

# **Issues in Developing a Common Framework on Informal Employment**

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# Motivation

- To move closer to a coordinated framework for measuring informal employment in developed countries
- In so doing, take into account existing work on nonstandard and newly emerging forms of employment
- To discuss definitions in the context of the concepts that have been applied to developing countries
- Is a “common framework” possible? Desirable?

# Organization

- Overview
- Informal employment: concepts, definitions, measurements (Heintz)
- Nonstandard employment: distribution of risk and authority (Carré)
- Summary of challenges and questions

# Our approach

- Informal employment
  - “Regulatory status”
  - To what extent is the employment relationship/arrangement governed by a formal regulatory system?
- “Forms of employment”
  - Distribution of risk and authority
  - Employment status/Status in employment
  - Non-standard employment

# Schema

		<b>“REGULATORY STATUS”</b>	
		<i>Formal</i>	<i>Informal</i>
<b>FORMS OF EMPLOYMENT INCLUDING STATUS IN EMPLOYMENT AND NONSTANDARD ARRANGEMENTS</b>	Category A		
	Category B		
	Category C		
	Category D		
	etc.		

# Informality and “regulatory status”

- How are labor markets regulated and what constitutes “unregulated” employment?
  - State regulation
  - Non-state regulation
    - Collective bargaining
    - Employer practices/strategies
    - Norms and conventions
    - Other collective action (gender, race, ethnicity/ nationality)
  - Issue: informal employment is also ‘regulated’ by distinct social institutions

# Informal Employment, ICLS

- Informal sector – enterprise-based. Includes all informal enterprises.
- Employment in informal sector – all persons employed in informal enterprises
- Informal employment – jobs-based. All workers in informal jobs.
  - Informal workers in formal enterprises
  - Informal workers outside of any enterprise (e.g. domestic workers, paid employees)

# Informal Employment, ICLS

- Paid employees
  - Lack of social protection
  - Lack of employment benefits
  - Violation of national labor laws/standards
- Self-employed (employers, own-account)
  - Unincorporated (household) enterprises
  - Not registered (size criterion also used). Lack of formal accounts.
- Unpaid contributing family workers – all
- Household production of goods for own-use (excludes household production of services)



# Applying concepts, definitions: questions for developed countries

- Paid employees. What indicator to use?
  - Violation of national labor law/standards
    - large differences in the institutional settings
    - Individual legal status v. legal status of the job (e.g. unauthorized immigrants)
  - Social protection
    - to what extent is social protection tied to employment?
    - similar set of social protections across countries (or legally mandated standards)
  - Employment benefits
    - Which benefits are the best indicators of informality?
- Different indicators/definitions in different countries.
- How much relativism is acceptable?

# Applying concepts, definitions: questions for developed countries

- Self-employed
  - Developing countries: registration status
  - Developed countries
    - “Undeclared” (income from employment not declared, self/wage employment)
    - “Unregulated” (violates laws/standards)
    - “Underground” (illicit activities, goods, services)
  - Is it measured? What are the gaps?
  - Where to draw the line?
  - Ambiguous employment status. e.g. disguised wage employment (can informal wage employment become formal self-employment?)

# Categories for Status in Employment and Forms of Employment

- Nonstandard forms of employment:  
Diverge on degree of economic risk and/or autonomy
- ICSE-93 categories:
  1. employees
  2. employers
  3. own-account workers
  4. members of producers' cooperatives
  5. contributing family workers
  6. residual.

# **How international Status in Employment categories dovetail with nonstandard forms of employment**

- Unambiguous cases
  - Temporary wage workers
  - Self-employed employers and own-account
- Blurred lines between categories
  - Intermediate cases
  - Ambiguous cases

# Forms of nonstandard employment

- International congruence for some
- Forms requiring attention
  - Part-time employment as a status
  - Short hours part-time
  - “Contingency”: expected employment continuity
  - Dependent own-account self-employment

## **Some conceptual and implementation issues**

- Documenting illegal practices
- Ambiguous situations and those in “legal vacuum”

### **What concepts? Feasible options?**

- Voluntariness
- Multiple job holding
- Excessively long hours

# Expanding Status in Employment

- Wage
  - Short-term hires, fixed-term, “contingent employment”
  - Part-time, volatile hours, atypical work time
  - Brokered employees
  - Paid on commission
- Self-employment
  - Dependent self-employment
  - self-employed with volatile working hours, seasonal or erratic employment

## Goals and questions

- Getting a handle on changes in employment: cross national statistics and other methods needed.
  - Informality and developed countries
  - Nonstandard work and status in employment
- Intersection of informal employment and nonstandard forms of employment- a place to start



- Broadening ICSE-93 categories
- Potential gains from applying definitional criteria for informal employment to all countries
- Indicators for informal and formal employment have to be institutionally specific
  - What guidelines and recommendations to structure data for cross national comparison?