report instead of "informal sector" except in two sections. The term "informal sector" is used in the section on contribution to GDP in Chapter 2A in conformity with the framework used to distinguish the contribution of the informal sector within the household sector; and in Chapter 3A because the three countries - India, Mexico, and South Africa - directly measured employment in the informal sector.

<sup>13</sup> Temporary and part-time workers who are covered by labour legislation and statutory social protection benefits are not included in the informal economy (see Chapter 2 **Developed Countries** for a discussion of the benefits of temporary and part-time workers).

<sup>14</sup> Jacques Charmes, *Informal Sector, Poverty and Gender: A Review of Empirical Evidence*. (Washington, D.C., The World Bank, 1998); S.V. Sethuraman, *Gender, Informality and Poverty*. (Washington, D.C., The World Bank, 1998); Martha Chen and Donald Snodgrass, *Managing Resources, Activities, and Risk in Urban India: The Impact of SEWA Bank*, (Washington, D.C., USAID, 2001).

<sup>15</sup> G. Schneider de Villagas, "Home Work: A Case for Social Protection", *International Labour Review*, Vol. 129, No. 4 (1990).

<sup>16</sup> Martha Chen, Jennefer Sebstad, and Lesley O'Connell, "Counting the Invisible Workforce", *World Development*, Vol. 27, No. 3, pp. 603-610 (1999).

## 2. STATISTICS ON THE INFORMAL ECONOMY

### Introduction

Preparing the statistics for this chapter on the size, composition, and contribution of the informal economy was an extremely difficult exercise. The most serious limitation is that very few countries have undertaken regular surveys on the informal sector and only two or three countries have collected the data that provide for measures of informal employment outside informal enterprises. Another limitation in the available data is that few countries have prepared estimates of the contribution of the informal sector to GDP.

Second, there are a number of problems that limit the international comparability of the data. In implementing the international statistical definition of the informal sector, countries apply different criteria of non-registration, enterprise size, and/or workplace location. Also, according to the 1993 ICLS guidelines, individual countries can decide what size of unregistered units to include in the informal sector and whether (or not) to include agriculture and domestic service in the informal sector.

Further, the official data are not comprehensive. Most countries exclude agriculture from their measurement of the informal sector and some measure only the urban informal sector. Finally, the official data are not tabulated or presented in a standard format. Often it is not clear what the data include or exclude. Also, data on the informal sector (excluding agriculture) are often compared to data on the total workforce (including agriculture), resulting in an under-estimation of the significance of the informal sector.

In the absence of reliable data collected directly, various indirect methods to estimate the size and composition of the informal economy have been used in this chapter.

The first part of this chapter presents estimates of employment in the informal economy in developing countries based on a residual method. It also presents data on self-employment worldwide as a proxy for informal self-employment, which is the major component of informal employment. The

second part presents data on three categories of non-standard work in developed countries as a proxy for informal employment in developed countries.

### Developing Countries

#### Informal Employment

The expanded conceptual framework on the informal economy described in Chapter 1 has yet to be fully implemented in national data collection activities. Noteworthy is the work undertaken in several countries that provides a basis for further methodological work (see the country case studies in Chapter 3). In the absence of direct measures, estimates were prepared using indirect methods. Two types of estimates were prepared: a) estimates for 25 countries which have not carried out an informal sector or mixed survey; and b) estimates for five countries that have carried out an informal sector or mixed survey and therefore rely on indirect methods for only a part of the data –specifically on informal employment outside the informal enterprises and total informal employment (see box on estimating informal employment by the residual method).<sup>1</sup> In addition, direct measures of self-employment, the major component of informal employment, are presented for 70 developing and 30 developed countries.

According to the first set of estimates, in all regions of the developing world informal employment (outside of agriculture) represents nearly half or more of total non-agricultural employment. It ranges from 48 percent in North Africa, to 51 percent in Latin America, 65 percent in Asia and 72 per cent in sub-Saharan Africa (table 2.1). If data were available for Southern Asian countries, other than India, the regional average for Asia would probably be higher still (refer to annex 1 for listing of countries in regional groups).

Informal activities in agriculture were not included in the estimates of employment in the informal economy reported in this chapter. Since

### Estimating Informal Employment

Few countries directly measure employment in the informal enterprises and fewer still measure informal employment outside the informal enterprises. Until the requisite new data are collected, alternative methods for estimating informal employment are required. The so-called "residual method" is an indirect approach to estimating total informal employment and its major components outside of agriculture. It is based on existing published statistical data which are available in many developing countries.

The basic data required for this estimation procedure are to be found in tabulations based on the population census, labour force survey or another type of household survey that cross-classify industrial sectors (i.e., agriculture, mining, manufacturing, trade and services) by employment status (i.e., employers, own-account workers, family workers, employees) and by sex. While many countries collect these data, they often do not tabulate or publish them. As a result, estimates of the informal economy using the first residual method could be made for only 35 countries and fewer, a total of 25, had data disaggregated by sex. The second residual method requires additional data on employment in the informal enterprises which is to be derived from special informal sector surveys or mixed (household and enterprise) surveys.

#### Residual Method 1

The starting point is to determine the size of the **total non-agricultural workforce**.

The second step is to determine the **number of formal employees** in the non-agricultural workforce based on an establishment survey, an economic census, or other administrative sources that record the legal status of firms. Those paid workers who work in corporations or quasi-corporations or other legally registered firms should be classified as formal employees. Generally, economic censuses do not include civil servants and military forces. Therefore, it is also necessary to obtain an estimate of these government workers from other sources and add them to the number of formal employees.

The third step is to estimate **total informal employment** (outside of agriculture) by subtracting the number of formal employees (based on the economic census or establishment survey) from the total non-agricultural workforce (based on the population census or labour force survey). The estimates from the population census or labour force survey will always be larger than those from the economic census or establishment survey because the latter sources do not capture employment outside formal establishments. This difference represents a residual estimate of total informal employment.

The fourth step is to divide the total non-agricultural workforce into **paid employees and self-employed**. This can be done from the table classifying the workforce by employment status (i.e., employers, own-account, contributing family workers and employees). This can be done for the non-agricultural workforce only if the tabulations cross-classify employment by industrial sector and by employment status. An estimate can then be prepared for a) paid employees and b) the self-employed (employers, own account, and unpaid family workers) in the non-agricultural workforce. The self-employed so derived will typically include some high-end professionals and employers of registered enterprises, who are not considered to be informally employed. These categories are assumed to be small worldwide and smaller in developing countries than in developed countries.

The fifth step is to derive an estimate of **informal paid employment** (outside of agriculture) by subtracting the number of self-employed (from step 4) from total informal employment (the residual obtained in step 3). It will include employees of informal enterprises. It may exclude some sub-contracted paid workers who declare themselves as self-employed.

Tables 2.1 and 2.2 are based on this residual method.

#### Residual Method 2

If a direct measure of employment in the informal enterprises is available (from mixed surveys or special informal sector surveys), then another residual method can be used. These kinds of estimates are available only for India, Kenya, Mexico, Tunisia, and South Africa.

The starting point is to determine the size of the **total non-agricultural workforce**.

The second step is to determine the **number of formal employees** in the total non-agricultural workforce, as above.

The third step is to estimate **total informal employment** (outside of agriculture) by subtracting the number of formal employees from the total non-agricultural workforce, as above.

The fourth step is to determine **total employment in the informal enterprises** based on special informal sector surveys or special mixed household-enterprise surveys. In some countries or industries, it might include some formal or standard employees working in informal enterprises. But this category is assumed to be very small. It might exclude some undeclared informal employees of



informal enterprises. Although the latter category is assumed to be quite small, it is important to note that both informal and formal enterprises may under-declare their paid employees.

The fifth step is to estimate **informal employment outside the informal enterprises**. This is derived by subtracting employment in the informal enterprises from the estimate of total informal employment (the residual obtained in step 2). This second residual is an estimate of informal wage work outside informal enterprises: that is, informal jobs for formal firms, for households, or when there is no fixed employer. It may include some undeclared employees of informal enterprises. Also, it may exclude some sub-contracted paid workers who declare themselves as self-employed.

Table 2.3 and 2.4 are based on this method.

**Table 2.1 Informal employment in non-agricultural employment, by sex 1994/2000**

Region/country	Informal employment as percentage of non-agricultural employment	Women's informal employment as percentage of women's non-agricultural employment	Men's informal employment as percentage of men's non-agricultural employment
<b>North Africa</b>	<b>48</b>	<b>43</b>	<b>49</b>
Algeria	43	41	43
Morocco	45	47	44
Tunisia	50	39	53
Egypt	55	46	57
<b>Sub-Saharan Africa</b>	<b>72</b>	<b>84</b>	<b>63</b>
Benin	93	97	87
Chad	74	95	60
Guinea	72	87	66
Kenya	72	83	59
South Africa	51	58	44
<b>Latin America</b>	<b>51</b>	<b>58</b>	<b>48</b>
Bolivia	63	74	55
Brazil	60	67	55
Chile	36	44	31
Colombia	38	44	34
Costa Rica	44	48	42
El Salvador	57	69	46
Guatemala	56	69	47
Honduras	58	65	74
Mexico	55	55	54
Rep Dominicana	48	50	47
Venezuela	47	47	47
<b>Asia</b>	<b>65</b>	<b>65</b>	<b>65</b>
India	83	86	83
Indonesia	78	77	78
Philippines	72	73	71
Thailand	51	54	49
Syria	42	35	43

Source: Data prepared by Jacques Charmes. See also box on estimating informal employment.

agricultural activities are an important source of employment, especially for women, their exclusion reduces the overall estimate of the size of the informal economy. Following national experience and priorities, at least three countries – India, Mexico, and South Africa – have distinguished

between formal and informal activities in agriculture and included informal agriculture (as a distinct category) in estimates of the informal economy. When informal employment in agriculture is added, the significance of informal employment increases (see **three country cases in Chapter 3**).

**Table 2.2 Wage and self-employment in non-agricultural informal employment, by sex 1994/2000**

Country/Region	Self-employment as percentage of non-agricultural informal employment			Wage employment as a percentage of non-agricultural informal employment		
	Total	Women	Men	Total	Women	Men
<b>North Africa</b>	<b>62</b>	<b>72</b>	<b>60</b>	<b>38</b>	<b>28</b>	<b>40</b>
Algeria	67	81	64	33	19	36
Morocco	81	89	78	19	11	22
Tunisia	52	51	52	48	49	48
Egypt	50	67	47	50	33	53
<b>Sub-Saharan Africa</b>	<b>70</b>	<b>71</b>	<b>70</b>	<b>30</b>	<b>29</b>	<b>30</b>
Benin	95	98	91	5	2	9
Chad	93	99	86	7	1	14
Guinea	95	98	94	5	2	6
Kenya	42	33	56	58	67	44
South Africa	25	27	23	75	73	77
<b>Latin America</b>	<b>60</b>	<b>58</b>	<b>61</b>	<b>40</b>	<b>42</b>	<b>39</b>
Bolivia	81	91	71	19	9	29
Brazil	41	32	50	59	68	50
Chile	52	39	64	48	61	36
Colombia	38	36	40	62	64	60
Costa Rica	55	49	59	45	51	41
El Salvador	65	71	57	35	29	43
Guatemala	60	65	55	40	35	45
Honduras	72	77	65	28	23	35
Mexico	54	53	54	46	47	46
Rep Dominicana	74	63	80	26	37	20
Venezuela	69	66	70	31	34	30
<b>Asia</b>	<b>59</b>	<b>63</b>	<b>55</b>	<b>41</b>	<b>37</b>	<b>45</b>
India	52	57	51	48	43	49
Indonesia	63	70	59	37	30	41
Philippines	48	63	36	52	37	64
Thailand	66	68	64	34	32	36
Syria	65	57	67	35	43	33

Source: Data prepared by Jacques Charmes. See also box on estimating informal employment.

Informal employment is generally a larger source of employment for women than for men. In most countries – outside of North Africa – for which data are available, the proportions of women workers in informal employment (outside of agriculture) is larger than for men. Honduras, Indonesia and Syria are the exceptions. In these countries and in three of the four North African countries, the proportions of men in informal employment exceed those of women.

In some countries of sub-Saharan Africa most of the female non-agricultural labour force is in informal employment – 97 per cent in Benin, 95 per cent in Chad, 87 per cent in Guinea and 83 per cent in Kenya. Half or more of female non-agricultural workers are in informal employment

in seven of the 11 Latin America countries and in four of the six Asian countries for which data are available. In India, 86 per cent of women in the non-agricultural workforce are in the informal economy.

Informal employment – as estimated by the first residual method – is comprised of both self and wage employment (**table 2.2**). In all regions self-employment is a larger share of non-agricultural informal employment than wage employment. Self-employment is 70 per cent of informal employment in sub-Saharan Africa, 62 per cent in North Africa, 60 per cent in Latin America, and 59 per cent in Asia. Moreover, across the individual countries, self-employment is generally a greater share of informal employment than wage employ-

**Table 2.3 Components of informal employment as percentage of non-agricultural employment, 1997/2000**

Country	Total informal employment as percentage of non-agricultural employment	Employment in informal enterprises as percentage of non-agricultural employment	Informal employment outside of informal enterprises as percentage of non-agricultural employment
India	83	69	15
Mexico	55	29	26
Kenya	72	36	35
South Africa	51	19	32
Tunisia	50	22	28

Source: Data prepared by Jacques Charmes. See also box on estimating informal employment.

ment (in 19 of the 25 countries and an identical share in one country). In one country – South Africa – the difference is significant, in part due to the history of apartheid with the prohibition of black-owned businesses. The exclusion of South Africa raises the share of self-employed in sub-Saharan Africa to 81 per cent.

In the countries reported in North Africa and Asia, in three of the five sub-Saharan Africa countries and half of the Latin American countries significantly more women than men in informal employment (outside of agriculture) are self-employed. By contrast, informal wage employment is more important for women in Kenya, South Africa and in four countries in South America – Brazil, Chile, Columbia, and Costa Rica. In these countries more than half of women in informal employment are wage workers. Moreover, in all but one of these countries, South Africa, women are more likely to be wage workers than men.

For the second set of estimates, in countries that directly measure employment in informal enterprises (i.e., the informal sector) through either a special informal sector survey or through mixed (household and establishment) surveys, the residual method can be used to distinguish between informal employment in informal enterprises and informal paid employment outside informal enterprises (see **residual method 2 in box**). In the past few years, five countries have collected such data. In all five countries, informal employment represents at least half of non-agricultural employment (**table 2.3**) with rates of 50 per cent in Tunisia, 51 per cent in South Africa, 55 per cent in Mexico, 72 per cent in Kenya, and 83 per cent in India.

Both components of the informal economy – employment in informal enterprises and informal wage employment outside informal enterprises –

are important sources of non-agricultural employment in these countries. In India, employment in informal enterprises is especially significant; it comprises 69 per cent of non-agricultural employment; and informal employment outside informal enterprises is estimated at 14 per cent of non-agricultural employment. In total, nearly 85 per cent of all non-agricultural employment in India is in the informal economy. In South Africa, informal employment outside informal enterprises is more important as a source of employment than employment in informal enterprises (32 per cent of total non-agricultural employment in comparison to 19 per cent). For Mexico, Kenya and Tunisia the two components tend to be more similar in size, each accounting for about one quarter to one third of total non-agricultural employment.

In the two sub-Saharan African countries, women are the majority of workers in non-agricultural informal employment (**table 2.4**), specifically 60 per cent of workers in Kenya and 53 per cent in South Africa. In Mexico women also comprise a large share of workers in non-agricultural informal employment (38 per cent). In India and Tunisia women's share is significant but much smaller (20 per cent and 18 per cent respectively).

In Kenya and South Africa, women's share of informal employment outside informal enterprises is especially significant. They comprise 79 per cent of these workers in Kenya and 61 per cent in South Africa. In these two countries, women also represent over 40 per cent of workers in informal enterprises. In Mexico women's share in each of the two components of informal employment is about equal. In India women's share is the same in each of the components; whereas in Tunisia women's share of informal employment outside the informal enterprises (22 per cent) is higher than their share in informal enterprises (15 per cent).

**Table 2.4 Women's share of employment in the informal economy, 1997/2000**

Country	Women's share of non-agricultural employment in the informal economy	Women's share of non-agricultural employment in informal enterprises	Women's share of non-agricultural informal employment outside informal enterprises
India	20	20	20
Mexico	39	40	38
Kenya	60	42	79
South Africa	53	45	61
Tunisia	18	15	22

Source: Data prepared by Jacques Charmes. See also box on estimating informal employment.

**Table 2.5 Self-employment as percentage of non-agricultural employment**

Region	1980/1989			1990/2000		
	Total	Women	Men	Total	Women	Men
<b>WORLD</b>	<b>26</b>	<b>28</b>	<b>25</b>	<b>32</b>	<b>34</b>	<b>27</b>
<b>Developed regions</b>	<b>13</b>	<b>11</b>	<b>14</b>	<b>12</b>	<b>10</b>	<b>14</b>
Eastern Europe	18	15	21	9	7	11
Western Europe	12	10	14	14	11	17
Other developed countries	10	9	11	11	9	12
<b>Africa</b>	<b>44</b>	<b>58</b>	<b>37</b>	<b>48</b>	<b>53</b>	<b>37</b>
Northern Africa	23	23	22	31	38	28
Sub-Saharan Africa	50	69	41	53	57	40
<b>Latin America</b>	<b>29</b>	<b>30</b>	<b>27</b>	<b>44</b>	<b>54</b>	<b>35</b>
Central America	30	32	27	40	54	29
South America	29	29	29	43	51	38
Caribbean	27	28	25	55	67	43
<b>Asia</b>	<b>26</b>	<b>24</b>	<b>26</b>	<b>32</b>	<b>32</b>	<b>30</b>
Eastern Asia	23	20	24	18	26	16
South-eastern Asia	34	38	31	33	40	24
Southern Asia	40	38	40	50	55	48
Western Asia	13	6	14	24	10	22

Source: Data prepared by Jacques Charmes. See also technical note with Annex 2.

## Self-employment

Many of the workers identified in Chapter 1- those engaged in petty trading, service repairs, transport and small manufacturing activities – are independent, self-employed producers, some of whom employ family labour or a few additional workers. The most comprehensive set of statistics now available on aspects of employment in the informal economy relates to these self-employed workers. In the absence of direct measures of those employed in the informal economy, self-employment provides an indicator of a major component of employment in the informal economy.<sup>2</sup>

Between 1980 and 2000 self-employment increased from about one-quarter to about one-

third of non-agricultural employment worldwide (**table 2.5** and **annex 2**). Self-employment in non-agricultural activities increased in almost all developing regions. However, declines in self-employment occurred in Eastern Europe where it dropped sharply, from 18 to 9 per cent of non-agricultural employment; and in Eastern Asia, where it dropped from 23 to 18 per cent.

In the 1990 to 2000 period, in some developing regions self-employment comprised half or more of non-agricultural employment – notably in the Caribbean, Southern Asia and Sub-Saharan Africa. With the exception of Eastern and Western Asia, where self-employment is 18 and 24 per cent, respectively, of the non-agricultural workforce, self-employment is over 30 per cent of non-agri-

**Table 2.6 Share of women and men in non-agricultural self-employment**

Region	1990/2000	
	Women	Men
<b>WORLD</b>	<b>36</b>	<b>64</b>
<b>Developed regions</b>	<b>36</b>	<b>64</b>
<b>Africa</b>	<b>38</b>	<b>62</b>
Northern Africa	28	72
Sub-Saharan Africa	41	59
<b>Latin America</b>	<b>51</b>	<b>49</b>
<b>Asia</b>	<b>27</b>	<b>73</b>

Source: Data prepared by Jacques Charmes. See also technical note with Annex 2.

cultural employment in all sub-regions of the developing world. Self-employment is less important in the developed regions where it is about 12 per cent of non-agricultural employment.

Self-employment is more important as a source of employment among women workers than among men workers. In 1990/2000, in every sub-region of the developing world a greater proportion of women than men in non-agricultural employment were self-employed (table 2.5). In

Africa and Latin America, roughly 50 per cent of women in contrast to about 35 per cent of men are self-employed. However, because many more men than women are in the labour force, men comprise a larger share of self-employed non-agricultural workers than women world-wide: 64 per cent in contrast to 36 per cent (table 2.6). The only exception is Latin America where 51 per cent of self-employed non-agricultural workers are women and 49 per cent are men.

By economic sector, outside of agriculture, self-employment is more important in trade than in industry and services in both Africa and Asia (table 2.7): in Africa trade represents 47 per cent of non-agricultural self-employment and in Asia 44 per cent.<sup>3</sup> By contrast, services are a more important source of self-employment in Latin America where services comprise 45 per cent of self-employment – slightly higher in Central America and South America and significantly lower in the Caribbean.

Within the sub-regions there is more variation in the importance of the different economic sectors for women's self-employment than for men's. Social norms that constrain women's mobility are often reflected in a relatively low incidence of women street traders and a relatively high incidence of women working at home, particularly in

**Table 2.7 Percentage distribution of non-agricultural self-employment by sector: 1990/2000**

Region	Industry			Trade			Services		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
<b>WORLD</b>	<b>30</b>	<b>25</b>	<b>33</b>	<b>38</b>	<b>39</b>	<b>35</b>	<b>32</b>	<b>36</b>	<b>33</b>
<b>Developed regions</b>	<b>33</b>	<b>19</b>	<b>37</b>	<b>31</b>	<b>41</b>	<b>29</b>	<b>36</b>	<b>40</b>	<b>34</b>
Eastern Europe	44	29	46	26	43	26	30	29	28
Western Europe	27	14	32	36	44	32	37	41	36
Other developed countries	28	15	35	29	33	26	43	52	39
<b>Africa</b>	<b>32</b>	<b>29</b>	<b>32</b>	<b>47</b>	<b>51</b>	<b>45</b>	<b>21</b>	<b>20</b>	<b>23</b>
Northern Africa	33	52	20	40	26	52	28	22	28
Sub-Saharan Africa	32	21	36	49	60	42	19	19	22
<b>Latin America</b>	<b>24</b>	<b>14</b>	<b>32</b>	<b>31</b>	<b>27</b>	<b>27</b>	<b>45</b>	<b>58</b>	<b>40</b>
Central America	24	16	31	27	20	26	48	64	44
South America	25	14	33	29	26	26	46	60	41
Caribbean	19	8	35	48	51	35	33	41	30
<b>Asia</b>	<b>27</b>	<b>41</b>	<b>28</b>	<b>44</b>	<b>33</b>	<b>42</b>	<b>29</b>	<b>25</b>	<b>32</b>
Eastern Asia	21	12	27	51	40	36	28	48	37
South-eastern Asia	18	16	20	51	57	43	31	18	45
Southern Asia	38	61	34	38	17	42	24	23	24
Western Asia	27	42	27	42	28	43	31	30	30

Source: Data prepared by Jacques Charmes. See also technical note attached to Annex 2.

manufacturing (see Chapter 3). In Southern Asia as a whole – including countries such as Bangladesh, India, and Pakistan – 60 per cent or more of the self-employed women in non-agricultural activities are in industry; in Western Asia 42 per cent of the self-employed women are in industry; but in Eastern and South-eastern Asia less than 20 per cent are. Self-employment in industry is also important for women in Northern Africa. Trade is the most important source of employment among self-employed women of sub-Saharan Africa (60 per cent of non-agricultural self-employment) and for women in the Caribbean (51 per cent). Services are important for self-employed women in Latin America, especially in Central America (64 per cent) and South America (60 per cent) and also for self-employed women in Eastern Asia (48 per cent).

### Informal Sector and Gross Domestic Product

There are, as yet, no estimates of the contribution of the informal economy as a whole to Gross Domestic Product (GDP).<sup>4</sup> However, there are estimates of the contribution of the informal sector to GDP. These estimates indicate that the contribution of informal enterprises (i.e., the informal sector) to non-agricultural GDP is significant (table 2.8). The average (unweighted) share of the informal sector in non-agricultural GDP varies from a low of 27 per cent in Northern Africa to a high of 41 per cent in sub-Saharan Africa. The fact that a large number of countries in sub-Saharan Africa have such estimates reflects a recognition of the importance of the informal sector in total GDP. The contribution of the informal sector to GDP is 29 percent for Latin America and 41 per cent for Asia. However, there is wide variation among the countries reported – from 13 per cent in Mexico to 58 per cent in Ghana. This reflects not only differences in the actual contribution of the informal sector to GDP but also differences in the methods used among the countries in preparing these estimates (see box on estimating informal sector contribution to GDP).

Data which permit analysis of the contribution of women and of men to the informal non-agricultural economy are available for only nine countries (table 2.9). Women's contribution is significantly higher than men's in Burkina Faso, Chad and Mali. The relatively high contribution of women in Burkina Faso has been explained by inclusion in the official accounts of the contribution through secondary activities which for women are mainly

**Table 2.8 Contribution of informal sector to GDP in selected developing countries**

Country (year)	Informal sector GDP as percentage of non-agricultural GDP
<b>Africa</b>	
<b>Northern Africa 27</b>	
Algeria (1997)	26
Morocco (1986)	31
Tunisia (1995)	23
<b>Sub-Saharan Africa 41</b>	
Benin (1993)	43
Burkina Faso (1992)	36
Burundi (1996)	44
Cameroon (1995-96)	42
Chad (1993)	45
Côte d'Ivoire (1995)	30
Ghana (1988)	58
Guinea Bissau (1995)	30
Kenya (1999)	25
Mali (1989)	42
Mozambique (1994)	39
Niger (1995)	54
Senegal (1991)	41
Tanzania (1991)	43
Togo (1995)	55
Zambia (1998)	24
<b>Latin America 29</b>	
Colombia (1992)	25
Mexico (1998)	13
Peru (1979)	49
<b>Asia 31</b>	
India (1990-91)	45
Indonesia (1998)	31
Philippines (1995)	32
Republic of Korea (1995)	17

Source: Data prepared by Jacques Charmes. Also see box on estimating informal sector in GDP.

non-agricultural but for men are in agriculture.<sup>5</sup> In Benin, the contribution of women and men are comparable. In Kenya and Philippines, the contribution of women is lower than that of men; and, in Tunisia, Indonesia and India, women's contribution is substantially lower.

### Estimating informal sector contribution to GDP

According to the 1993 System of National Accounts (SNA), the informal sector is regarded as a group of production units which form part of the household sector. However the whole contribution of the household institutional sector in the SNA cannot be attributed to the informal sector. Production for own final use is not included, which means that "imputed rents," paid domestic services and subsistence agriculture are excluded. The estimation of the informal sector in GDP requires that the accounts of the household institutional sector are available by detailed industrial sectors, making it possible to distinguish agriculture and other primary activities as well as the estimates for rents and domestic service.

Although the 1993 SNA provided a framework for distinguishing the informal sector within the household sector, it does not provide specific guidelines for compiling independent estimates of the informal sector. Table 2.8 presents experimental estimates of the contribution of the informal sector to GDP for a number of countries. Some of the estimates are official. Other estimates based on official data differ from the official estimates either because activities which are to be excluded under the 1993 SNA were removed from the official estimates or the more detailed information used in preparing the official accounts were not available.

As shown in Table 2.8, Africa is the region where the greatest number of estimates are available. In this region the informal sector was early assumed to represent an important share of total production as the formal sector was rather weak. Efforts were made to include estimates of the contribution of the informal sector, often with the initial preparation of the national accounts in the country. In Asian countries the concern for measurement of the informal sector is more recent. India, Indonesia and the Philippines now make such estimates on a regular basis. However in Latin America these estimates are generally not made. Mexico was the first Latin American country to implement the new SNA and took the initiative of building a satellite account for the informal sector. Peru has estimated the contribution of individual entrepreneurs in the household institutional sector which can serve as a proxy for the contribution of the informal sector to GDP. A tentative estimate is also available for urban Columbia.

**Table 2.9 Contribution of women and men in non-agricultural informal sector employment to GDP in selected developing countries**

Country (year)	Non-agricultural informal sector GDP as percentage of total non-agricultural GDP	Women's non-agricultural informal sector GDP as percentage of total non-agricultural GDP	Men's non-agricultural informal sector GDP as percentage of total non-agricultural GDP
<b>Africa</b>			
Benin (1992)	43	22	21
Burkina Faso (1992)	36	29	7
Chad (1993)	45	28	17
Kenya (1998)	25	11	16
Mali (1989)	42	26	14
Tunisia (1994-96)	23	4	19
<b>Asia</b>			
India (1993)	47	10	18
Indonesia (1998)	37	15	22
Philippines (1995)	33	14	26

Source: Data prepared by Jacques Charmes.

## The Informal Economy in Developed Countries

With the expansion of standardized mass production and large corporations in Europe, Japan, Korea, and the United States in the post-World War II period, it seemed as if most workers would have standard wage jobs with employment-based benefits and social protection. However, it is now recognized that an increasing share of the workforce in developed countries works under non-standard arrangements, including part time and temporary work and self-employment. As with informal employment in developing countries, many of these non-standard arrangements offer limited worker benefits and social protection (**see box on measuring employment in the informal economy in developed countries**).

Non-standard employment arrangements are significant and even growing in developed countries. In 1988, overall in fifteen countries of the European Union (EU), non-standard arrangements – including part-time employment, temporary employment and self-employment in non-agricultural industries – represented one-quarter of total employment. By 1998, non-standard employment in these countries had grown to nearly 30 percent of total employment.<sup>6</sup> Estimates for the United States also show about 25 per cent of the workforce in non-standard arrangements.<sup>7</sup> This encompasses workers employed under the following arrange-

ments: part-time, temporary help agency, direct-hire temporary (or fixed term), on call, independent contract, and contract firm workers. While non-standard work increased significantly in the United States during the 1980s, the percent of workers in non-standard arrangements in the United States did not increase between 1995 and 2001.

Comprehensive and comparable data on the extent of non-standard employment in developed countries is not now available. This is partly because definitions of the various non-standard work arrangements are not comparable across countries. This is also because few countries collect data on all categories of non-standard work. For instance, there is only very limited data on some of the new forms of employment, such as employment by companies providing services to other companies under an inter-firm contract. Inter-firm subcontracting is a relatively new work arrangement that has emerged in the fast growing sectors that provide labour-intensive services to other businesses or public institutions (e.g., janitorial services).

Assuming comprehensive data on non-standard employment were available, there is the further question of which categories of non-standard employment should be classified as informal employment. All categories of non-standard workers would need to be classified by whether or not they receive worker benefits and labour and social protection coverage to arrive at the share of non-standard workers who are informal workers.

### Measuring Employment in the Informal Economy in Developed Countries

Employment in the informal economy in developed countries is linked to employment arrangements that have tenuous connections between the worker and formal structures and little if any access to fundamental labour rights and protection and employment-based social protection. The following specific categories of non-standard employment arrangements are relevant:

- part-time employment in formal firms
- temporary employment in formal firms
- self-employment, in particular own account workers with no employees
- inter-firm subcontracted work
- industrial outwork, including homework
- sweatshop work
- day labour

Data on the first three categories are reviewed in this section to provide a proxy estimate of the size and composition of the informal economy in developed countries. This is because data on inter-firm subcontracting are available only for the United States and data on industrial outwork, sweatshop work, and day labour are not readily available.

To arrive at a more precise estimate of employment in the informal economy in developed countries, two types of additional information are needed: data on all categories of non-standard work; and data on access to worker benefits and social protection across all categories of non-standard work. For instance, some part-time and temporary workers in developed countries enjoy worker benefits and social protection coverage. Also, self-employed professionals and technicians in developed countries often can afford to subscribe to privatized social insurance schemes. Those categories of non-standard workers, such as these, who receive social protection coverage or can pay for social insurance would not be considered to be in informal employment.



Some temporary and part-time workers are covered by social protection and labour legislation while others are not; this varies by country. Some self-employed are entitled to and can afford to pay for their own social protection (see discussion of benefits under each category of worker below). At present, data on certain categories – notably, part-time work, temporary work, and self-employment – can be compared cross nationally, as presented below. Also, some data on the social protection available to these workers is available, as analysed below. However, comprehensive and systematic breakdown of the non-standard workforce by whether or not they receive worker benefits and social protection coverage is not yet available.

### Part-time Work

Since the beginning of the 1990s, part-time work – defined as less than 30 hours per week in a main job – has grown in most countries of the Organization for Economic Co-Operation and Development (OECD). Countries with the fastest growth in this period include France (from 12 to 15 per cent), the United Kingdom (20 to 23 per cent), Luxembourg (8 to 13 per cent) and Germany (13 to 17 per cent). By 1998, for the countries of the OECD as a whole, part-time employment represented about 14 percent of total employment. Part-time work ranged from a high of 30 percent of total employment in the Netherlands to about 3 per cent in the Czech Republic and Hungary. Part-time employment is also a high proportion of total employment in Australia (26 per cent), Switzerland (24 per cent) Japan (24 per cent) and the United Kingdom (23 per cent) (**table 2.10**).

Women comprise the majority of part-time workers in each of the OECD countries. Women's share of part-time employment ranges from 60 per cent in Turkey to 97 per cent in Sweden.

The main occupations of part-time workers are service and sales, clerical and low-skilled labour.<sup>8</sup> Women part-time workers are concentrated in service and sales (33 per cent of women's total part-time employment and 12 per cent for men) and clerical work (25 per cent for women and 12 per cent for men). Men in part-time work are usually employed as low-skilled labourers (26 per cent of men's total part-time employment and 23 per cent of women's).

For most of the countries with data, the median hourly earnings for part-time workers are lower than those for full-time workers in most sectors. Hourly earnings of part-time workers represent between 55 to 90 per cent of those of full-time

workers.<sup>9</sup> Overall the relative hourly earning of part-time workers are lowest in real estate, renting and business activities with men earning less than two-thirds and women less than three-quarters of the full-time workers. This sector typically employs 15 per cent or more of total part-time employment. However, in wholesale and retail trade, which in most countries is the largest share of part-time employment, the gap is much smaller. Women tend to earn more than 90 per cent of the hourly earnings of full-time workers and men average just over 80 per cent. That is, the relative pay differential between female part-timers and full timers is less than the equivalent pay differential for males. One possible explanation for this is that the full-time jobs of women are not that different from the part-time jobs for women. Another is that male part-time jobs are limited to a small group of occupations associated with relatively low skills and earnings.

### Benefits

As a general rule, part-time workers tend to receive fewer benefits than full-time workers. However, part-time workers in Europe are more likely to be eligible for benefits than part-time workers in North America or Japan and Korea. In the European Union, laws proscribe discrimination by employers against part-time workers in pay, certain benefits and working conditions.<sup>10</sup> In addition many European countries have collective agreements supporting the principle that part-time workers are entitled to the same rights and benefits as full-time workers.<sup>11</sup> In some countries, however, these protections do not apply to part-time workers who work below a certain threshold number of hours. For example, public health, old-age pension and unemployment benefits in France, Germany, Ireland, Japan and Sweden require minimum hours or earnings for eligibility which part-time workers may not meet.<sup>12</sup>

In Canada, part-time workers are less likely than full-time workers to be entitled to company pensions, health and dental plans, paid sick leave and paid vacation leave. Data from the 1995 Survey of Work Arrangements show that entitlements for each of these benefits for part-time workers were less than two-fifths of those for full-time workers.<sup>13</sup>

In the United States, where part-time work is less common than in most other OECD countries, part-time workers are offered very few benefits. Only 18 per cent of workers in regular part-time jobs have employer-sponsored health insurance, compared to 87 per cent of regular full-time workers. Further, 19 per cent of regular part-time

**Table 2.10 Part-time Employment<sup>1</sup> by sex, 1990-1998**

	Part-time employment as a proportion of total employment		Women's share in part-time employment	
	1990	1998	1990	1998
Australia <sup>2,3</sup>	22.6	25.9	70.8	68.6
Austria	–	11.5	–	86.9
Belgium	14.2	16.3	79.9	82.4
Canada	17.0	18.7	70.1	69.5
Czech Republic	–	3.3	–	70.0
Denmark	19.2	17.0	71.5	68.5
Finland	7.6	9.7	66.8	63.1
France	12.2	14.8	79.8	79.3
Germany	13.4	16.6	89.7	84.1
Greece	6.7	9.2	61.1	63.6
Hungary	–	3.4	–	69.2
Iceland <sup>4</sup>	–	23.2	81.6	77.4
Ireland	9.8	–	71.8	–
Italy	8.8	11.8	70.8	70.4
Japan <sup>2,5</sup>	19.1	23.6	70.5	67.5
Korea <sup>2</sup>	4.5	6.8	58.7	54.8
Luxembourg	7.6	12.8	86.5	87.3
Netherlands	28.2	30.0	70.4	75.8
New Zealand	19.6	22.8	77.1	74.3
Norway	21.3	21.0	82.7	79.1
Poland <sup>2</sup>	–	11.8	–	62.2
Portugal	6.8	9.9	74.0	70.9
Spain	4.6	7.7	79.5	75.9
Sweden	14.5	13.5	81.1	97.3
Switzerland <sup>4</sup>	22.1	24.2	82.4	83.4
Turkey	9.2	6.2	62.5	60.3
United Kingdom	20.1	23.0	85.1	80.4
United States <sup>6</sup>	13.8~	13.4	68.2~	68.0
Total OECD <sup>7</sup>	13.4~	14.3	74.1~	73.6

Source: Data are published in OECD Employment Outlook (Paris: OECD, 1999) table E.

~ Indicates break in series

<sup>1</sup> Part-time employment refers to persons who usually work less than 30 hours per week in their main job. Data include only persons declaring usual hours.

<sup>2</sup> Data are based on actual hours worked.

<sup>3</sup> Part-time employment based on hours worked at all jobs.

<sup>4</sup> 1990 refers to 1991

<sup>5</sup> Less than 35 hours per week.

<sup>6</sup> Estimates are for wage and salary workers only.

<sup>7</sup> For above countries only.

workers have employer-provided pensions in comparison to 60 per cent of regular full-time workers.<sup>14</sup>

Japanese employers are not obligated to pay social security, disability and unemployment insurance taxes for many part-time and temporary workers.<sup>15</sup> The situation is mitigated with regards to health insurance, since Japan has a universal programme with everyone enrolled in some form of health insurance.

## Temporary Employment

Temporary employment encompasses all short-term employment arrangements, whether through an intermediary (e.g. a temp agency) or by direct hire for a fixed term. More so than part-time work it is associated with few (if any) benefits.

Under a broad definition that includes temporary agency workers, workers with fixed-term

contracts, seasonal workers, and persons with training contracts, most European Union countries have experienced increases in temporary employment. For the European Union as a whole, the share of workers in temporary employment increased between 1988 and 1998 from 8 to 11 per cent of total employment.<sup>16</sup>

In many countries of the European Union the majority of workers in temporary employment are women. In nine of the fifteen European Union countries, women account for about half or more of temporary employment. In six of these, women comprised a solid majority: Sweden (59 per cent), Ireland (58 per cent), Belgium (57 per cent), United Kingdom (55 per cent), Netherlands (54 per cent) and Denmark (52 per cent). The countries of the European Union with the lowest shares are: Spain (38 per cent), Austria (43 per cent) Greece (44 per cent) and Germany (45 per cent).<sup>17</sup>

Overall for the 15 countries of the European Union, temporary employment is more heavily concentrated, than standard employment, in service producing activities. This broad category includes all services to individuals, households and businesses, including finance, insurance and real estate. Because temporary employment concentrates in sectors that employ large proportions of women workers, women are heavily represented in temporary employment.<sup>18</sup>

For the United States, temporary workers (temporary agency, contract, on-call/day labourer, part-time, and full-time workers) were about 4.1 percent of all employed in 1999.<sup>19</sup> In Japan temporary employment (temporary, day labourers, and some temporary agency workers) was about 12 per cent of all employed in 1997<sup>20</sup> and the majority of these workers were women (66 per cent).

### *Benefits*

European Union countries mandate parity in wages and benefits for workers in most forms of temporary employment, whether direct-hire or through a temporary agency.<sup>21</sup> Although such workers remain eligible for all socially administered employment-based benefits, they may not meet some of the hours, seniority, and earnings thresholds necessary for eligibility as their work is not stable.

In Canada, temporary or contract workers were less likely than full-time workers to be entitled to company pensions, health plans, dental plans, paid sick leave, and paid vacation leave. According to the 1995 Survey of Work Arrangements, only 20 per cent of non-permanent workers were entitled to an employer sponsored pension plan other

than the Canada/Quebec Pension Plan while 58 per cent of full-time workers were entitled.<sup>22</sup>

Similarly, in the United States temporary workers are much less likely than regular full-time workers to have health insurance and private pension plans. In 2001, 11 per cent of temporary help agency workers and 30 per cent of on call workers were eligible for employer-sponsored health insurance in comparison to 58 per cent of workers in standard arrangements.<sup>23</sup> For employer sponsored pension plans, 8 per cent of temporary help agency workers and 31 per cent of on call workers were eligible in comparison to 50 per cent of workers in standard arrangements.

## **Self-employment**

Self-employment is the third major category of non-standard work in developed countries. Overall in 1997, for all of the OECD countries, self-employment represented about 12 per cent of non-agricultural employment, up from about 10 per cent in 1979.<sup>24</sup> At the high end of these countries were Greece, Korea and Turkey with a share of around one-quarter of non-agricultural employment. At the low end were Austria, Denmark, France, Germany, Japan, New Zealand, Norway and the United States with less than 10 per cent of the non-agricultural labour force in self-employment.

Self-employment is non-standard because it does not entail a wage relationship and, therefore, does not entail access to wage or payroll-based benefits. Put another way, the self-employed have to depend upon their own profits and are personally responsible for their own welfare and that of their enterprise. They do not have access to employer-sponsored benefits and often have limited access to statutory or privatised systems of social protection.

But the self-employed are not a homogenous group. Statistics on self-employment distinguish three main sub-categories: a) self-employed with employees (i.e. employers); b) self-employed without employees (i.e., own account operators, including independent contractors or free lancers); and c) unpaid family workers. Unpaid family workers are usually excluded from compilations of the self-employed because they are considered entrepreneurial assistants and not entrepreneurs. This would underestimate the real level of women's entrepreneurship because some women classified as unpaid family workers would be better considered as partners with the self-employed person.<sup>25</sup> Within self-employment, own-account work is most directly relevant to the informal

economy because it is often characterized by weak attachments to formal structures, lower wages and poorer working conditions. In OECD countries, for example, compared to both self-employed employers and regular employees, own-account workers tend to report poorer working conditions, longer and irregular working hours, less access to training, less autonomy and more job insecurity.

Recent changes in labour market structures have made it harder to draw a clear distinction between wage work and self-employment: this is because it is often difficult to verify whether a worker is dependent or independent. For example, self-employed workers may receive work orders from a formal business – their business customer – but perform the work at their customer's business site and under the supervision of their business customer. In such cases, they are similar to dependent wage workers. Moreover a number of governments have been concerned about the rise of "false" self-employment in order to reduce tax liabilities. In such cases, the customer firm tries to avoid payroll taxes that cover unemployment insurance, worker compensation insurance, pension, and (except in the United States) health insurance. The firms bypass all of these obligations by declaring that their workers are self-employed.<sup>26</sup>

Both self-employment as a whole and own-account self-employment as a share of total self-employment have been growing. The proportion of own-account self-employment within total self-employment increased in six out of ten OECD

countries (where data were available) between 1990 and 1997<sup>27</sup>. Further, in most OECD countries, more self-employed workers are own-account than employers. For example, in 1997, nine out of ten self-employed jobs in Belgium and seven out of ten in Greece were own-account.

Women comprised one out of every three self-employed workers for OECD countries overall in 1997 and this proportion is growing. From 1990 to 1997 annual average growth rates of female self-employment surpassed those of men in 10 out of 18 countries where data are available. To some extent, this mirrors the increase in the proportion of women in total employment as a whole; however the growth rate of women in self-employment outpaced that of women in total employment in the 1980s, then stabilized in the 1990s.<sup>28</sup>

### Benefits

Self-employed workers are – by definition – responsible for their own contributions to national retirement plans (in countries with universal systems where they are eligible to enrol), health insurance schemes, and other protection. In some countries enrolment and payment of a premium out of one's resources is mandated by law. For example, most countries have a tax-financed old age pension system with mandatory contributions. Self-employed workers are usually ineligible for government-run unemployment insurance, being considered responsible for generating their own jobs.

## NOTES

<sup>1</sup> The following technical considerations apply to the tables that are in the section of this chapter on developing countries: while there is no United Nations standard for defining a country or area as developed or developing, these terms are applied for statistical and analytical purposes and do not express a judgment about the stage of development that a particular country or area has reached. The basic grouping of countries is by continental region. The listing of countries for each of the regions and sub-regions is in Annex 1. Regional and sub-regional averages are based on unweighted data for the countries and areas for which data are available. If country data were weighted by population, regional and sub-regional averages would mainly reflect the situation in one or two large countries.

<sup>2</sup> The caveats in using self-employment as an indicator of employment in informal enterprises are: 1) data on self-employment also includes some employers in medium and large enterprises who are in the formal sector and high-end professionals; however, their numbers would be small, particularly in developing countries and 2) the informal sector includes employees of informal enterprises who are not reflected in measures of self-employment.

<sup>3</sup> In addition to agriculture which is not considered here, the other two main economic sectors are industry and services. Industry comprises mining and quarrying, manufacturing, electricity, gas and water supply and construction. Services is disaggregated here into two categories: a) wholesale and retail trade and b) hotels and restaurants; transport, storage and communications; financial, real estate and business; public administration, social security and defense; education; health and social work; and other community, social and personal services. This is based on United Nations *International Standard Industrial Classification of all Economic Activities*, Revision 3 (United Nations publication, Sales No. E.90.XVII.II).

<sup>4</sup> However a trial estimate was prepared for Mexico, as reported in Chapter 3.

<sup>5</sup> Jacques Charmes, "Women working in the informal sector in Africa: new methods and new data" March 1998 available on the WIEGO website ([www.wiego.org](http://www.wiego.org)).

<sup>6</sup> Edeltraud Hoffmann and Ulrich Walwei, "The Change in work arrangements in Denmark and Germany: Erosion or renaissance of standards?" Paper for Upjohn Institute's Conference on Non-Standard Work Arrangements in Japan, Europe and the United States, (Michigan, August 2000).

<sup>7</sup> U.S. Bureau of Labor Statistics, *Contingent and Alternative Employment Arrangements*, February 2001. (Washington, D.C. U.S. Department of Labor, 2001).

- <sup>8</sup> Organization for Economic Co-operation and Development (OECD), *OECD Employment Outlook*. (Paris, OECD, 1999)
- <sup>9</sup> *Ibid.*
- <sup>10</sup> European Council Directive EU 91712175N (Council of Ministers 1997). As described in Francois Michon, "Temporary agency work in Europe," European Foundation for the Improvement of Living and Working Conditions, (Dublin 1999).
- <sup>11</sup> *Ibid.* and Cranfield University School of Management, 1997. *Working Time and Contract Flexibility in the EU: Main Report*. Bedford, England : Cranfield University School of Management. Cited in OECD 1999.]
- <sup>12</sup> Organization for Economic Co-operation and Development (OECD). *OECD Employment Outlook*. (Paris, OECD, 1997); Doudeijns, M. 1998. "Are Benefits a Disincentive to Work Part-Time?," in O'Reilly, J. and Fagan, C. (eds.), *Part-Time Prospect*. Routledge, London and New York, pp. 116-136. Cited in OECD 1999.]
- <sup>13</sup> Brenda Lipsett and Mark Reesor, "Flexible work arrangements: evidence from the 1991 and 1995 Survey of Work Arrangements", Human Resources Development Canada Research Paper R-97 (Quebec, Canada, 1997).
- <sup>14</sup> Ken Hudson, "No shortage of 'nonstandard jobs' nearly 30% of workers employed in part-time, temping, and other alternative arrangements", Economic Policy Institute Briefing Paper (Washington, D.C., 1999).
- <sup>15</sup> Susan Houseman and Machiko Osawa, "The growth of nonstandard employment in Japan and the United States: a comparison of causes and consequences", Revision of paper presented at the Upjohn Institute's Conference on Nonstandard Work Arrangements in Japan, Europe and the United States, Michigan, August 2000.
- <sup>16</sup> Hoffman and Walwei, op. cit.
- <sup>17</sup> Colette Fagan and Kevin Ward, "Regulatory convergence? nonstandard work in the UK and the Netherlands." Paper for the Upjohn Institute's Conference on Nonstandard Work Arrangements in Japan, Europe and the United States, Michigan, August 2000.
- <sup>18</sup> *Ibid.*
- <sup>19</sup> Houseman, Susan, and Machiko Osawa, *ibid.* Tabulations by Houseman and Osawa from February 1999 Supplement to the Current Population Survey. [Agency temporary workers accounted for 2.5 percent of all employed people.]
- <sup>20</sup> Houseman and Osawa, op. cit.
- <sup>21</sup> European Council Directive EU31999L0070 (Council of Ministers 1999) as described in Francois Michon, op. cit.
- <sup>22</sup> Lipsett and Reesor, op. cit.
- <sup>23</sup> Mehta, Chirag and Nik Theodore. 2001. "The Temporary Staffing Industry and U.S. Labor Markets: Implications for the Unemployment Insurance System", paper prepared for America's Workforce Network Research Conference, June 25-26, 2001, Washington, D.C.
- <sup>24</sup> Organization for Economic Co-operation and Development (OECD). *OECD Employment Outlook*. (Paris: OECD, 2000).
- <sup>25</sup> *Ibid.*
- <sup>26</sup> *Ibid.*
- <sup>27</sup> *Ibid.*
- <sup>28</sup> *Ibid.*

### 3. ILLUSTRATIVE CASE STUDIES

As discussed in Chapter 2, only two or three countries have collected data that provide a basis for measuring the conceptual whole of informal employment: that is, both inside and outside informal enterprises. The first part of this chapter presents three country case studies of recent efforts to generate national estimates of the informal economy, including agriculture. The second part of this chapter reviews available statistics and qualitative studies on two important sub-groups of workers in the global informal economy: home-based workers and street vendors.

The case studies of India, Mexico and South Africa provide an overview of the size and composition of the informal economy. In each of these countries, informed data users requested and worked with national statistical agencies to develop surveys for the improved measurement of the informal economy. National experts have subsequently analyzed the data and prepared the following reports. The joint efforts of producers and users to produce improved national data, as reported in these studies, is a critical building block not only for estimating the size and nature of the informal economy worldwide but also for pointing to measurement issues and strategies. These studies show that the informal economy is a major component of total employment, ranging from about 35 percent of total employment in South Africa to more than 60 per cent in Mexico and more than 90 per cent in India. They also show the importance of improved methods to measure not only employment in the informal sector but also in informal jobs outside the informal sector and, specifically, in agriculture.

Home-based workers and street vendors are two of the largest sub-groups of the informal workforce. Taken together, they comprise an estimated 10 to 25 percent of the non-agricultural workforce in developing countries and over 5 percent of the total workforce in developed countries. In most regards, these two sub-groups could not be more different. Street vendors are the most visible and most organized group of the informal workforce, whereas home-based workers are the least visible and least

organized group. Yet street vendors and home-based workers have several things in common. Both groups are global phenomena with modern as well as traditional guises; both lack social protection and employment benefits; both are described in terms of the location of work yet encompass different types of employment relations; and both remain under-enumerated or poorly classified in labour force statistics. Significantly, women are dominant in both groups: in developing countries, women represent 30 to 90 percent of street vendors (except in societies that restrict women's mobility) and 35 to 80 percent of home-based workers. This section of the booklet presents brief discussions of these two important sub-groups of the informal workforce, including a summary of available data on their respective size and on the gender dimensions of the phenomena.

#### Country Case Studies

##### India

India has enjoyed a growth rate in gross domestic product of about 6.5 per cent per annum over the last decade. The impact of this consistent growth has been reflected in a reduction in poverty since the mid-1980's. However, a recent Task Force on Employment Opportunities set up by the Planning Commission in India in 2001 pointed out that even a continuation of the GDP growth at this rate is not likely to bring about significant improvement in the employment situation.<sup>1</sup> This is because much of the growth has been capital- and information-intensive rather than labour-intensive. Also, some of the growth has been associated with informal, rather than formal, wage jobs. For example, there has been limited growth in formal employment in the manufacturing sector. Large proportions of the work force are in the informal economy in India, working as self-employed or in informal jobs. Without an appropriate policy environment, it is difficult for the benefits of economic growth to reach these categories of workers.

**Table 3.1 Composition of employment in the informal economy in India, 2000**

	2000		
	Total	Women	Men
<b>Total employment<sup>1</sup></b>	397,720,000	123,270,000	274,450,000
<b>Total non-agricultural employment</b>	159,897,000	31,061,000	128,836,000
<b>Total agricultural employment</b>	238,197,000	92,308,000	145,889,000
<b>Total informal employment<sup>2</sup></b>			
Number of persons	369,755,000	118,220,000	251,533,000
Percentage of total employment	93	96	92
<b>Non-agricultural informal employment<sup>3</sup></b>			
Number of persons	133,355,000	26,601,000	106,751,000
Percentage of total employment	34	22	39
Percentage of non-agricultural employment	83	86	83
Percentage of total informal employment	36	23	42
<b>Employment in informal enterprises</b>			
Number of persons	110,034,000	22,200,000	87,834,000
Percentage of total employment	28	18	32
Percentage of non-agricultural employment	69	71	68
Percentage of total informal employment	30	19	35
Percentage of non-agricultural informal employment	83	83	82
<b>“Residual”<sup>4</sup></b>			
Number of persons	23,321,000	4,401,000	18,917,000
Percentage of total employment	6	4	7
Percentage of non-agricultural employment	15	14	15
Percentage of total informal employment	6	4	8
Percentage of non-agricultural informal employment	17	17	18
<b>Agricultural informal employment</b>			
Number of persons	236,779,000	91,723,000	145,056,000
Percentage of total employment	60	74	53
Percentage of agricultural employment	99	99	99
Percentage of total informal employment	64	78	58

Source: Calculations prepared by Jeemol Unni from national census and survey data

<sup>1</sup> Refers to population age 5 and above

<sup>2</sup> Total informal employment includes both agricultural and non-agricultural informal employment.

<sup>3</sup> Non-agricultural informal employment consists of employment in informal enterprises plus the “residual”.

<sup>4</sup> The «residual» equals total non-agricultural informal employment minus employment in the informal sector

### *Size and Composition of Employment in the Informal Economy*

The informal workforce in India is an estimated 370 million workers, nearly 93 per cent of the total workforce (**table 3.1**). The informal workforce is comprised of three main segments. First, informal employment in agriculture – comprised of the self-employed in small-scale farm units and of agricultural labour – which continues to be important in

India, represents 60 per cent of total employment. Second, employment in informal enterprises/sector outside of agriculture represents another 28 per cent of total informal employment. Third, informal employment outside informal enterprises and outside of agriculture is an estimated 6 per cent of the total informal workforce (this is the Residual Category in table 3.1). Among the total non-agricultural workforce, 133 million workers or 83 per cent are in the informal economy.

### Estimating Employment in the Informal Economy in India

Informal employment is defined as the sum of employment in the informal sector (an estimate based on the characteristics of the enterprise) and in informal jobs outside informal enterprises (estimated through a residual method). The residual is derived through a comparative analysis of statistical sources.

To estimate the size of total informal employment, the specific steps are as follows:

1. Determine the size of the **total workforce** by applying economic participation rates obtained from the Employment and Unemployment Survey, NSSO (2001a) to population census estimates interpolated for the reference year.
2. Determine the size of **employment in the organised sector** based on administrative data of the Directorate General of Employment and Training (DGE&T) collected through a network of employment exchanges in the country that refers to all establishments in the public sector and enterprises in the private sector with 10 or more workers. Information from public sector and private establishments hiring 25 or more workers is mandatory under the law; however, private enterprises employing 10-24 workers file this information on a voluntary basis. This could lead to an underestimation of the organised sector work force.
3. Subtract employment in the organised sector from the total workforce to determine **total employment in the informal economy**  
To further estimate the size of employment in informal jobs, outside of informal enterprises:
4. Determine **employment in the informal sector** based on responses to a question in the Employment and Unemployment Survey on the registration status of the enterprise in which the worker is engaged.
5. Subtract employment in the informal sector from total employment in the informal economy to determine **informal employment outside informal enterprises** – which is a proxy for total **employment in informal jobs**.

The 23 million workers in informal employment outside informal enterprises and outside of agriculture include outworkers or homeworkers who are sub-contracted by formal sector units and domestic workers engaged by households, such as maids, gardeners and security staff. This category is determined by a residual method which estimates workers in informal jobs who are excluded from the official definition of the informal sector (see box on estimating employment in the informal economy in India). It is likely that the residual method also identifies some workers who would fall under the informal sector definition but are incorrectly excluded – or missed – in informal sector statistics. For example, there is evidence that casual workers for informal firms, particularly in the construction industry, outworkers for informal firms, and barbers, tailors, or other service workers without a fixed place of work are not fully captured in statistics on informal enterprises. With no fixed place of work, these workers are often missed in data collection efforts.

Women account for about one-third of the workers – about 118 million – in the informal economy while men account for two-thirds – about 252 million. Women informal workers are concentrated mainly in agriculture – so much so that three-quarters of all employed women are in informal employment in agriculture. An additional

18 percent of all employed women work in informal enterprises. Over one half (53 per cent) of all employed men are in informal agricultural employment and 32 percent are informal enterprises.

Informal employment accounts for virtually all employment in agriculture and in trade (99 per cent for both industries) and the overwhelming share of employment in construction (94 per cent). It also accounts for the majority of workers employed in transport and storage (79 per cent) and in social and personal services as well as financial service (66 per cent in both industries). However, the number of workers in the financial service category is very small. When informal agriculture is included, the overwhelming share of workers in the informal economy are in rural areas (78 per cent). By contrast, among non-agricultural workers, the share in rural and urban areas is almost even; 55 per cent are located in urban and 45 per cent in rural areas.

Outside of informal employment in agriculture, workers in the informal economy are most likely to be employed in manufacturing, trade, and hotels. Among non-agricultural informal workers, 43 percent of women are employed in manufacturing and about 28 per cent in trade; while about 28 per cent of men are employed in each of the groups.



### *Contribution of the Informal Sector to National Income*

The National Accounts Statistics of India estimate the contribution of the organised and unorganised sectors to the Net Domestic Product (NDP): that is, the Gross Domestic Product minus depreciation. The organised or formal sector is based on the contribution of government/semi-government organizations; enterprises registered under the Indian Factories Act, Bidi and Cigar Workers Act, Co-operative Societies Act, Provident Fund Act 1966; and recognized educational institutions. The unorganised sector is comprised of all enterprises outside those listed above.

In 1997-98, the contribution of the unorganized sector, including agriculture, was 60 per cent of total NDP. Excluding agriculture, the unorganized sector contributed 45 per cent of non-agricultural NDP. Estimates of the contribution of women in informal employment indicate that women informal workers contribute about 32 per cent to total NDP when agriculture is included and only 20 per cent to non-agricultural NDP. By industry, the share of informal women workers is about 27 per cent in manufacturing NDP and 34 per cent in community, social and personal services NDP.

In spite of the significance of these contributions, they are substantially less than the share of the informal economy in employment which, including informal agriculture, is 93 per cent of total employment; and, excluding informal agriculture, 83 per cent of non-agricultural employment.

Using conventional measures of productivity, unorganised workers would be considered to have low productivity. In manufacturing, for instance, the unorganised sector contributes only about 37 percent of total NDP but represents about 86 of total employment. In some industries, however, the difference between the unorganised sector's contribution to NDP and its share of total employment is not as great. In trade, the unorganised sector contributes about 84 per cent of the NDP and represents 99 percent of total employment. In transport, the unorganised sector accounts for about 62 per cent of the NDP and 70 percent of total employment.

In India, official statistics do not collect data on the incomes of workers. As a proxy for income, the value-added per worker computed from data in the Informal Sector Survey can be used. The average annual value-added per worker in all informal enterprises was US \$505 in 1999-2000. The scale of operation of the enterprise had a great

effect on the capacity to earn and generate incomes. While workers in own account enterprises earned only \$375 per year, those in informal establishments with hired workers earned \$816. Further, in urban areas workers in both own account operations and informal establishments obtained higher incomes per worker than those in rural areas. In rural areas the average annual income of workers in all informal enterprises was below the poverty norm. Workers in own account enterprises earned very low incomes and were the most vulnerable while, on average, workers in informal establishments (employers and employees taken together) obtained incomes above the poverty norm. In urban areas, the average income of workers in all informal enterprises was above the urban poverty norm; however, the earnings of own account workers in urban areas generally were not above the poverty norm.

### **Mexico**

The 1990s were a period of great economic change in Mexico. Restructuring programmes early in the 1990s resulted in more liberal financial policy and greater privatisation of the economy. In 1994 the North American Free Trade Agreement (NAFTA) was signed. A financial crisis occurred at the end of 1994 and GDP fell 6.2 per cent for the year –the largest drop during the century. A quick economic recovery followed with sustained economic growth for the latter half of the decade. At the end of the decade the informal economy continued to be important to both employment and the GDP of Mexico.

#### *Size and Composition of Employment in the Informal Economy*

In 1998 informal employment accounted for 64 per cent of total employment in Mexico (**table 3.2**). The non-agricultural component represented 45 per cent of total informal employment and was evenly divided between employment in the informal sector/enterprises (23 per cent of total employment) and informal employment outside informal enterprises (22 per cent of total employment). Informal employment in agriculture was 19 per cent of total employment and 94 per cent of agricultural employment (**table 3.3**) (**see box on estimating informal employment and the contribution of the informal economy to GDP for Mexico**).

In terms of absolute numbers, twice as many men, as women, worked in informal employment in the year 2000 – 16 million men compared to

**Table 3.2 Informal Economy in Mexico, 1998: Employment and Contribution to GDP<sup>1</sup>**

	Employment	Share of Total Employment	GDP <sup>2</sup>	Share of GDP	Share of Non-agricultural GDP
Informal Enterprises	8,858,481	23.0	445,441,361	13.0	13.4
Informal Employment Outside of Informal Enterprises	8,480,252	22.0	494,754,798	14.0	14.8
Non-Agricultural Informal Employment	17,338,733	45.0	940,196,159	27.0	28.2
Agricultural Informal Employment	7,334,412	19.0	172,132,923	5.0	-.-
Total Informal Employment	24,673,145	64.0	1,112,329,082	32.0	-.-

Source: Calculations prepared by Rodrigo Negrete, Coordinator, Office of Technical Direction, Instituto Nacional de Estadística, Geografía e Informática (INEGI).

<sup>1</sup> All calculations were based on main activity; secondary jobs were not considered here.

<sup>2</sup> Numbers refers to current pesos in thousands.

### Estimating informal employment and contribution of informal economy to GDP for Mexico

The data summarised in this study for **informal sector/enterprises** are based on National Surveys of Micro-Business (ENAMIN) which covered a sample of all small-scale employers and own account workers previously identified in the National Survey of Urban Employment. The micro-business surveys were conducted on a bi-annual basis during the 1990's until 1998. In order to have national data and to have annual data, links were established to the National Employment Surveys which have been carried out yearly since 1995. The criteria applied to data from the ENAMIN to determine informal sector economic units were as follows:

- a) all "own account" enterprises were included;
- c) units headed by professionals were included only if they had no accounting records;
- d) micro-enterprises of less than 15 persons with no conventional accounting procedures were included.

**Non-agricultural informal employment outside informal enterprises:** data were based on questions in the National Employment Surveys on social security protection.

The portion that corresponds to the informal sector employment was subtracted from all employment unprotected by social security.

**Agricultural informal employment :** The National Employment Surveys also collected data on agricultural employment that does not have social protection. This category includes such workers as well as those working on subsistence agricultural units and micro-farms.

Trial calculations were prepared on the size of the GDP corresponding to the total **informal economy**. While **informal sector GDP** is a standard concept, the value added contributed by the total informal economy is a promising new illustrative indicator.

The starting point for the calculation of the total contribution of the informal economy (TIE) is the household GDP in the national accounts minus the Imputed Net Rent of Owner-occupied Dwellings by institutional sector, both concepts published by the Instituto Nacional de Estadística, Geografía e Informática (INEGI). Once this subtraction was made, the residual is added to the share that Non-Agricultural Informal GDP Outside the Household Sector (H.S.) represents in terms of employment in the SNA's total estimate of salaries and wages:

$$1) TIE = (SNA's Household's GDP^* - INRD) + SNA's Salary and Wages \\ (Informal Outside the H.S./Wage Workers)$$

Where: TIE: Total Informal Economy Contribution

INRD: Imputed Net Rent of Owner's Occupied Dwellings

\* Published data: Includes Informal Sector's GDP.

To obtain the share that corresponds to Non-Agricultural Informal GDP outside the Informal Sector it was necessary to make explicit the share of Informal Sector GDP and the corresponding share of Agricultural GDP:

$$2) Non-Agricultural Informal GDP Outside the Informal Sector = TIE - Inf. Sector's \\ GDP + Agriculture GDP (Ag. Inf. Employment / Total Ag. Employment)]$$

Thus: 3) Non Agricultural Informal GDP= Non Agricultural Informal GDP Outside the Informal Sector + Informal Sector GDP

Table 3.3 Composition of employment in the informal economy: Mexico

	1998			2000		
	Total	Women	Men	Total	Women	Men
<b>Total employment</b>						
Total non-agricultural employment	38,617,511	12,954,438	25,663,073	38,983,855	13,311,213	25,672,642
Total agricultural employment	30,800,142	11,817,132	18,983,010	31,923,149	12,349,830	19,573,319
	7,817,369	6,680,063	1,137,306	7,060,706	961,383	6,099,323
<b>Total informal employment</b>						
Number of persons	24,673,145	7,828,960	16,844,185	24,075,641	7,699,621	16,376,020
Percentage of total employment	64	60	66	62	58	64
<b>Non-agricultural informal employment</b>						
Number of persons	17,338,733	6,762,709	10,576,024	17,418,280	6,794,849	10,623,431
Percentage of total informal employment	70	86	63	72	88	65
Percentage of non-agricultural employment	56	57	56	55	55	54
<b>Agricultural informal employment</b>						
Number of persons	7,334,412	1,066,251	6,268,161	6,657,361	904,772	5,752,589
Percentage of total informal employment	30	14	37	28	12	35
Percentage of agricultural employment	94	16	551	94	94	94
<b>Non-agricultural employment in informal enterprises</b>						
Number of persons	8,858,481	3,592,486	5,265,995	9,122,222	3,660,584	5,461,638
Percentage of total employment	23	28	21	23	28	21
Percentage of total non-agricultural employment	29	30	28	29	30	28
Percentage of total informal employment	36	46	31	38	48	33
Percentage of total non-agricultural informal employment	51	53	50	52	54	51
<b>Non-agricultural informal employment operating outside informal enterprises</b>						
Number of persons	8,480,252	3,170,223	5,310,029	8,296,058	3,134,265	5,161,793
Percentage of total employment	22	24	21	21	46	20
Percentage of total non-agricultural employment	28	27	28	26	25	26
Percentage of total informal employment	34	40	32	34	41	31
Percentage of total non-agricultural informal employment	49	47	50	48	46	49

Source: INEGI, reprocessing of National Microbusiness Survey (ENAMIN) and National Employment Survey (ENE).

7.7 million women. Because fewer women than men are in the labour force, the gender gap is narrower in terms of the relative shares of informal employment in total employment: 58 per cent of women workers are in informal employment in contrast to 64 per cent of men workers. For both women and men, informal employment is about 55 per cent of non-agricultural employment. Also, for both women and men, informal employment outside of agriculture is almost evenly divided between employment in informal enterprises and informal jobs outside informal enterprises.

There is some evidence that a significant share of informal employment outside informal enterprises consists of a) disguised employee status whereby paid workers work off site on work supplied by firms/employers under sub-contracts; or b) temporary worker status whereby employees agree to renew their contracts with their employers every three to six months: thus becoming “perennial temporary workers”. Under both such arrangements, the employee is not entitled to a full range of labour benefits because a) the employer can disavow his/her responsibility to the employee; or b) the employee cannot accumulate a long enough period in the job to qualify for benefits.

Many young workers without families accept these arrangements on the understanding that they will be compensated in cash earnings for at least part of what the employer, under a standard employment contract, would have to contribute to the Social Security System. The employers prefer this arrangement because they have no other obligations to their “employees” beyond wage payments in cash.

Other examples of informal jobs outside informal enterprises include the traditional category of domestic workers; Mexicans living on the border and working with no labour benefits in the United States, mainly in the service sector; and, a relatively new category, sales agents who work on commission for legally constituted enterprises but are not listed in the firm’s records.

In Mexico, informal employment is a more important source of employment in rural than in urbanised areas. In 2000, informal employment represented about three quarters (77 per cent) of employment in areas with less than 100,000 inhabitants and a little less than one half (46 per cent) in areas with more than 100,000 inhabitants. The proportions are roughly similar for women and for men.

Informal employment plays a major role in each of the main industry groups. It is the overwhelming majority of those employed in three

major industry groups: agriculture (94 per cent), construction and trade (both 73 per cent). In addition, it is 63 per cent of transportation, 48 per cent of communal, personal and other services, and 22 per cent of financial services, insurance and real estate.

For women, informal employment dominated their participation in agriculture (94 per cent) and trade (80 per cent). For men, informal employment also predominated in agriculture (94 per cent) and trade (67 per cent) but it was also significant in construction (79 per cent), communication and transport (67 per cent) and communal, personal and other services (52 per cent). However, only a little more than a third of men working in manufacturing were in informal employment but about half of women in manufacturing jobs were in informal employment.

#### *Contribution to GDP*

With respect to GDP, trial estimates were prepared which show that the **informal economy** (including informal agriculture) contributes 32 per cent of Mexico’s GDP (see **box on estimating informal employment and contribution of informal economy to GDP for Mexico**). The non-agricultural informal economy accounts for 27 per cent of the total GDP, with 13 per cent attributed to the informal sector and 14 per cent to non-agricultural informal employment not linked to the informal sector.

The contribution of the informal sector to GDP is the more standard calculation in national accounts. In Mexico, the 13 per cent contribution of the informal sector to GDP is almost three times the contribution of the agricultural sector to the economy. More than half of the value added by the informal sector is from trade activities (51 per cent), followed by services (25 per cent) and manufacturing (14 per cent).

Women’s share of informal sector GDP in 1999 was 33 per cent. By industry, the share of women in trade GDP was almost equal to the share of men (47 per cent for women and 53 per cent for men). Women also contributed a large share in manufacturing GDP (38 per cent in comparison to 62 per cent for men).

Per capita income from the Mexican Informal Sector (informal sector GDP divided by employment in informal enterprises) is well above the Mexican minimum wage and the gap widened between 1995 and 1999. Per capita income was 4.5 times the minimum wage in 1995 and increased to 5.2 times in 1999. For men, the ratio went from 4.9 in 1995 to 5.8 in 1999, and for women

**Table 3.4 Composition of employment in the informal economy in South Africa, 2000**

	2000		
	Total	Women	Men
<b>Total employment</b>	11,946,000	5,434,000	6,511,000
Total non-agricultural employment	10,110,000	4,581,000	5,528,000
Total agricultural employment	1,836,000	853,000	983,000
<b>Total informal employment<sup>1</sup></b>			
Number of persons	4,063,000	2,449,000	1,613,000
Percentage of total employment	34	45	25
<b>Employment in informal enterprises</b>			
Number of persons	3,059,000	1,486,000	1,572,000
Percentage of total employment	26	27	24
Percentage of total informal employment	75	61	97
<b>Non-agricultural employment in informal enterprises</b>			
Number of persons	1,977,000	888,000	1,088,000
Percentage of total employment	17	16	17
Percentage of non-agricultural employment	20	19	20
Percentage of total informal employment	49	36	67
<b>Agricultural employment in informal enterprises</b>			
Number of persons	1,082,000	598,000	484,000
Percentage of total employment	9	11	7
Percentage of agricultural employment	59	70	49
Percentage of total informal employment	27	24	30
<b>Employment in paid domestic work</b>			
Number of persons	1,004,000	963,000	41,000
Percentage of total employment	8	18	1
Percentage of total informal employment	25	39	3

Source: Prepared by Debbie Budlender, Peter Buwembo and Nozipho Shabalala, from the 2000 Labour Force Survey, Statistics South Africa.

<sup>1</sup> Informal employment consists of employment in informal enterprises and paid domestic work.

from 3.8 to 4.2. These comparisons provide an interesting reference point, however it should also be noted that the minimum wage lost its purchasing power through the 1990s.

## South Africa

The development of the informal economy in South Africa has been closely tied to the politics of apartheid. Under apartheid, most informal selling in urban centres and even would-be formal black-owned businesses were defined as illegal. Women were especially affected by the spatial laws of apartheid. For those not born in 'white' urban areas, residence was dependent on their relationship with a man – a husband or father. Formal sector opportunities were also difficult to obtain. All of these conditions encouraged large numbers of African women to work as domestic workers.

During apartheid, 'informal', 'black' and 'illegal' were often treated as synonyms in describing economic activities that were formally discouraged by the apartheid government, but arose as an economic response by black people to apartheid policies. Since the formal ending of apartheid, the informal economy has grown. Restrictions on black-owned businesses have been loosened and the growth of small black-owned businesses has been encouraged. However, the concept of the "informal sector" is still often confused and conflated with illegal activities.

### *Size and Composition of Employment in the Informal Economy*

Employment in the informal economy in South Africa was estimated to be 34 per cent of total employment in the year 2000 (**table 3.4**). This includes employment in the informal sector –

### The formal and informal sectors as parts of a continuum

The Labour Force Survey 2000 determined whether a worker was in the formal or informal sector by asking whether the business where the individual worked was in the formal or informal sector. Respondents were also asked about characteristics of the organisation, business, enterprise or branch where the individual worked and, in the case of employees, about the characteristics of the job.

With respect to characteristics of the enterprise where the individual worked, questions were asked about: a) size (in terms of number of workers); b) whether the enterprise is a registered company; c) whether the enterprise deducts Unemployment Insurance Act (UIF) contributions; and d) location of the enterprise, specifically in the owner's home or farm, in someone else's home, inside a formal business, at a service outlet, at a market, on a footpath, street, etc. The results showed there was a clear relationship but not an exact correlation between the characteristics and the formality of the enterprise. For example, 80 per cent of informal enterprises have no characteristics of formal enterprises. Conversely, only 1 per cent of informal enterprises have all four characteristics of formal enterprises, compared to 42 per cent of formal sector enterprises. The pattern suggests there are degrees of formality and informality along a continuum rather than mutually distinct sectors.

The Labour Force Survey also examined the formality of employment relationships among workers classified as employees by asking about a) the presence of a written contract; b) the duration of employment; and c) entitlement to paid leave. Here again – whether analysing the alternatives individually or as combined conditions of a job – there was a clear relationship, but not exact correlation, between the characteristics and whether workers had defined themselves as working in formal or informal enterprises. For example, 9 per cent of employees in the formal sector worked under all three of the conditions of informal work in comparison to 36 per cent of domestic workers and 50 per cent of those in the informal sector. Moreover, 55 per cent of employees in the formal sector had none of the working conditions that are associated with informality in comparison to 5 per cent of domestic workers and 10 per cent of informal sector employees.

Three establishment surveys conducted by the World Bank in the Greater Johannesburg metropolitan area also show the links between the formal and informal sectors.

The study of large firms found a positive relationship between firm size and the use of temporary labour and outsourcing. Over three-quarters of firms using temporary labour said they did so in order to expand the workforce without hiring permanent workers, what the report termed "flexibility" in adapting to increased workloads. A second study looked at small but formal firms registered for payment of Value Added Tax (VAT). Again citing the need for flexibility, a third of the micro firms (1 to 5 employees), 50 per cent of very small firms (6 to 20 employees) and 60 per cent of small firms (21 to 49 employees) hired temporary labour. A third study covered informal firms which were not registered for VAT and not subject to other formal regulation or taxation. Retail and hawking accounted for about one-quarter of the firms. The study found that 80 per cent of the informal firms depended on formal firms for inputs, 36 per cent sold directly to formal firms, and over 50 per cent competed with them. Sub-contracted work was not as important for these informal firms; only 14 per cent had received sub-contracted work.

Sources: V. Chandra, L. Moorty, B. Rajaratnam and K. Schaefer, "Constraints to growth and employment in South Africa," Report no. 1: Statistics from the Large Manufacturing Firm Survey, The World Bank Southern Africa Department: Informal discussion papers on aspects of the economy of South Africa, Discussion paper 14 (June 2001) and *Ibid.*, Report No 2: Evidence from the Small, Medium and Micro Enterprise Survey. Discussion paper 15 (June 2001).

Monique Cohen, with Mihir Bhatt and Pat Horn, "Women Street Vendors: The Road to Recognition, Seeds, No. 20, pp. 1-23, (New York, Population Council, 2000).

26 per cent of total employment – and employment in paid domestic work – 8 per cent of total employment. It should be noted that South Africa includes agriculture in these measures. However, individuals working in informal jobs for formal firms are not included in these estimates. For this reason, 34 per cent is a conservative estimate of the size of the informal economy in South Africa. Additional data collected in the labour force survey indicate that many workers in the formal sector are in jobs with informal working conditions, specifically jobs

a) without a written contract; b) under temporary, casual or seasonal terms of employment; and c) with no entitlement to paid leave. However, in the view of the South Africa analysts, the concept of informal employment is best seen as a continuum (see **box on the formal and informal sectors as parts of a continuum**). For this reason it was not possible to combine the data from the different survey questions to arrive at a single estimate of the total informal economy for this report.

### Domestic workers

As noted before, domestic workers are a significant source of employment in South Africa, especially for women (see table 3.4). Domestic workers comprise 8 per cent of total employment and 18 per cent of women's total employment. The South Africa Minimum Standards Division of the Department of Labour carried out a study of domestic workers for the Employment Conditions Commission, the body which advises the Minister of Labour on minimum wages and conditions for vulnerable workers. The department drew on all known existing work on domestic workers and also organised some special investigations in compiling the report. The sources included employer questionnaires, public workshops and hearings, a telephone survey of urban households, questionnaires completed by domestic workers and information from Statistics South Africa.

In terms of age, domestic workers were found to be concentrated in 30 – 49 age group but not confined to these ages. Generally, domestic workers have relatively low education levels when compared to other workers. However there are significant numbers of women who have completed secondary education but are doing domestic work in the absence of other opportunities. One survey found that 37 per cent of workers said they were doing this work because they did not have adequate skills for other occupations; 34 per cent said it was easier to find work as a domestic, and only 14 per cent reported that they did the work because they enjoyed it.

More women are employed in the informal economy than men – 2.4 million women in comparison to 1.6 million men (table 3.4). Moreover, nearly one-half of all employed women work in the informal economy, but only one-quarter of employed men. The number of women and men working in the informal sector is roughly similar. More women than men work in the agricultural informal sector and substantially more work in paid domestic work. Domestic service is 39 per cent of women's total informal employment but only 3 per cent of men's (see box on domestic workers).

Informal employment is more important in non-urban (in South Africa this includes the truly rural and the urban periphery) than in urban areas. Over half of employment in non-urban areas (53 per cent) is informal but only one quarter (27 per cent) in urban areas.

There are also significant differences in employment across the provinces, reflecting, among other factors, the country's apartheid history and poverty levels. In the poorest provinces which mainly comprise the previous "homeland" areas, Eastern Cape and Northern Province (recently renamed Limpopo), formal employment accounts for under half of total employment. Conversely, in Western Cape and Gauteng, the two wealthiest provinces, the formal sector accounts for about three-quarters of employment. Eastern Cape and Northern Province are also among the provinces with the highest levels of unemployment (27 per cent and 28 per cent, respectively) while Western Cape and Gauteng have the lowest (15 and 21 per cent). In provinces which do not consist largely of former "homeland" areas – Western

Cape, Northern Cape, Free State and Gauteng – there is very little difference in the formal/informal distinction in urban and non-urban areas. It is primarily in the provinces which consist largely of former "homeland" areas that the non-urban areas have significantly more informal employment. A large part of the informal employment in these provinces is comprised of subsistence agricultural workers.

Informal employment as currently measured in South Africa is concentrated in two economic sectors: namely, domestic services and in agriculture. Together they account for 52 per cent of employment in the informal economy, as defined by South Africa. Construction and trade together account for another significant proportion – about 30 per cent – of informal employment. Women even more than men are likely to be employed in informal agriculture and trade. Women represent 60 per cent of informal workers in trade and 55 per cent or more of informal workers in agriculture, manufacturing, and community and personal services.

Data are also available on occupation. Few clerks, professionals, technical personnel and operators are employed in the informal sector. By contrast, the majority of farmers, gardeners and other skilled agricultural workers (81 per cent) are in the informal sector. In addition significant portions of unskilled workers (36 per cent), craft workers (32 per cent) and service and sales workers (27 per cent) are in the informal sector. In each of these occupational groups, women are more likely than men to be employed in the informal sector. Women account for roughly one half of workers in the informal sector (excluding

domestic work), but a higher proportion in several occupational groups: two-thirds of informal service and sales workers, 62 per cent of informal sector clerks, 55 per cent of informal sector unskilled workers and 53 per cent of technicians and associate professionals in the informal sector (including workers in computing, nursing, midwifery, traditional medicine and teaching as well as farmers, gardeners and other skilled agricultural workers).

## Sub-Group Case Studies

### Home-Based Work

#### *Working at Home*

Home-based work appears to be on the rise around the world. Some combination of the following factors accounts for this apparent increase. The first is that global competition increases pressures on firms to cut costs through more flexible work contracts or sub-contracting production. The second is that information technology – particularly computers – allows and encourages many clerical, technical, and professional workers to work from their home rather than at another work-site. The third is that an increasing lack of formal employment opportunities – due variously to the lack of economic growth, to capital-intensive patterns of economic growth, and/or to faster growth in the economically active population than in formal employment – forces many workers to take up self-employed work, often at or from the home.

Working at home evokes two contrasting images: one more traditional and pessimistic, the other more modern and optimistic. The pessimistic image is of low-paid and low-skilled manual work done in cramped, dingy and unsafe surroundings, often involving child labour. The optimistic image is of highly paid and skilled professionals, technicians, and managers conducting business “by fax, phone, e-mail, and other computer links from the comfort of their well-appointed residences”.<sup>2</sup>

In reality, home-based work is more heterogeneous than these two prevailing images suggest. Home-based workers include the self-employed who are engaged in family businesses or own account operations as well as paid workers working under sub-contracting arrangements. Some observers also include those who do some of their paid work at home although they also have a place of work outside their home. Some home-based workers are engaged in labour-intensive

manual activities, while others work in capital- and information-intensive clerical or professional activities. Their occupations range from rolling or packaging incense sticks and cigarettes; to stitching garments or shoe uppers; to providing laundry, child care, or shoe repair services; to assembling electrical plugs or electronic components; to entering, processing, or analysing data; to providing professional and technical services to individuals or businesses.

Despite the considerable diversity in the terms and conditions of work experienced by different groups of home-based workers, there is growing evidence to suggest why we should be concerned about home-based workers, especially about those engaged in low-end work. One reason for concern relates to a common problem faced by home-based workers and other informal workers: namely, the fact that they do not have access to employment-based benefits or protection. Another relates to the fact of working at or from home: that is, home-based workers tend to remain isolated from other workers and, therefore, to be less well organised and have less voice vis-à-vis employers or public authorities than other workers. Some reasons for concern apply to specific groups of home-based workers, notably homeworkers. Homework is often associated with low pay, especially among homeworkers engaged in manual work. Compounding their often low wages is the fact that homeworkers have to pay for many of the non-wage costs of production: notably, the overhead costs of space, utilities, and equipment (**see box on self-employed, homeworkers, and employees**).

Another reason for concern is that women are over-represented among home-based workers, especially among homeworkers engaged in manual work. Available evidence from around the world suggests the following common patterns: women are more likely than men to work mainly at home; women are more likely than men to work at home in manual activities; and among homeworkers women are far more likely than men to be engaged in low-paid manual work.<sup>3</sup> The available evidence also suggests that women homeworkers in manual jobs are among the lowest paid workers in the world.<sup>4</sup>

For these and other reasons, labour activists including the Self-Employed Women’s Association (SEWA) and the international alliance of home-based workers (called HomeNet), lobbied for an international convention on homework that would mandate that homeworkers be recognised as workers and receive the rights due all workers. The ILO Convention on Homework, 1996 (No. 177)



recognises homeworkers as workers who are entitled to just reward for their labour and sets a standard for their minimum pay and working conditions, including occupational health and safety. Among other recommendations, the ILO Convention on Homework, 1996 (No. 177) calls for improved statistics on homework.

#### *Composition of Home-based Work*

The term “home-based worker” is used to refer to the general category of workers who carry out remunerative work within their homes or in the surrounding grounds. It does not refer to either unpaid housework or paid domestic work. Within the general category of home-based workers, there are two basic types of workers: those who work on their own (the self-employed) and those who work for others (mainly as industrial outworkers). The term “homeworker” is used to refer to a sub-set of home-based workers: namely, industrial outworkers who carry out paid work from their home. It is important to distinguish, both conceptually and statistically, between the following two categories (and related terms):

- **Home-based workers:** all those who carry out market work at home or in adjacent grounds or premises whether as self-employed or as paid workers
- **Homeworkers:** those home-based workers who carry out paid work for firms/businesses or their intermediaries, typically on a piece-rate basis

This distinction reflects differences that have policy implications. The problems and constraints faced by self-employed home-based workers and homeworkers are quite different, although both typically lack bargaining power and have to provide their own social protection. Homeworkers are often forced by circumstances to work for low wages without secure contracts or fringe benefits and to cover some production costs (in particular, equipment, space, utility costs). Most self-employed home-based workers, except high-end professionals, face limited access to and/or competition in relevant markets. To improve their situation homeworkers need to strengthen their capacity to bargain for regular work orders, higher piece rates, and overdue back pay (a common problem faced by homeworkers worldwide); while home-based self-employed need better access to financial markets and enhanced capacity to compete in product markets. In effect, homeworkers often face problems of *exploitation* while the self-employed often face problems of *exclu-*

*sion*. The strategies to address problems of exploitation in labour markets – such as collective bargaining for higher wages – are different than the strategies to address problems of exclusion in capital and product markets – such as providing access to financial, marketing, and business services.

Despite their numbers, and despite the growing interest in their situation, there are few good estimates of home-based workers in general and fewer still of homeworkers in particular. This is due, in part, to problems of enumerating work carried out in the home, especially by women. This is also due to the fact that the “place of work” variable, used to identify persons working at or near their home, is not included in many labour force and population surveys and, even when it is, the results have often not been tabulated in official statistical analyses.<sup>5</sup> In addition, to obtain the information needed to understand the nature and scope of the problems they face, home-based workers need to be classified according to appropriate employment status categories and by industry or sector.

There are several specific problems related to measuring homeworkers in particular. An important problem is the difficulty of determining whether a home-based worker works under a contract or agreement for a specific firm; and, if so, whether she/he is self-employed or a homeworker. This is because homeworkers occupy a grey intermediate space between the fully independent self-employed and fully dependent paid employees (**see box on self-employed, homeworkers, and employees**). Homeworkers typically have to absorb many production costs and associated risks – including, buying or renting and maintaining equipment; providing workspace and paying for utility costs; and buying some inputs – often without help from their employers. Thus their net remuneration may be significantly less than indicated by the piece-rates that they are paid. For instance, most garment homeworkers have to buy and maintain their own sewing machines, replace needles and oil, and pay for the electricity to run their machines and light their workspace. Most homeworkers are also not directly supervised by those who contract work to them, although they are subject to delivery deadlines and to quality control of the products or services they deliver. For these reasons, they should be considered semi-dependent, not dependent, wage workers. To identify clearly which home-based workers are homeworkers, labour force surveys and population censuses need to include sufficient and appropriate questions regarding their contractual situation.

### Self-Employed, Homeworkers, and Employees

Current national and international statistical standards used to measure and classify “status of employment” do not have enough categories to capture the range of employment arrangements in today’s world. This is because all workers are thought to be either fully independent (self-employed) workers on the one hand (such as employers and own-account workers) or fully dependent workers on the other (i.e. as paid employees). However, many work situations do not fit neatly into these two basic categories. Rather they fall in a grey intermediate zone between being fully independent and being fully dependent. Consider the intermediate status of homeworkers as illustrated in the table below:

Characteristics	Self-Employed	Homeworkers	Employees
<b>Contract</b>	sales contract	employment contract	employment contract
<b>Remuneration</b>	from sale of goods/ services	for work (typically piece rate)	for work (time or piece rate)
<b>Contract with</b>	Self	employer/intermediary	Employer
<b>Means of Production</b>	provided by self	provided by self	provided by employer
<b>Workplace</b>	provided by self	provided by self	provided by employer
<b>Supervision</b>	Autonomous	indirect or no supervision	direct supervision

To be able to identify and enumerate homeworkers, and other workers with intermediate employment status, specific questions to probe the key variables in the left-hand column – notably, nature of contract, form of remuneration, place of work, and degree of supervision – need to be designed. The current national and international standards for classifying workers would need to be re-examined to determine whether existing categories can be sub-divided to accommodate these intermediate employment statuses or whether whole new categories that cut across existing ones would need to be introduced.

A second problem is the difficulty in identifying the specific firm for which the homeworker works and determining the characteristics of that firm. The current national and international standards for measuring “status in employment” treat the intermediary – the contractor – who supplies raw materials and receives the finished goods against payment for the work done as the “employer”. However, analytically, it is not clear which firm should be considered as the employer of the homeworker: the intermediary that directly places work orders, the supplier that puts out work to the intermediary, the manufacturer that outsources goods from the supplier, or the retailer that sells the goods? There is a parallel legal problem: namely, which unit in the chain should be held accountable for the rights and benefits of workers down the chain? Many labour lawyers and activists argue that the lead firm that initially put out the work should be considered the equivalent of the employer. Operationally, the homeworker often does not know which firm puts out the work or sells the finished goods.

A related problem is that a category of worker associated with the sub-contracting of work – the

intermediary or sub-contractor – does not fit conventional categories of employment status. Sub-contracting by a manufacturing or retail firm often involves one or more intermediaries and sometimes involves a long, complex chain of intermediaries. These intermediaries – or sub-contractors – typically receive work orders and raw materials from firms or other intermediaries. They then put out work to small production units or to homeworkers. Many such intermediaries are themselves home-based: that is, they store raw materials at their home and allocate work orders from their homes. In addition to putting out work to others, some intermediaries operate small production units themselves: thereby, taking on the additional status of self-employed outworker. Unlike the independent employer who hires others to work in his/her enterprise, the intermediary depends on a firm or another intermediary for work orders and raw materials and usually sub-contracts, rather than hires, workers. Like an independent employer, however, the intermediary assumes some economic risk: notably, responsibility for storing raw materials, overseeing the quality of production, and delivering finished goods. For these reasons,

### Homeworkers in Global Value Chains

In global value chains in which the lead firm is a multinational firm based in an industrialised country and the homeworkers are scattered across one or more countries, the links between the homemaker and the lead firm for which she/he works become obscure. The following case illustrates how complicated things can be in negotiating payment or wages due for completed work.

When a trade union organiser in Canada tried to help one immigrant Chinese garment worker get her back wages, she found that the garment worker did not know who she worked for as the man who dropped off raw materials and picked up finished garments drove an unmarked van. When the garment worker eventually found a tag with a brand label on it among her raw materials, the trade union activist was able to trace the "label" from a retail firm in Canada to a manufacturing firm in Hong Kong to an intermediary in Canada: in this case, the global value chain began and ended in Canada. When the local intermediary was asked to pay the back wages due to the garment homemaker he replied: "Put me in jail, I cannot pay. The manufacturer in Hong Kong who sub-contracted production to me has not paid me in months."

Source: Stephanie Tang of UNITE, personal communication.

intermediaries are better considered as semi-independent workers, rather than fully independent employers.

Depending on the number of intermediaries in any given sub-contracting chain, the links between the homemaker and the lead firm for which they work are often obscure. In long complex chains of intermediaries, bargaining for higher wages is complicated by the distance between the homemaker and the lead firm and the ambiguity over who is responsible for providing higher wages (**see the box on homeworkers in global value chains**).

#### *Nature of Home-Based Work*

Historically, home-based work has always included skilled artisan production and entrepreneurial activities as well as low-skilled manual work and survival activities. In recent decades, new forms of home-based work – often involving higher-skills, information technology, and higher-wages – have emerged. Currently, the various forms of home-based work include:

- Manufacturing and Assembly: sewing, packing, routine assembly
- Artisan Production: weaving, basket-making, embroidery, and carpet-making
- Personal Services: laundry, beautician and barber, shoe repair, dressmaking, lodging and catering
- Clerical Work: typing, data processing, telemarketing, bookkeeping, accounting, call centre telephonists
- Professional Work: tax accounting, legal advising, design consulting, computer programming, writing, engineering, architectural, medical

Typically, manufacturing and assembly work involve low levels of skills, technology, and pay; routine and standardised tasks; and/or physically demanding effort. Professional work, on the other end, tends to be varied, complex, and creative; relying heavily on information technology; involving choice and discretion; and well paid, if not highly paid.<sup>6</sup> The other forms of home-based work fall somewhere in between.

Historically, most homework involved manual work in labour-intensive activities: notably, in textiles, garment, and footwear manufacturing industries. Increasingly, homework also involves activities in the service and commercial sectors: notably clerical work in data processing, telecommunication, and telemarketing; but also highly skilled professional and technical consulting. As a result, increasing numbers of homeworkers, particularly in developed countries, are in services and commerce, not manufacturing (**see box on recent shifts in homework in Chile**). New forms of homework have emerged also in capital-intensive manufacturing industries. For example, recent innovations in production technologies and techniques allows the automobile industry to sub-contract some part of the production process to home-based enterprises and (even) homeworkers. A recent survey of homework in the U.K. found that specialised firms producing specific components for the automobile industry, including wiring systems, seat cushions, and waterproof covers, sub-contract to homeworkers.<sup>7</sup>

#### *Numbers Working at Home*

Available statistics for developed countries suggest that a significant and probably growing number of workers are home-based. Available statistics for

### Recent Shifts in Homework in Chile

The Government of Chile has added special modules to measure homework to its national labour force survey: once in 1997 in both rural and urban areas, and again in 2000 in urban areas only. These survey findings show shifts in the composition of urban homework in the context of a prevailing economic crisis and growing unemployment (8 per cent in 1997, 11.5 per cent in 2000). There were shifts in homework in the urban areas over this period, including: drop in share of homeworkers in total workforce; drop in share of women among homeworkers; and, most significantly, rise in share of men among homeworkers (from 20 to 27 per cent).

There are several possible explanations for the increased share of men in homework, including: the informalisation of formal jobs, the flexibility of home-based work, and the emergence of new, higher status, forms of home-based work – involving information technology and the use of computers – that might attract men to home-based work.

Between the two survey rounds, the share of services/ commerce in total homework rose from 45 to 56 per cent and the share of services/commerce in male homework rose from 13 to 71 per cent. These findings are consistent with the latter explanation: namely, that higher status forms of home-based work in information-intensive services might have attracted men to home-based work.

In 2000, among all urban homeworkers in Chile, women were over-represented in manufacturing and retail trade (90 and 98 per cent, respectively) while men were over-represented in professional and technical jobs (82 and 66 per cent, respectively).

Sources: Helia Henríquez, Verónica Riquelme, Thelma Gálvez and Teresita Selamé et al. "Home Work in Chile: Past and Present Results of a National Survey", SEED Working Paper No.8, (Geneva, International Labour Office, 2001) and Helia Henríquez and Verónica Riquelme, *El Trabajo a Domicilio en el 2000*, unpublished report.

**Table 3.5 Home-Based Workers in Fourteen Developing Countries: Number, Share of Non-Agricultural Employment, Proportion Women**

Countries/Categories of Workers	Total Home-Based Workers		
	Number of Home-based Workers	Per cent of Non-Agricultural Workforce	Women as per cent of Total
<b>Only Homeworkers Covered</b>			
Chile (1997)	79,740	2	82
Philippines (1993-5)	2,025,017	14	79
Thailand (1999)	311,790	2	80
<b>Only Self-Employed Covered</b>			
Brazil (1995)	2,700,000	5	79
Costa Rica (1997)	48,565	5	45
Morocco (1982)	128,237	4	79
Peru (1993)	128,700	5	35
<b>Both Categories Covered</b>			
Benin (1992)	595,544	66	74
Guatemala (2000)	721,506	26	77
India (1999-2000)	23,496,800	17	44
Kenya (1999)	777,100	15	35
Mexico (1995)	5,358,331	17	43
Tunisia (1997)	211,336	11	38
Venezuela (1997)	1,385,241	18	63

Source: Jacques Charmes, 2002 (personal compilation of the author on the basis of official labour force statistics and national accounts). A subset of these data was published in ILO, *On Measuring Place of Work* (Geneva, 2002).

### Working at Home in India

In India in 1999-2000, the National Sample Survey Organization included a question in the labour force survey on the "place of work." The results show that about one quarter of all non-agricultural workers in informal enterprises work in their own dwelling. Within this overall picture, there are marked urban-rural and male-female differences. About 18 per cent of these workers are home-based in rural areas, while only 6 per cent are home-based in urban areas. Well over half of the female non-agricultural workforce in informal enterprises (57 per cent) works at home, while less than one-fifth of the male non-agricultural workforce (18 per cent) works at home.

A recent sample survey of the workforce of Ahmedabad city in Western India brings out very clearly the gender differences in the location of work. The findings from that survey show the following distribution of all male and female workers – both formal and informal – across different work sites:

- 52 per cent of all women, compared to 8 per cent of all men, work at home
- 18 per cent of all women, compared to 1 per cent of all men, work in others' homes
- 5 per cent of all women, compared to 23 per cent of all men, work on the streets
- 3 per cent of all women, compared to 5 per cent of all men, work at construction sites
- 22 per cent of all women, compared to 58 per cent of all men, work at factories, offices, or workshops

This study found that women operate nearly 70 per cent of the informal manufacturing activities, nearly 30 per cent of the informal service activities, and just under 15 per cent of the informal trading activities and that the majority of all economic activities managed or operated by women are home-based. For instance, virtually no women run small manufacturing units outside their homes and nearly three-quarters of women traders operate from their homes (rather than on the streets).

Source: Jeemol Unni., " Size ,contribution and characteristics of informal employment in India" (2001). Paper will be available at <http://www.ilo.org/public/English/employment/infeco/index.htm>

developing countries suggest that over 10 per cent of non-farm workers in most countries and as high as 20-25 per cent in some countries are home-based.

*Developing Countries:* Working at home has always been the reality of work for many people in developing countries. However, statistics on this phenomenon remain very poor. Recent compilations of official statistics from the early to mid-1990s on home-based work from 14 developing countries suggest that there is considerable variation in the incidence of home-based work (**table 3.5**). In Benin, which has made special attempts to improve its official statistics in this area, the share of home-based work in non-agricultural employment was very high (66 per cent). In seven of the countries, home-based workers represented between 10 to 25 per cent of the non-agricultural workforce: Guatemala (26 per cent), India (16 per cent), Kenya (15 per cent), Mexico (17 per cent), Philippines (14 per cent), Tunisia (11 per cent), and Venezuela (18 per cent). In one of these countries, the Philippines, only homeworkers were counted, while in Guatemala, India, Kenya, Mexico, Tunisia, and Venezuela attempts were made to count all home-based workers, both those who are self-employed and homeworkers.

In the other six countries, the share of home-based workers in non-agricultural employment was quite small: Brazil (5 per cent), Chile (just under 2 per cent), Costa Rica (5 per cent), Morocco (4 per cent), Peru (5 per cent), and Thailand (2 per cent). However, for two of these countries – Thailand and Chile – only homeworkers were counted; and in the other four – Brazil, Costa Rica, Morocco, and Peru – only the self-employed were counted.

Perhaps the most striking fact is that the share of women in home-based work was over 75 per cent in seven of the countries, over 50 per cent in another one country, and over 30 per cent in the remaining six countries. In the three countries that only counted (dependent) homeworkers, the share of women was about 80 per cent. A recent national sample survey in India, specially designed to better enumerate the informal economy, found a high incidence of home-based work overall as well as marked urban-rural and male-female differences in the incidence of home-based work (**see box on working at home in India**).

*Developed Countries:* Working at home is also the reality of work for many people in developed countries. In the mid-1990s, home-based workers – here defined as persons who work more than half of their working hours at (or from) their home –

represented between four to eleven per cent of the total workforce in eight out of twelve European countries surveyed: Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, and Netherlands. In the remaining four countries, the share of home-based workers in the total workforce was as follows: Greece (one per cent), Portugal (four per cent), Spain (one per cent), and the U.K. (three per cent). For the twelve European countries taken as a whole, the share of home-based workers represented between four and five per cent of the total workforce.<sup>8</sup>

In the United States, home-based work grew between 1980 and 1990, after falling significantly between 1960 and 1980. Factors in this growth include advances in information and communication technology and the need to balance work and family by the growing numbers of two-career families. Based on 1991 national survey results one per cent of all non-farm workers worked entirely at home. Two-thirds of these workers were women. In contrast to on-site workers, home-based workers were more likely to be self-employed, to work non-standard hours, and to live in rural areas. Analysis showed that workers who need or prefer flexible work hours or to work at home – the disabled; women, especially those with young children; and those living in rural areas with long commutes to on-site jobs – had greater representation among home-based workers. However, the associated flexibility came at a cost. The average hourly wages of home-based workers of either sex were below those of on-site workers, even when one controls for employment status, hours worked, or urban/rural residence.<sup>9</sup> However, comparing earnings is complex because there are additional work-related costs on the part of both on-site workers (travel, costs of family care, etc.) and home-based workers (overhead for work place, utilities and equipment).

### Street vendors

Street vending is a global phenomenon. In cities, towns, and villages throughout the world, millions of people earn their living wholly or partly by selling a wide range of goods on the streets, sidewalks, and other public spaces. With the advance of modern retailing – fixed retail operations, department stores, and malls – many expected that street vending would go away. Yet today, in most countries of the world, street vending persists – and probably has expanded – even where local regulations seek to ban or restrict it. It represents a feature

of traditional societies that has survived, adapted, or re-emerged in modern ones.

#### *Who are Street Vendors ?*

Around the world, a large and, perhaps, growing share of the informal workforce operates on streets, sidewalks, and public parks, outside any enclosed premise or covered workspace. This includes not only those street vendors who sell goods but also a broader range of street workers who sell services and produce or repair goods, such as: hairdressers or barbers; shoe shiners and shoe repairers; car window cleaners; tailors specializing in mending; bicycle, motorcycle, van, and truck mechanics; furniture makers; metal workers; garbage pickers and waste recyclers; headloaders and cart pullers; wandering minstrels, magicians, acrobats, and jugglers; beggars and mendicants. In Kenya, the Swahili term «Jua Kali» – which means «under the burning sun» – is the traditional name for the informal economy. This is because so many informal activities, not just street trade, take place in the open-air under the burning sun.

Even when used in the more narrow and precise sense of informal traders who sell goods from the street or in the open air, street vending is a large and diverse activity: from high-income vendors who sell luxury goods at flea markets to low-income vendors who sell fruits and vegetables alongside city streets. Those who sell a single product or range of products as street vendors also often do so under quite different economic arrangements: some are truly self-employed and independent, others are semi-dependent (e.g., agents who sell products for firms against a commission), while still others are paid employees and fully dependent (see **box presenting a typology of street vendors**).

#### *Common Problems of Street Vendors*

Street vendors are often viewed as a nuisance or obstruction to other commerce and the free flow of traffic. Since they typically lack legal status and recognition, they often experience frequent harassment and evictions from their selling place by local authorities or competing shopkeepers. Their goods may be confiscated and arrests are not uncommon. The places where they work are often dirty and hazardous. Nevertheless, street vending may be the only option for many poor people. Therefore, the right to vend – within reasonable limits or constraints – should be considered a basic economic right (see **box with summary of the Bellagio International Declaration of Street Vendors**).

### Typology of Street Vendors

Street vendors are not a homogeneous group. They can be categorized or grouped according to e.g. what types of goods they sell, where they trade, and from what type of premise as well as by their employment status, as indicated below. Also, for some street vending is full-time primary work; for others it is a part-time secondary job.

#### Types of Goods: What do They Sell?

Foodstuffs: fruit and vegetables  
Cooked food  
Snacks and soft drinks  
Candies and sweets  
Ice cream and popsicles

Cigarettes and matches  
Newspapers and magazines  
Manufactured goods  
Second-hand goods

#### Location of Work: Where Do They Trade?

System of open-air markets in designated areas on designated days  
Concentrations of vendors in particular areas: central business district or residential neighbourhoods  
Street corners or sidewalks

Railway stations, subway stations, bus stops/lorry stations  
Construction sites  
Sports complexes  
Home

#### Type of Premise: From What Do They Vend?

Baskets or bowls placed on the ground or carried on the head or body  
Mats or cloths spread on the ground  
Stool or table  
Pole over shoulder

Bicycle  
Wheeled push-carts  
Wheeled stalls with display cases  
Porch-front or window display  
Fixed shed, stall, or kiosk

#### Employment Status: Are They Independent or Dependent?

Independent self-employed: with and without employees  
Dependent employees: paid workers for other street vendors or for wholesale/retail traders

Semi-dependent workers:  
e.g. commission agents

### Bellagio International Declaration of Street Vendors

In 1995, representatives from street vendor associations and activists, lawyers, and researchers working with street vendors from 11 cities around the world met in Bellagio, Italy to form an international alliance (now called StreetNet) of street vendor associations and of organizations working with street vendors. The founders of the network drafted the Bellagio International Declaration of Street Vendors.

The Bellagio Declaration identifies the following common problems of street vendors around the world:

- No Legal Status, No Right to Vend
- Lack of Space or Poor Location
- Restrictions on Licensing, Costs of Regulation
- Harassment, Bribes, Confiscation, and Evictions
- Lack of Services and Infrastructure
- Lack of Representation or Voice

The Declaration urges national governments to incorporate street vendors in economic policies relating to trade, financial policies relating to micro-entrepreneurs, and social policies relating to the working poor. The Declaration also urges city governments to incorporate street vendors in urban planning processes and urban policies and to promote institutional mechanisms for street vendor associations to voice grievances, make demands, and resolve disputes with other urban stakeholders.

Source: *Bellagio International Declaration of Street Vendors* drafted by founding members from 11 countries of the international alliance of street vendors, StreetNet, at a meeting in Bellagio, Italy, 1995.

### Street Vendors in Mexico City, Mexico

Until recently, officials in Mexico City had data only on those forms of street vending that they recognized, notably vending in public markets, various rotating markets, and recognized concentrations of vendors in residential areas. In the 1990s, attempts were made to collect figures on a city-wide basis of registered ambulatory vendors with stalls of various kinds. But there have been no efforts to collect official data on “non-tolerated” vendors, those without stalls and without registration. In the mid-1990s, a study of the political economy of street vending in Mexico City attempted a conservative estimate of the different forms of street vending based upon reported figures and estimates. The study estimated that the core street vendors in the city operated from the following types of locations and numbers of stalls:

Concentrations: 1,500 stalls on the street or sidewalks (not counting 10,500 stalls in empty lots)  
 Rotating Markets: 38,000 stalls  
 Ambulatory: 67,248 stalls  
 Metro stations: 5,000 stalls  
 Street corners/neighbourhoods: 10,000

These estimates suggest that there were a total of 121,738 stalls in the city. In terms of the number of street vendors, the study generated a conservative estimate of 185,600 individuals permanently included in full-time street vending in Mexico City. This figure represents only the basic core of regular vendors in the city. It does not include vendors who occasionally sell in the street or who add to the numbers during peak commercial seasons. The inclusion of such temporary vendors would probably add, the study estimates, at least 50 per cent to the figure above.

Source: John C. Cross. *Informal Politics: Street Vendors and the State in Mexico City* (Stanford, California, Stanford University Press, 1998)

Except in societies where gender norms restrict women’s mobility, women account for a major share of street vendors. However, with a few notable exceptions in mainly African countries, women traders are more likely than men traders to have the more risky work situations, by: operating from an open rather than a covered space; operating from the street rather than a cart or a stall; operating from an insecure or illegal space; trading in perishable goods; generating a lower volume of trade; working as commission agents or employees of other vendors; and not employing others to work for them.<sup>10</sup> Consequently, women vendors also tend to earn less than men vendors.<sup>11</sup>

#### *Size and Contribution of Street Trade*

Despite their numbers and visibility, there are few good estimates of the number of street vendors. Many population censuses and labour force surveys do not contain a question on “place of work” with relevant response alternatives. Or, if they do, the results are not routinely tabulated or disseminated. The international standard classification of occupations (ISCO-88) includes three sub-groups: ‘stall and market salespersons’, ‘street vendors and related workers’; and ‘shoe cleaning and other street services elementary occupations’. However, these categories are rarely presented, either separately or combined, in official statistics.

Some of the special surveys that have proved effective at enumerating street vendors have highlighted an important feature of street trade that makes it difficult to measure: namely, there is a great variance in the number of street vendors counted depending on the time of day or the season of the year. The number of vendors can fluctuate from one season to the next, one day to the next, and even during a single day. This is because some vendors only sell in the morning, afternoon, or evening; some sell only on weekends; and others sell only during certain seasons. Some may move from one location to another during the day, appearing settled at each; while others may change what they sell from one season, month, or day to another. Further, the same vendor family or unit may have several different stalls at the same market or in different markets, confusing the question of what is a vendor unit or business.<sup>12</sup> One special study attempted an estimation of the number of the basic core of regular street vendors in Mexico City in the mid-1990s. The study estimated that there were roughly 185,000 regular street vendors and an additional 90,000 occasional street vendors in Mexico City (see **box on street vendors in Mexico City**).

In principle, establishment censuses and surveys have the potential for capturing or measuring street vendors. The best approach would be to use coordinated – or mixed – household and



**Table 3.6 Street Vendors in Ten Developing Countries: Estimated Number, Share of Non-agricultural Employment, Proportion of Women**

	Number of street vendors	Per cent of non-agricultural labour force	Per cent Women
Tunisia (1997)	125,619	6	2
Benin (1992)	45,591	5	81
Kenya (1999)	416,294	8	33
India (1999-2000)	3,881,700	3	14
Turkey (2000) urban	255,000	2	3
Brazil (1991)	1,445,806	3	30
Costa Rica (1997)	13,085	1	18
Guatemala (2000)	259,203	9	55
Mexico (2000)	1,286,287	4	44
Venezuela (1997)	318,598	4	32

Source: Jacques Charmes, 2002 (personal compilation of the author on the basis of official labour force statistics and national accounts). A subset of these data was published in ILO, *On Measuring Place of Work* (Geneva, 2002).

establishment surveys (as is recommended for capturing the informal economy in general). It is noteworthy that when national data collection activities give priority to the measurement of street vendors, as in the 2000 Labour Force Survey in South Africa, significant numbers of these workers are identified. The 2000 Labour Force Survey estimated that there were 323,000 food vendors and 122,000 non-food vendors in the country, while the 1995 household survey estimated only 2,038 vendors nationwide. While there has been some “real” increase in the number of street vendors in South Africa due both to the relaxation of apartheid laws and to decreasing formal work opportunities, much of the increase between 1995 and 2000 is “statistical”: that is, due to improved methods for prompting respondents and training fieldworkers and coders.<sup>13</sup>

In 10 developing countries, the estimated share of street vendors in total non-agricultural employ-

ment ranges from less than 2 per cent (in Costa Rica in 1997) to 9 per cent (in Guatemala in 2000) and is 4 per cent or more in six of the countries (Tunisia, Benin, Kenya, Guatemala, Mexico, and Venezuela) (**table 3.6**).

In many cities or towns in the developing world, especially in Africa, street vendors constitute a significant share of total employment in the informal economy and street vending units constitute a significant share of total informal enterprises. For example, street vendors represented around 30 per cent of those employed in the informal economy in one town of Niger in 1982<sup>14</sup> and 38 per cent of those employed the informal economy in the five main towns of Guinea in 1987.<sup>15</sup> In one city in India, a recent survey found that street vendors represent about 7 per cent of the estimated informal workforce (**see box on street vending in Ahmedabad city, India**). That study also found that, due to social norms that restrict women’s

### Street Vendors in Ahmedabad, India

The city of Ahmedabad in Western India was once known as the “Manchester of India” because of its large textile industry. Over the past four decades, however, most of the 75 large textile mills closed. Many of the 100,000 or more retrenched mill workers have turned to vending and hawking. As a result, the number of street vendors has been going up steadily. However, until recently, there was no reliable estimate of the number of street vendors. In 1999, in collaboration with the trade union SEWA (the Self-Employed Women’s Association), the Gujarat Institute for Development Research carried out a survey of the informal economy in Ahmedabad which was specifically designed to capture home-based and street-based work. The SEWA-GIDR survey suggests that there were about 80,000 street vendors in the city, representing nearly 7 per cent of the estimated informal workforce. Street vendors were mainly men (90 per cent).

Source: Jeemol Unni. *Urban Informal Sector: Size and Income Generation Processes in Gujarat: Parts I and II* (National Council of Applied Economic Research, Reports # 2 and 3 Delhi: April and May 2000).

**Table 3.7 Size and Contribution of Informal Sector in Trade and Women Traders in Informal Trade**

	Informal Sector as a Share of:		Female Informal Traders as a Share of:	
	Total Trade Employment	Total Trade value added	Total Informal Trade Employment	Total Informal Trade value added
<b>Africa</b>				
Benin	99	70	92	64
Burkina Faso	95	46	66	30
Chad	99	67	62	41
Kenya	85	62	50	27
Mali	98	57	81	46
Tunisia	88	56	8	4
<b>Asia</b>				
India	96	90	12	11
Indonesia	93	77	49	38
Philippines	73	52	72	22

Source: Prepared by Jacques Charmes, based on official labour force statistics and national accounts.

mobility, many women traders sell from their homes (see box in earlier section of this chapter on working at home in India).

In countries where statistics were available – six in Africa, three in Asia – informal traders, mainly street vendors, represent a very high proportion (73 to 99 per cent) of employment in trade and a significant share (50 to 90 per cent) of gross domestic product (GDP) from trade (table 3.7). In South Africa, at current prices for 1999, the informal economy contributed an estimated 26 per cent of the value added in trade: the highest for any sector, followed by 18 per cent of

value added in both construction and community services.<sup>16</sup>

In most of the countries where statistics were available, women accounted for between 50 and 90 per cent of informal traders and between 20 and 65 per cent of the value added in informal trade. The notable exceptions were two countries – India and Tunisia – where social norms restrict women's mobility outside the home: the share of women among informal traders in these countries were 12 and 8 per cent, respectively (table 3.7). These figures reflect the predominance of women in trade in Africa and Southeast Asia and the restrictions on

### Street Vendors in Durban, South Africa

A 1997 census of street vendors in Durban, South Africa, counted 19,000 street traders: 57 per cent of these were in the central business district (CBD) and 30 per cent were in high-density but non-central areas (such as Umlazi township). Sixty-one per cent of the street traders were women; 39 per cent were men. This survey counted both street traders who sold goods (78 per cent of the total) and street workers who provided services (21 per cent of the total). Of those who sold goods, seven out of ten sold food stuffs (fruits, vegetables, meat, and poultry); some sold new and used clothing; and less than 1 per cent sold traditional medicines. Those who sold fresh produce were mainly self-employed, while those who sold clothes were most often employed by someone else. Nearly half sold only one type of product, one quarter sold two types of products, and one quarter sold three or more types of products. Only a few (3 per cent) sold goods or foods produced by themselves.

The Durban study found some important gender differences in street trading. Although few vendors overall hired other people, slightly more men (13 per cent) than women (10 per cent) did. Among those hired, there were nearly twice as many women as men. Nearly all of the women, but only two-thirds of the men, were vendors only. More men (61 per cent) than women (54 per cent) purchase from a large wholesale dealer, rather than from a small retail shop. About six out of ten of the transborder or immigrant street traders were men.

Source: Francie Lund, *Women Street Traders in Urban South Africa: A Synthesis of Selected Research Findings*, Centre for Social and Development Studies Research Report No. 15 (September 1998).

**Table 3.8 Street Food Enterprises by Women's Involvement (per cent of all units)**

City	Owner or operator			Enterprise with female assistants	
	Woman	Man	Couple	Paid	Unpaid
Bogor, Indonesia	16	60	24	5	33
Chonburi, Thailand	78	22	–	13	31
Ile-Ife, Nigeria	94	6	–	19	15
Iloilo, Philippines	63	10	27	4	11
Kingston, Jamaica	44	46	10	–	–
Manikganj, Bangladesh		99	–	10	25
Minia, Egypt	17	83	–	1	34
Pune, India	13	87	–	33	51
Ziguinchor, Senegal	77	23	–	–	25

Source: Irene Tinker. *Street Foods: Urban Food and Employment in Developing Countries*. (New York, Oxford University Press, 1997)

women's mobility in North Africa, Middle East, and South Asia.

Consider the case of Benin. A 1992 survey of ten major cities in that country found that street trade constituted 81 per cent of all economic units, 64 per cent of total employment, and 69 per cent of urban informal sector employment. This survey found that women represented 75 per cent of street vendors in these cities; and that women street vendors accounted for 26 per cent of those in the urban informal sector and 24 per cent of the total urban workforce.<sup>17</sup> In Durban, South Africa women also represent a greater share of street vendors than

men, and there are important differences between women's and men's work in street vending (see **box on street vending in Durban, South Africa**).

Traditionally, the preparation and sale of food has been an important source of income for women. A study on street food vendors in the mid-1980s showed that in many countries women owned and operated street food enterprises and that women were major contributors to many male-run businesses (see **table 3.8**). This is because men who run street food enterprises generally depend on the labour of women working at home for many of the products sold.<sup>18</sup>

## NOTES

<sup>1</sup> Planning Commission, Report of the Task Force on Employment Opportunities (Government of India, New Delhi, 2001).

<sup>2</sup> Alan Felstead and Nick Jewson, *In Work, At Home*. (New York, Routledge, 1999).

<sup>3</sup> Martha Chen, Jennefer Sebstad and Lesley O'Connell, "Counting the Invisible Workforce", *World Development*, Vol. 27, No. 3, pp. 603-610 (1999); Alan Felstead, Nick Jewson, Annie Phizacklea and Sally Walters, *A Statistical Portrait of Working at Home in the UK: Evidence from the Labour Force Survey*, Economic and Social Research Council Research Programme on the Future of Work, Working Paper No. 2, (March 2000).

<sup>4</sup> Jacques Charmes, *Informal Sector, Poverty and Gender: A Review of Empirical Evidence*. (Washington, D.C., The World Bank, 1998); S.V. Sethuraman, *Gender, Informality and Poverty*, (Washington, D.C., The World Bank, 1998); Felstead, et al., *op. cit.*; Martha Chen and Donald Snodgrass, "Managing Resources, Activities, and Risk in Urban India: The Impact of SEWA Bank", (Washington, D.C. USAID, 2001).

<sup>5</sup> ILO, "Decent Work and the Informal Economy", Report VI, International Labour Conference, 90th Session, (Geneva, 2002).

<sup>6</sup> Felstead, et al., *op. cit.*

<sup>7</sup> Jane Tate, "Every Pair Tells a Story", *Report on a survey of Homeworking and Subcontracting Chains in Six Countries of the European Union*, (March 1996).

<sup>8</sup> Jacques Charmes, "Is asking for 'place of work' a pertinent and efficient way to better measure and understand the category of homeworkers, and more generally, outworkers in the labour force?" in ILO, *On Measuring Place of Work*, (Geneva: 2002).

<sup>9</sup> Linda N. Edwards and Elizabeth Field-Hendrey, "Home-based workers: data from the 1990 Census of Population", *Monthly Labor Review*, (November 1996).

<sup>10</sup> Monique Cohen, with Mihir Bhatt and Pat Horn, "Women Street Vendors: The Road to Recognition", *Seeds*, No. 20, pp. 1-23, (New York, Population Council, 2000).

<sup>11</sup> *Ibid.* and Martha Chen and Donald Snodgrass, "Managing Resources, Activities, and Risk in Urban India: The Impact of SEWA Bank", (Washington, D.C., Management Systems International, 2001).

<sup>12</sup> T.G. McGee, *Hawkers in Hong Kong*, Center for Asian Studies Monographs and Occasional Papers, no. 17, (Hong Kong, University of Hong Kong, 1973); John C. Cross, *Informal Politics: Street Vendors and the State in Mexico City*, (Stanford, California, Stanford University Press, 1998).

<sup>13</sup> Debbie Budlender, Peter Buwembo, and Nozipho Shabala, "Country Case Study: South Africa". *The Informal Economy: Statistical Data and Research Findings*, (Geneva, International Labour Organization, 2001).

<sup>14</sup> Jacques Charmes, *Le secteur non structuré à Niamey. Rapport d'une enquête*. (Addis Abeba, Bureau international du Travail, Programme des Emplois et des Compétences, 1982)

<sup>15</sup> DGS/PAGEN, *Recensement des établissements dans les villes de Conakry, Kindia, Mamou, Labé, Kankan (Guinée)*. (Conakry, Ministère du Plan et de la Coopération Internationale, Direction Générale de la Statistique et de l'Informatique, 1987).

<sup>16</sup> Debbie Budlender, et al. op.cit..

<sup>17</sup> C. Maldonado, *Recensement des établissements en milieu urbain au Bénin*. (Genève, PEESI/PNUD/BIT/INSAE, 1994); and Jacques Charmes, *Situation et perspectives de la population active et de l'emploi au Bénin*. (Cotonou, Ministère du Plan, de la Restructuration Economique et de la Promotion de l'Emploi, PNUD, 1996).

<sup>18</sup> Monique Cohen et. al., op.cit.

## 4. IMPROVED STATISTICS FOR POLICY MAKING

### Why are statistics crucial?

What is clear from the statistics presented in this booklet is that the informal economy is far larger than most people recognise. In all regions of the developing world, informal employment comprises nearly half or more – and in some countries more than 75 per cent – of non-agricultural employment. In those developing countries that include agriculture in their estimates of informal employment, the significance of informal employment is generally even greater and can be as much as 90 per cent of total employment.<sup>1</sup> In the United States and Europe, 25-30 per cent of the total workforce is in part-time work, temporary work, and self-employment, excluding other types of non-standard work which are even more likely to be informal in nature (such as casual day labour and various forms of contract work, including industrial outwork).

Self-employment comprises 60 per cent or more of informal employment (outside of agriculture) in all regions of the developing world: 60 per cent in Latin America and Asia, 62 per cent in North Africa, and 70 per cent in sub-Saharan Africa. In fact, self-employment represents nearly one-third of total non-agricultural employment worldwide.

Informal wage employment is also significant around the world. In the developing regions, wage employment comprises 30 to 45 per cent of informal employment (outside of agriculture). Non-standard wage employment, much of which is informal, is also significant in developed countries. Part-time work alone, some of which is informal, represents just under 15 per cent of total employment in the OECD countries as a whole and more than 20 per cent of total employment in eight of these countries.

What is also clear from the statistics is that generally a greater share of the female workforce than of the male workforce is in the informal economy. Moreover, although fewer women than men are economically active, women represent the majority of workers in several categories of

informal and atypical work: notably, part-time work, temporary work, and homework. The findings presented here – although limited – also suggest that many people work at home or on the streets. Taken together, home-based work and street trade represent 10-25 per cent of non-agricultural employment in developing countries and over 5 per cent of total employment in developed countries.

In brief, these findings suggest that a large share of the global workforce – and a significant share of the global female workforce – is employed in informal enterprises and/or informal jobs.

*Why should we care?* As noted earlier, by definition, those who work in informal employment are less likely than those who work in formal employment to enjoy worker benefits and social protection. Although there are few official statistics on other characteristics of informal employment, available data and research findings suggest that informal workers also earn less, on average, than formal workers; that the working poor, especially women, are concentrated in the informal economy; and that most low-income families secure their livelihood in the informal economy.<sup>2</sup> Available evidence also suggests that the informal economy creates large numbers of jobs, produces vast amounts of goods and services, and contributes directly or indirectly to large shares of exports. For many countries where the calculation could be made, informal employment contributes about a quarter of total GDP. In sum, the informal economy contributes to poverty alleviation and to the total economy by producing a significant share of total employment and GDP.

This booklet has presented the first statistical overview of the informal economy worldwide. As such, it is only a beginning. However, it suggests important new directions – both substantive and operational – for future work to further improve statistics on the informal economy. In terms of how best to proceed, it is important to build on the efforts to improve statistics on the informal economy that contributed to this booklet. These include:

- Active collaboration between the producers and users of statistics, including informed users – both activists and researchers – who were already deeply involved in issues relating to the informal economy;
- Special efforts by countries such as India, Mexico, and South Africa which have shown the feasibility of collecting data on informal employment, including agriculture, and the usefulness of doing so;
- Technical expertise of the ILO has assisted many countries in undertaking informal sector surveys and has played a lead role in developing the new broader conceptual framework; and
- Efforts of the International Expert Group on Informal Sector Statistics, called the Delhi Group, which has encouraged the development of the broader conceptual framework and dialogue between national statistical experts and informed users.

This booklet has highlighted limitations with existing statistics. Few countries collect the statistics needed to estimate directly employment in the informal economy as a whole and in its various components. New data collection and compilation efforts are required in countries, including: detailed questions in surveys and tabulations on key indicators of self-employment; informal aspects of non-standard wage employment including part-time workers, temporary workers (working on call or through temp agencies), casual day labourers, contract workers, industrial outworkers (including homeworkers); and street vendors and home-based workers.

Also, the country case studies have emphasised the importance of informal employment in agriculture and the need to address it in international work on the informal economy.

Improved statistics would help to focus the attention of policy makers on the contributions of the informal economy to economic growth and on the linkages between informal employment arrangements and poverty. More specifically, improved statistics on the informal economy would serve:

- to increase the visibility of those who work in the informal economy, especially the least visible and most neglected workers;
- to advance understanding of the informal economy, including its contribution to economic growth and its links with poverty;
- to highlight the gender dimensions of the informal economy; and

- to inform the design of appropriate policies and programmes for those who work in the informal economy and to help monitor and evaluate the impact of these (and other) policies and programmes on those who work in the informal economy.

## Objectives for Future Work

The overall objective of future work on statistics on the informal economy should be to ensure that estimates on the size, composition, and economic value of the informal economy, disaggregated by sex and also, ideally, by age, are incorporated into official statistics at national, regional, and international levels in a systematic and on-going basis. An important aspect of this is to promote the comparability of data across countries and over time. The specific goals should be to improve methods for the collection and compilation of statistics; to strengthen the capacity of countries to collect these data; to develop and manage a pooled data base; to promote on-going compilation and analysis of existing statistics; to generate national, regional, and global estimates; and to disseminate improved concepts, methods, findings, and estimates.

## Plan of Action

To pursue these objectives, the joint action of national, regional, and international statistical services, of relevant governmental and United Nations agencies, and of activists and researchers working on the informal economy will be required. The respective areas of responsibility for these different stakeholders will need to vary depending on the actions being undertaken. The division of labour between different stakeholders will need to take into account existing inter-agency agreements whereby the ILO Bureau of Statistics is responsible for labour statistics and the UN Statistics Division is responsible for national accounts statistics and overall coordination of the work. The actions to be taken should cover the following:

### *Concepts and Methods to Improve Data Collection and Tabulation*

- Improve *statistical concepts and methods* to generate more accurate and comprehensive statistics on the informal economy: that is, informal employment both in and outside informal enterprises, and including in agriculture.

- Encourage the *active collaboration of statisticians* in national, regional and international agencies with data users in identifying data needs and in the design and testing of appropriate methods.
- Give special attention to improving measures of those engaged in informal employment outside informal enterprises, including many temporary workers and part-time workers as well as most industrial outworkers and most casual workers with no fixed employer. This should involve further methodological efforts related to cross-classifying these forms of non-standard or atypical work with key criteria of informal employment: namely, security of contract, presence/lack of worker benefits, and social protection coverage.
- Give special attention to improving measures of those working at home, on the street, or in the open air. This should involve further methodological efforts related to the “place of work” variable and further efforts to collect and tabulate these data in national data collection activities. While the “place of work” variable is not directly related to improving statistics on the overall size of informal employment, it is an important variable in analysing the composition and characteristics of informal employment.
- Improve the measurement and tabulation of variables relating to other key aspects of work in the informal economy: for example, seasonality and other temporal patterns; and multiple and secondary occupations.
- Ensure that the *special methodological issues* related to the collection of data on different sub-groups of the informal economy – women and men, age groups, rural-urban residence, and socio-economic strata – are considered in the design of all data collection and tabulation activities.
- Provide *technical assistance* to countries to collect statistics on the informal economy if they do not already do so or to improve the quality of statistics they already collect. Two

objectives of technical assistance would be i) to improve the international comparability of the data as a basis for preparing regional and global estimates of the informal economy; and ii) to improve the measurement of women’s activities in the informal economy.

#### *Preparation and Dissemination of Policy-Relevant Statistics on the Informal Economy*

- Develop, maintain and update at regular intervals a *comprehensive database on the informal economy*, incorporating existing data on informal employment and total employment from as many countries as possible. Any future work should link data on informal employment with data on total employment to allow for a complete statistical picture of the total workforce, including the share of informal employment (and its constituent parts) in total employment.
- Specify *key indicators of informal employment* for which data should be routinely collected and tabulated for the database and for generating estimates. Key indicators relating to the informal economy would include the size, composition, and contribution to GDP.
- Generate *national, regional and global estimates* at regular intervals on key indicators related to the development of policies and programmes on informal employment and disseminate the estimates in user-oriented formats. The preparation of regional and global estimates needs to be based on a comprehensive programme in which new work is undertaken rather than an ad hoc compilation of the available data.
- Analyse and publish data in *user-oriented reports*. Data to be published should include the size, composition, and contribution of the informal economy and special topics such as the links between informality, poverty and gender and the size, characteristics and contribution of specific groups of workers. The format of these reports should be accessible to a wide group of users.

#### NOTES

<sup>1</sup> Many countries define and measure informal employment outside agriculture. The size and significance of informal employment are far higher in countries that define and measure informal employment both within and outside agriculture (see Main Findings and country case studies in Chapter 3).

<sup>2</sup> Jacques Charmes, *Informal Sector, Poverty and Gender: A Review of Empirical Evidence*. (paper prepared for the World Bank, 1998); S.V. Sethuraman, *Gender, Informality and Poverty*, (paper prepared for the World Bank, 1998). Both papers are available at [www.wiego.org](http://www.wiego.org).

## Annex 1 Countries, areas and geographical groupings

### Africa

#### Northern Africa

Algeria  
Egypt  
Libyan Arab Jamahiriya  
Morocco  
Tunisia  
Western Sahara

#### Sub-Saharan Africa

Angola  
Benin  
Botswana  
Burkina Faso  
Burundi  
Cameroon  
Cape Verde  
Central African Republic  
Chad  
Comoros  
Congo  
Côte d'Ivoire  
Democratic Republic of the Congo  
Djibouti  
Equatorial Guinea  
Eritrea  
Ethiopia  
Gabon  
Gambia  
Ghana  
Guinea  
Guinea-Bissau  
Kenya  
Lesotho  
Liberia  
Madagascar  
Malawi  
Mali  
Mauritania  
Mauritius  
Mozambique  
Namibia  
Niger  
Nigeria  
Reunion  
Rwanda  
Sao Tome and Principe  
Senegal  
Seychelles

Sierra Leone  
Somalia  
South Africa  
Sudan  
Swaziland  
Togo  
Uganda  
United Republic of Tanzania  
Zambia  
Zimbabwe

### Latin America and the Caribbean

#### Caribbean

Antigua and Barbuda  
Aruba  
Bahamas  
Barbados  
Cuba  
Dominica  
Dominican Republic  
Grenada  
Guadeloupe  
Haiti  
Jamaica  
Martinique  
Netherlands Antilles  
Puerto Rico  
Saint Kitts and Nevis  
Saint Lucia  
Saint Vincent and the Grenadines  
Trinidad and Tobago  
United States Virgin Islands

#### Central America

Belize  
Costa Rica  
El Salvador  
Guatemala  
Honduras  
Mexico  
Nicaragua  
Panama

#### South America

Argentina  
Bolivia  
Brazil  
Chile

Colombia  
Ecuador  
French Guiana  
Guyana  
Paraguay  
Peru  
Suriname  
Uruguay  
Venezuela

### Asia

#### Eastern Asia

China  
Hong Kong Special Administrative Region  
Macao Special Administrative Region  
Democratic People's Republic of Korea  
Mongolia  
Republic of Korea

#### South-eastern Asia

Brunei Darussalam  
Cambodia  
East Timor  
Indonesia  
Lao People's Democratic Republic  
Malaysia  
Myanmar  
Philippines  
Singapore  
Thailand  
Viet Nam

#### Southern Asia

Afghanistan  
Bangladesh  
Bhutan  
India  
Iran (Islamic Republic of)  
Maldives  
Nepal  
Pakistan  
Sri Lanka

#### Central Asia

Kazakhstan\*



Kyrgyzstan\*  
Tajikistan\*  
Turkmenistan\*  
Uzbekistan\*

### **Western Asia**

Armenia\*  
Azerbaijan\*  
Bahrain  
Cyprus  
Georgia\*  
Iraq  
Israel  
Jordan  
Kuwait  
Lebanon  
Occupied Palestinian Territory  
Oman  
Qatar  
Saudi Arabia  
Syrian Arab Republic  
Turkey  
United Arab Emirates  
Yemen

### **Oceania**

American Samoa  
Fiji  
French Polynesia  
Guam  
Kiribati  
Marshall Islands  
Micronesia (Federated States of)  
Nauru

New Caledonia  
Palau  
Papua New Guinea  
Samoa  
Solomon Islands  
Tonga  
Vanuatu

### **Developed Regions**

#### **Eastern Europe**

Albania\*  
Belarus\*  
Bosnia and Herzegovina\*  
Bulgaria\*  
Croatia\*  
Czech Republic\*  
Estonia\*  
Hungary\*  
Latvia\*  
Lithuania\*  
Poland\*  
Republic of Moldova\*  
Romania\*  
Russian Federation\*  
Slovakia\*  
Slovenia\*  
The former Yugoslav Republic of  
Macedonia\*  
Ukraine\*  
Yugoslavia\*

#### **Western Europe**

Andorra  
Austria

Belgium  
Denmark  
Finland  
France  
Germany  
Greece  
Iceland  
Ireland  
Italy  
Liechtenstein  
Luxembourg  
Malta  
Monaco  
Netherlands  
Norway  
Portugal  
San Marino  
Spain  
Sweden  
Switzerland  
United Kingdom of Great Britain  
and Northern Ireland

#### **Other Developed Regions**

Australia  
Bermuda  
Canada  
Japan  
New Zealand  
United States of America

\* included in the category of 'countries in transition'

## Annex 2 Self-employment as percentage of non-agricultural employment

Region	1980/1990			1990/2000		
	All persons	Women	Men	All persons	Women	Men
<b>WORLD</b>	<b>26</b>	<b>28</b>	<b>25</b>	<b>32</b>	<b>34</b>	<b>27</b>
<b>Developed regions</b>	<b>13</b>	<b>11</b>	<b>14</b>	<b>12</b>	<b>10</b>	<b>14</b>
<b>Eastern Europe</b>	<b>18</b>	<b>15</b>	<b>21</b>	<b>9</b>	<b>7</b>	<b>11</b>
Bulgaria	0	0	0	–	–	–
Croatia				8	6	9
Czech Rep.				13	9	16
Hungary	6	6	5	12	12	13
Lithuania	63	53	73	–	–	–
Poland	4	2	6	12	9	13
Romania				6	4	8
Russia				5	–	–
Slovakia				5	5	4
Slovenia				9	6	12
<b>Western Europe</b>	<b>12</b>	<b>10</b>	<b>14</b>	<b>14</b>	<b>11</b>	<b>17</b>
Austria	7	8	7	8	7	9
Belgium	14	14	13	–	–	–
Denmark	7	5	9	–	–	–
Finland	6	5	8	9	6	12
France	10	9	11	11	10	12
Germany	8	8	9	10	7	12
Greece	31	20	35	31	24	35
Italy	20	17	21	26	22	28
Ireland	18	10	22	–	–	–
Netherlands	9	9	9	9	7	10
Norway	8	6	10	9	7	10
Portugal	15	10	18	19	15	21
Spain	21	20	22	19	16	20
Sweden	3	1	5	9	5	13
United Kingdom	8	4	10	13	8	17
<b>Other developed countries</b>	<b>10</b>	<b>9</b>	<b>11</b>	<b>11</b>	<b>9</b>	<b>12</b>
Australia	14	11	16	9	7	11
Canada	5	3	6	8	8	9
Japan	18	22	15	14	16	12
New Zealand	8	5	10	16	11	21
USA	6	4	7	7	6	8
<b>Africa</b>	<b>44</b>	<b>58</b>	<b>37</b>	<b>48</b>	<b>53</b>	<b>37</b>
<b>Northern Africa</b>	<b>23</b>	<b>23</b>	<b>22</b>	<b>31</b>	<b>38</b>	<b>28</b>
Algeria	13	5	13	28	35	27
Egypt	24	4	27	25	12	27
Morocco	36	44	33	40	46	37
Tunisia	21	40	15	30	61	20
<b>Sub-Saharan Africa</b>	<b>50</b>	<b>69</b>	<b>41</b>	<b>53</b>	<b>57</b>	<b>40</b>
Benin	89	96	80			
Botswana	7	8	6	13	15	11
Burkina Faso	78	93	65	70	–	–
Burundi				36	42	34

Region	1980/1990			1990/2000		
	All persons	Women	Men	All persons	Women	Men
Central Africa Republic	58	86	44	–	–	–
Chad	72	95	57			
Comoros	36	60	32	61	77	–
Congo	39	61	30	–	–	–
Ethiopia	68	79	52			
Gambia	95	97	95	52	51	52
Ghana	67	86	40	–	–	–
Guinea	72	83	42			
Guinea Bissau	48	66	–			
Kenya	61	79	–			
Liberia	41	65	33	–	–	–
Mali	78	90	66	84	–	–
Mauritius	17	12	19			
Mozambique	20	31	19	47	61	42
South Africa	17	19	7			
Sudan	41	22	46			
Togo	68	89	50	–	–	–
Zaire	52	82	42	–	–	–
Zambia	18	43	12	–	–	–
<b>Latin America</b>	<b>29</b>	<b>30</b>	<b>27</b>	<b>44</b>	<b>54</b>	<b>35</b>
<b>Central America</b>	<b>30</b>	<b>32</b>	<b>27</b>	<b>40</b>	<b>54</b>	<b>29</b>
Costa Rica	18	10	22	33	42	28
El Salvador	47	68	28			
Guatemala	45	65	29	–	–	–
Honduras				52	69	35
Mexico	42	44	41	39	61	26
Panama	15	9	18	30	31	30
<b>South America</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>43</b>	<b>51</b>	<b>38</b>
Argentina	42	61	32	29	26	31
Bolivia				68	95	46
Brazil	21	16	23	35	40	32
Chile	20	15	22	29	35	25
Colombia	31	32	31	49	58	42
Ecuador	40	34	42	49	44	52
Uruguay	22	19	24	–	–	–
Venezuela	27	28	26	44	56	37
<b>Caribbean</b>	<b>27</b>	<b>28</b>	<b>25</b>	<b>55</b>	<b>67</b>	<b>43</b>
Cuba	1	1	1	–	–	–
Dominican	24	18	28	45	54	40
Haiti	57	64	45	65	80	46
<b>Asia</b>	<b>26</b>	<b>24</b>	<b>26</b>	<b>32</b>	<b>32</b>	<b>30</b>
<b>Eastern Asia</b>	<b>23</b>	<b>20</b>	<b>24</b>	<b>18</b>	<b>26</b>	<b>16</b>
China				15	–	–
Hong Kong	13	9	15	10	20	3
Republic of Korea	32	32	32	30	32	29

Region	1980/1990			1990/2000		
	All persons	Women	Men	All persons	Women	Men
<b>South-eastern Asia</b>	<b>34</b>	<b>38</b>	<b>31</b>	<b>33</b>	<b>40</b>	<b>24</b>
Cambodia				49	66	39
Indonesia	56	70	50	51	60	–
Malaysia	23	21	24	17	17	17
Philippines				34	41	28
Singapore	16	10	20	13	14	13
Thailand	40	51	32	36	40	–
<b>Southern Asia</b>	<b>40</b>	<b>38</b>	<b>40</b>	<b>50</b>	<b>55</b>	<b>48</b>
Bangladesh	53	53	53	75	83	73
India	44	55	42	37	41	38
Iran	35	32	36	37	39	37
Nepal	59	80	49			
Pakistan	51	40	51	43	34	44
Sri Lanka	17	9	19			
<b>Western Asia</b>	<b>13</b>	<b>6</b>	<b>14</b>	<b>24</b>	<b>10</b>	<b>22</b>
Bahrain	10	2	11	5	1	6
Iraq	14	11	15	–	–	–
Jordan	24	6	–			
Kuwait	6	0	8	–	–	–
Lebanon				34	16	39
Oman				4	2	4
Qatar	2	0	2	–	–	–
Syria	25	15	26	29	15	31
Turkey	24	14	25	28	15	30
United Arab Emirates	8	2	9	–	–	–
Yemen				41	17	–

Source: Data prepared by Jacques Charmes .

Note: Data were compiled from population censuses, labour force surveys and from a few living standard surveys. Most population census data were in the *Yearbook of Labour Statistics: Retrospective Edition on Population Censuses, 1945-89* (International Labour Organization, Geneva 1990). The ILO Yearbook stopped publishing the required table (2A) which cross-classifies the economically active population by industry, status and sex. ILO is preparing a special issue of the Yearbook including this specific table and provided access to the new unpublished data now available from countries. The United Nations Economic and Social Commission for Western Asia (ESCWA) Statistics Division, Labour Force Statistics Database CD-ROM version 3.0 (Amman Jordan, 1997) was also used for data for the Arab countries.