

## Chapter 39: Informal economy (moved downwards, revised title)

### (OLD Chapter 25: Informal aspects of the economy)

[Sections or paragraphs marked (\*) are SNA-only text and excluded from BPM7;  
Sections or paragraphs marked (x) are BPM7-only text and excluded from SNA]

#### A. Introduction

- 39.1 The informal economy provides employment and income to many people who might otherwise be unemployed. Informal workers and enterprises tend to be vulnerable to negative economic shocks, which has consequences for inequality and poverty. Measuring the informal economy is important for designing, implementing, monitoring and analyzing macroeconomic and social policies. The measurement framework for the informal economy aims to ensure consistent measures of informal production and informal labour inputs. Data compiled according to this framework are designed to inform policy decisions that may decrease the vulnerability of informal workers and enterprises, especially in developing economies.
- 39.2 The informal economy refers to the productive activities carried out by persons or economic units that are not covered by formal arrangements established by regulations and laws, such as registration, regulation, payment of taxes, and coverage of workers by social security and other labour laws and regulations. The informal economy includes all informal productive activities carried within the general production boundary. Compiling statistics on the informal economy makes it possible to assess how far the benefits of development reach to people who are not counted by the statistics that are based on official registration or compliance with tax laws. Despite the difficulty of doing so, attempts must be made to identify and measure the informal economy. Each country should aim to develop its system of statistics on the informal economy in order to provide an adequate information base for a wide range of descriptive and analytical purposes, including for (a) describing and enhancing understanding of the informal economy and (b) supporting the development of policies addressing the informal economy, while taking account of specific national needs and circumstances.
- 39.3 The International Labour Organization (ILO) in its *Resolution Concerning Statistics on the Informal Economy*, (International Labour Office, 2023) adopted by the 21<sup>st</sup> International Conference of Labour Statisticians (ICLS) established the standards for statistics on the informal economy. Whilst there is commonality between the concepts and definitions in the ILO standards and those in the System of National Accounts (SNA) and the Balance of Payments and International Investment Position Manual (BPM), the meaning of these concepts and definitions is sometimes different from those used in the SNA and BPM. For example, the [BPM/SNA] includes illegal or illicit activities in the production boundary, whereas the ILO standards exclude them from the informal economy. This chapter presents the ILO standards, giving emphasis to the concepts, definitions and classifications used in the ILO standards and explaining their relationship with the [SNA/BPM].
- 39.4 It is a common misconception that GDP is underestimated because it does not include the production of informal businesses and informal labour inputs. Conceptually the SNA includes all productive activities irrespective of whether these activities are formal or informal. The compilation of exhaustive measures in the presence of informality is certainly challenging, but as discussed in SNA paragraphs 7.47 to 7.56, compilers should always endeavor to make efforts to use data sources and estimation methods that cover informal and other non-observed activities. The framework for the informal economy described in this chapter does not focus on developing exhaustive measurements of production, but rather on providing a complete presentation of the informal economy.
- 39.5 The non-observed economy including non-observed cross border trade in goods and services is a concept that is conceptually distinct and different from the informal economy. The non-observed economy includes activities that, for various reasons, are not captured in regular statistical enquiries. It is a pragmatic term that is used in the context of achieving exhaustive statistics and includes misreporting by formal units such as large corporations. Efforts to cover the non-observed economy ensure that all productive activities are covered in statistical estimates even if not covered by statistical enquiries. Because informal activities tend to be difficult to measure and are sometimes omitted from statistical surveys or administrative data sources, there tend to be certain overlaps between the informal economy and the non-observed economy. Nevertheless, the concepts serve different purposes, and each includes elements that are not included in the other. The primary focus of this chapter is on the informal economy, but Section F discusses the non-observed economy in its relation to the informal economy.

## 1. The policy interest in measuring informal activities

- 39.6 Interest in the informal economy continues to attract considerable attention. Informal productive activities are often associated with lower and uncertain income for workers since informal workers and enterprises are less protected against negative economic shocks. This may have broader consequences for inequality and poverty since informality is correlated with vulnerability through the denial of rights at work, the absence of sufficient opportunities for quality employment, and the lack of effective social protection. The quantification of the informal economy and data on its characteristics are needed to enhance the international comparability of statistics on the informal economy, the measurement of decent work and the well-being of households and society in general, and in identifying the main drivers of informality. Analysing macro-economic and social policies on the informal economy facilitates the transition from the informal economy to formal productive activities and to the achievement of gender equality, sustainable development and social justice.
- 39.7 It should be noted that the relevance of statistics on the informal economy in a given country will depend on the nature of its society, labour markets and regulations as well as user needs, and that their implementation will therefore, to a certain extent, be determined by national circumstances.

## 2. Structure of the chapter

- 39.8 Sections B and C present a summary of the framework of the 21<sup>st</sup> ICLS *Resolution Concerning Statistics on the Informal Economy*. Section B looks at statistics on economic units and production in the informal economy, clarifies the use of existing terminology, and provides the definitions of the informal economy and the classifications used to identify and analyze informal productive activities. Section C focusses on informal work arrangements. Sections B and C also discuss the relationships between informal economy statistics and the [SNA/BPM7]. Informal aspects of two issues that are of special importance to the [national accounts/balance of payments], i.e., digitalization and informal cross-border flows, are discussed in Section D. Section E summarizes the data sources and the presentation of indicators for the informal economy. The relationship between the non-observed economy and the informal sector is presented in Section F. The interest in the informal economy has led to the production of several handbooks and studies of current practices. It is impossible to report these in depth in this chapter, but section G gives a brief description of some of these and indicates where they may be consulted.

## B. Framework for the informal economy

- 39.9 The standards adopted by the 21<sup>st</sup> ICLS for statistics on the informal economy are designed to guide countries in measuring informal productive activities of workers and economic units. The standards provide a conceptual framework for statistics on the informal economy, definitions of distinct subsets of economic units depending on their status of (in)formality and the intended destination of their production, a set of definitions of distinct subsets of informal work, a set of indicators to provide information on the characteristics, circumstances and needs of workers and economic units, and operational concepts, definitions and guidelines for the compilation of statistics on the informal economy. In designing the framework for statistics on the informal economy, care was taken to maintain coherence with other international statistical standards, particularly regarding the SNA and the BPM. [(x) SNA sentence: The next section explains the relationship between the terminology used in the 21<sup>st</sup> ICLS resolution and the familiar SNA terminology.] [(\*) BPM7 sentence: More detail on the relationship between the terminology used in the 21<sup>st</sup> ICLS resolution and the SNA and BPM terminology is given in 2025 SNA, chapter 39, section B.1. Clarifying the use of familiar terminology.]

### 1. Clarifying the use of familiar terminology (\*)

[Reminder: The ‘(\*)’ denotes SNA-only text that is excluded from BPM7]

- 39.10 The statistics on the informal economy compiled according to the 21<sup>st</sup> ICLS standards are aligned with the SNA, while using different terminologies from the SNA and BPM for some concepts and classifications to allow the statistics to highlight certain features of informality. The different uses of terms are presented below.

#### Productive activities of economic units

- 39.11 In both the ICLS standards and SNA the concept of productive activities of economic units includes processes or activities that are carried out under the control and responsibility of an economic unit, using inputs of labour, capital, goods and services to produce outputs of goods or services. Similarly, for the concept of “economic unit” the definition used in the statistics on the informal economy is aligned with that used in the SNA.

## Productive activities of persons

- 39.12 The concept of productive activities of persons in the statistics on the informal economy is similar to the concept in the SNA as it includes work and labour activities within the SNA production boundary, but it also includes activities outside the SNA production boundary although inside the general production boundary.

## Sector

- 39.13 The term “sector” used in the 21<sup>st</sup> ICLS *Resolution Concerning Statistics on the Informal Economy* does not have the same basis as the usual use of the word sector throughout the SNA. In the SNA, sectors are made up of complete institutional units; in the context of the informal economy only the productive activities are considered and other activities of the unit such as consumption and accumulation are excluded. In addition, the criteria used to identify the sectors in the statistics on the informal economy are based on the intended destination of the production and the formal status of the economic unit. Thus, for example, households having no productive activity are simply not considered in the steps to identify those unincorporated enterprises operated by households that are to be included in the informal economy.

## Enterprise

- 39.14 In the SNA, a corporation represents a single enterprise, but each such enterprise may consist of a number of establishments. A key difference between an enterprise and an establishment is that a full set of accounts must exist, or could be constructed, for an enterprise, but for an establishment a much more restricted set of data is available, typically only information relating to production, number of employees and the capital formation associated with the activity.
- 39.15 Within a household many different types of production activities may take place. For none of these individually nor for the total of all activities that cannot be treated as quasi- corporations does a complete set of accounts exist. The SNA usage of “unincorporated enterprise” is taken to mean the totality of all unincorporated activity undertaken by a household even though in a supply and use table, for example, this may be partitioned by types of activity and be grouped with establishments of corporations undertaking the same activity.
- 39.16 The use of unincorporated enterprise in the 21<sup>st</sup> ICLS *Resolution Concerning Statistics on the Informal Economy* does not correspond to the sum of unincorporated activity of a household but to each activity separately. In SNA terms, the unincorporated enterprise is broken down into a number of unincorporated establishments, some of which may be included in the informal economy and some excluded, even for the same household. For example, if one member of a household operates an unincorporated repair business and another member of the same household operates an unincorporated childcare business, they would be treated as separate unincorporated establishments in the informal economy statistics. Furthermore, the informal economy statistics identify individual members of a household as owning and operating each establishment/enterprise and capable of employing workers. In the SNA, it is the household collectively that is responsible for all activity and for employing workers.

## Subsectoring production

- 39.17 The SNA subdivides production into market production, production for own final use and non-market production. Non-market production is not at issue here since it is never undertaken by households. However, to meet the 21<sup>st</sup> ICLS resolution it is necessary to subdivide production by households into production that is mainly for sale or barter and production that is mainly for own final use. In the case of unincorporated enterprises where the production is mainly sold or bartered (intended for the market), all of the production of the unit is included in production by the informal sector, while where the production is mainly for own final use, it is allocated to the household own-use production and community sector.

## Formal sector, informal sector and household own-use production and community sector

- 39.18 The SNA does not use the expression formal sector, but it is not difficult to conceive of all units in the corporations sectors, general government and NPISHs as being part of a formal sector as far as production is concerned. Quasi-corporations are included because they are included in the corporations sectors. However, this is not the same as saying that any unit that is not informal is formal, since households with unincorporated enterprises not included in the informal sector are divided between those that are treated as formal and the rest that are included in the household own-use production and community sector.
- 39.19 The meaning of household units according to the 21<sup>st</sup> ICLS resolution is thus quite different from that of the SNA since the SNA includes as households all the units included under under the 21<sup>st</sup> ICLS resolution as informal and

mainly producing for the market, plus households mainly producing for own final use, plus those units with unincorporated enterprises treated as formal, plus households as consumers plus institutional households.

## 2. Informal productive activities

39.20 *Informal productive activities* are defined as all productive activities carried out by persons or economic units that are – in law or in practice – not covered by formal arrangements as established by regulations and laws, such as:

- a. regulations that stipulate the rights and responsibilities and obligations of the economic units and the workers;
- b. commercial laws that regulate the productive activities carried out by economic units and their engagement in commercial contracts, including to safeguard their intellectual and physical property;
- c. procedures to report economic activities such as fiscal obligations in order, for example, to pay taxes or to cover employees by social security;
- d. labour laws and regulations such as those relating to freedom of association, rights to collective bargaining, paid annual leave, paid sick leave, the minimum wage, hours of work, social security coverage and social dialogue; and
- e. procedures that regulate access to the institutional infrastructure such as markets, governmental support mechanisms and financial institutions including banks.

39.21 Coverage by formal arrangements in law and in practice does not merely imply having legal coverage by the formal arrangements but means that the arrangements should be effectively accessed in practice by the worker and the economic unit by fulfilling procedures that entail duties and obligations for all parties involved.

39.22 Informal productive activities can be viewed as an underlying concept that contributes to recognizing two highly linked but also slightly different perspectives of informality, i.e., the perspective of workers and the perspective of economic units. This concept forms the conceptual foundation from which the different statistical components are derived and points toward which statistical components should be statistically quantified and described.

39.23 Informal productive activities of persons include informal tasks and duties carried out by persons in informal employment; in formal employment, carrying out partly informal activities tasks and duties; or in unpaid trainee work, volunteer work, own-use production work and other work activities (see section C of this chapter). Informal productive activities of economic units include informal production carried out by economic units in the informal sector or by households producing for own final use, including direct volunteer work, and production by non-formal non-profit organizations. Informal productive activities may be undertaken in most kinds of economic activity, including the agriculture, forestry and fishing industry, and include household own-use production work within the general production boundary. Housing services of owner occupiers are by convention excluded from the informal economy because no informal labour inputs are used for this production activity.

## 3. The informal economy

39.24 The *informal economy* comprises all informal productive activities of persons or economic units, whether or not they are carried out for pay or profit. The concept of the informal economy enables the comprehensive measurement of the informal productive activities carried out by economic units and of informal productive activities by workers in relation to employment and undertaken through forms of work other than employment.

39.25 For statistical purposes, the concept of the *informal market economy* is defined as all production for pay or profit in the informal sector and all productive activities of workers in employment that are – in law or in practice – not covered by formal arrangements.

39.26 Illegal and illicit activities where the production of goods and services are forbidden by law are excluded from the informal economy. However, the production of goods and services, that are usually legal, but become illegal when carried out by unauthorized producers, should be included in the informal economy.

39.27 The exclusion of illegal and illicit activities where the goods and services are forbidden by law relates only to the scope of what is measured in the informal economy. In the SNA, illegal productive activities that fit the characteristics of transactions are treated the same way as legal actions and are therefore included within the SNA production boundary (see SNA paragraph 7.53). For example, if the sale of narcotics is forbidden by law, those activities should be excluded from the informal economy statistics, although they are included in the SNA. Similarly, imports and

exports of illegal goods and services are included in the external statistics but should be excluded from statistics on informal trade. Transactions in stolen goods are also included in the SNA and BPM but excluded from statistics on the informal economy and from informal trade. However, some activities that are usually legal may be carried out illegally because they are conducted by an unregistered producer (for example, the sale of transport services by an unregistered producer). These activities that are usually legal but may be carried out illegally are not to be regarded as illegal activities and are included in the informal economy statistics as well as the [BPM/SNA].

#### 4. Informal sector, formal sector and household own-use production and community sector

- 39.28 The criteria used to identify the sectors in the statistics on the informal economy are based on the intended destination of the production and the status of (in)formality of the economic unit. The intended destination reflects whether, or not, the production is mainly intended for the market with the purpose of generating a profit and income. The criterion of production that is “mainly intended for the market” is similar to the SNA definition of market producers as establishments, “all or most of whose output is market production” (see SNA paragraph 7.144). The formal status of the economic unit reflects whether the unit is formally recognized by government authorities as a distinct producer and is thus covered by formal arrangements.
- 39.29 The framework for informal economy statistics assigns all economic units to one of three sectors: the formal sector, the informal sector or the household own-use production and community sector, depending on the intended destination of the production and the status of (in)formality of the economic unit.
- 39.30 The **formal sector** comprises economic units that are formally recognized as distinct producers of goods and services for the consumption of others and whose production is mainly intended for the market with the purpose of generating an income or profit or for a non-profit purpose (i.e. non-profit institutions), or non-market production for use by other economic units, including the society as a whole. With respect to the SNA sectors, financial and non-financial corporations and general government are always formally recognized and therefore are part of the formal sector. In addition, formally recognized NPISHs are part of the formal sector. Households are assigned to the formal sector if they undertake production through a household unincorporated market enterprise that is registered in a government established system of registration or employs one or more persons to work as an employee with a formal job. Household unincorporated market enterprises that keep a complete set of accounts for tax purposes are treated as quasi-corporations and included in either the financial or non-financial corporations sectors in the SNA and as part of the formal sector in the ILO statistics.
- 39.31 The **informal sector** comprises economic units whose production is mainly intended for the market with the purpose of generating income and profit but that are not formally recognized as producers of goods and services distinct from the own-use production of the owner-operators’ household. These economic units are all classified in the SNA as part of the household sector and may include informal partnerships. These economic units undertake production mainly intended for the market through a household unincorporated market enterprise that does not keep a set of accounts for tax purposes, is not registered in a governmentally established system of registration and does not employ one or more persons to work as an employee with a formal job.
- 39.32 The **household own-use production and community sector** comprises economic units that are not formally recognized as producers of goods and services for the consumption of others, whose production (excluding housing services of owner occupiers) is either: mainly for the household’s own final use or for the use of other households, without the purpose of generating income and profit for the producing household or households; or non-market production by the members of a non-formal non-profit organization (i.e. an informal and temporary NPISH), which is intended for use by households. The production boundary for the household own-use production and community sector extends the SNA production boundary in that the sector includes (and the SNA production boundary excludes) most services produced for own use by households (see SNA paragraphs 7.28–7.32).
- 39.33 Table 39.1 illustrates the classification of economic units in the formal sector, the informal sector and the household own-use production and community sector, adding detail on the different forms of informal paid and unpaid work that may be used as input to their formal or informal production.

**Table 39.1: Informal productive activities in the informal economy**

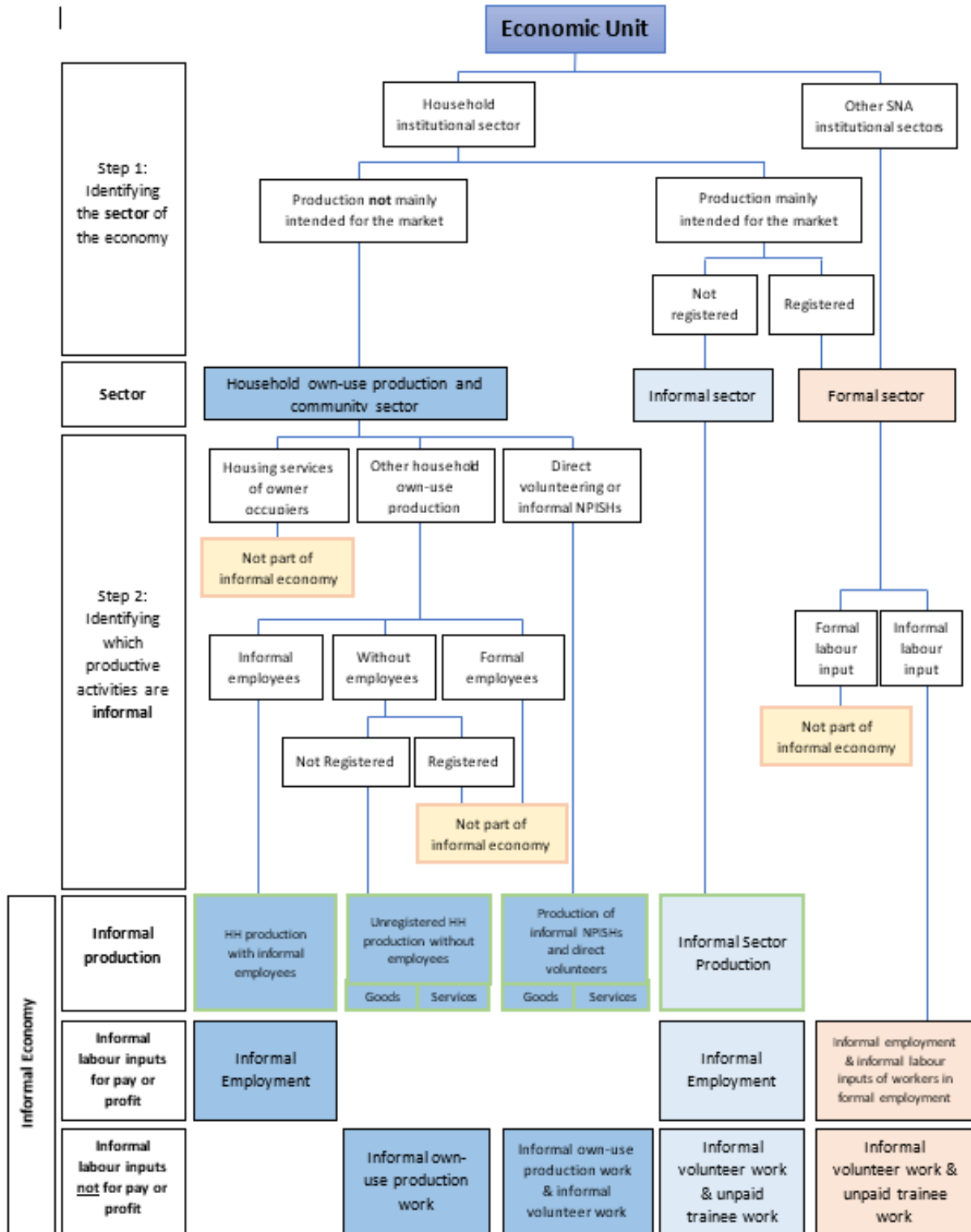
Sector		Formal sector	Informal sector*	Household own-use production and community sector		
Informal productive activities		Production in the formal sector is never informal  All informal labour inputs of workers engaged by: formal household unincorporated market enterprises, formal NPISHs, corporations, and general government	All production by informal household unincorporated market enterprises  All labour inputs used to undertake this production	Production by household engaging informal employees  All labour inputs used to undertake this production	Informal household own-use production including non-formal non-profit organizations and direct volunteers  All labour inputs used to undertake this production	
Type of informal labour inputs	For pay or profit	Informal employment*	Informal employment*	Informal employment*		
		Partly informal labour inputs of persons in formal employment*		Partly informal labour inputs of persons in formal employment*		
	Not for pay or profit	Informal unpaid trainee work	Informal unpaid trainee work		Informal volunteer work	
		Informal volunteer work	Informal volunteer work		Own-use production work	
Relation to SNA production boundary:		Goods and Services			Goods	Services
		SNA production boundary**				
		General production boundary				

\* Components of the informal market economy

\*\* The SNA production boundaries also includes illegal activities that are out of scope in the informal economy framework.

39.34 The 21<sup>st</sup> ICLS *Resolution Concerning Statistics on the Informal Economy* includes a set of operational definitions used to clearly identify the economic units belonging to each of the three sectors. Figure 39.1 illustrates how the framework identifies informal productive activities of economic units. The links between the three sectors (i.e., the formal sector, the informal sector, and the household own-use production and community sector) and the institutional sectors of the SNA are shown in Table 39.2.

Figure 39.1: Decision tree to identify informal productive activities of economic units



Note: The measure of production used in this decision tree is based on the general production boundary.

**Table 39.2: The formal sector, informal sector and household own use production and community sector and its relation to the SNA institutional sectors**

	SNA institutional sectors										
	a) Non-financial corporations and b) Financial corporations		c) General government	d) NPISHs	e) Households						
Type of SNA institutional unit	Corporations	Quasi-corporations	Government units	NPISH	Households (excluding institutional HH and HH as consumers)						
					Unincorporated household market enterprises						
Main type of production	Market production	Market production	Non-market production	Non-market production	Market production	Market production	Own-use production				
							Housing services of owner-occupiers	Production by households for own use with employees	Production by households for own use without employees. Including non-formal non-profit organizations and direct volunteers.		
Operational definition as part of identifying the formal status	Incorporated enterprise	Have a complete set of account for tax purposes; registered for tax or similar	Always formally recognized	Registration	Registered or engages formal employees.	Not registered and does not engage formal employees.	Never informal	Production is informal if employees are informal employees	Direct volunteers and non-formal non-profit organizations are always informal; other HH production for own use without employees is informal unless production is registered.		
Within SNA production boundary	Yes						Goods	Services <b>No</b>			
Sector of the economy	Formal					Informal Sector	Household own-use production and community sector				
Productive activities are part of informal economy	Only informal labour inputs					Yes, both production and labour inputs	No	Yes, both production and labour inputs if employees are informal.	Yes, both production and labour inputs unless production is registered		



## C. Informal work

- 39.35 This section defines and classifies informal work in the 21<sup>st</sup> ICLS resolution, points to the alignment of these concepts with international standards such as the International Classification of Status in Employment, presents the informal productive activities of persons in relation to the sectors in the 21<sup>st</sup> ICLS resolution, and defines and presents informal and formal employment in relation to those same sectors.
- 39.36 The 21<sup>st</sup> ICLS *Resolution Concerning Statistics on the Informal Economy* related to measuring informal productive activities of persons provides a set of definitions for distinct subsets of informal work. In the informal economy, the concept of “productive activities of persons” is aligned with the definition of “work” in the international standards of work, employment, and labour underutilization. It includes activities within the SNA production boundary as well as activities outside the SNA production boundary but inside the general production boundary. Work can be subdivided into five distinct forms:
- a. own-use production work;
  - b. employment work;
  - c. unpaid trainee work;
  - d. volunteer work;
  - e. other work activities.
- 39.37 Informal work consists of productive activities performed by persons, as defined by the latest standards on work and employment, that are – in law or in practice – not covered by formal arrangements such as, regulations and provisions that promote or facilitate the work and protect and regulate the actions and functions of the worker. It comprises:
- a. productive activities carried out by persons in employment that are, in law or in practice, not covered by formal arrangements such as regulations and laws that stipulate the rights and responsibilities, obligations and protection of the economic units and the workers; and
  - b. productive activities carried out in relation to:
    - i. own-use production work;
    - ii. volunteer work;
    - iii. unpaid trainee work; and
    - iv. other work activities.
- 39.38 Persons carrying out informal productive activities in the informal economy may carry out this work for economic units categorized in the formal sector, informal sector or household own-use production and community sector (see table 39.3).

**Table 39.3: Informal productive activities by persons in the informal economy**

Persons	Informal work			
	For pay or profit		Not mainly intended to generate pay or profit	
Main intention of the productive activities	Informal productive activities in relation to employment		Informal productive activities in relation to forms of work other than employment	
Informal productive activities by persons	Formal employment with partly informal activities *	Informal employment *	Informal unpaid trainee work Informal organization-based volunteer work Informal other work activities	Informal own-use production work Direct volunteer work
Sector of the economic unit for which the work is provided	Formal sector	Formal sector	Formal sector	
		Informal sector *	Informal sector *	
	Household own-use production and community sector	Household own-use production and community sector	Household own-use production and community sector	Household own-use production and community sector

\* Components of the informal market economy.

## 1. Informal and formal employment

39.39 Statistics on informal employment aim at:

- establishing whether the productive activities defined as employment are, in law and in practice, covered by formal arrangements and the formal status of the economic unit for which this work is carried out; and
- describing the structure and extent of informal employment, identifying groups of persons in employment most represented and at risk of informality, and providing information on exposure to economic and personal risks, decent work deficits and working conditions.

39.40 **Informal employment** is defined as any activity of persons to produce goods or provide services for pay or profit that is - in law or in practice - not covered by formal arrangements such as commercial laws, procedures to report economic activities, income taxation, labour legislation and social security laws and regulations providing protection against economic and personal risks associated with carrying out the activities. Informal employment comprises activities carried out in relation to informal jobs held by:

- independent workers who operate and own or co-own an informal household unincorporated market enterprise;
- dependent contractors who do not have a formal status in relation to the legal administrative framework or whose activities are not effectively covered by formal arrangements;
- employees, if their employment relationship is not, in practice, formally recognized by the employer in relation to the legal administrative framework of the country or not associated with effective access to formal arrangements; and
- contributing family workers whose work relationships are not formally recognized in relation to the legal administrative framework of the country or not associated with effective access to formal arrangements.

39.41 All tasks and duties carried out in relation to an informal job are considered to be informal productive activities. Informal productive activities performed by persons may also be carried out in relation to formal jobs if a subset of the tasks and duties carried out are not effectively covered by formal arrangements.

39.42 (\*) Persons may have one or several formal or informal jobs, or both, during a given reference period. Dependent workers have an informal or formal job for each economic unit on which the worker is dependent. Independent workers have an informal or formal job for each informal or formal economic unit they operate and own or co-own. (Independent and dependent workers are discussed in SNA paragraph 16.41.) Employed persons with an informal

main job comprise all employed persons with an informal main job where the main job is the job with the longest hours usually worked as defined in the latest international statistical standards on working time. In the absence of information regarding hours usually worked, other information such as income from each job could be used to identify the main job. Employed persons with an informal secondary job comprise all employed persons with an informal second job or additional jobs.

- 39.43 (\*) The International Classification of Status in Employment (ICSE-18) classifies jobs held by persons according to type of authority. There are two broad categories: independent workers and dependent workers, where the former includes owner-operators of corporations and independent workers in household unincorporated market enterprises, and the latter includes dependent contractors, employees and contributing family workers.
- a. Independent workers own the economic unit for which they work and control its activities.
  - b. Dependent workers are workers who do not have complete authority or control over the economic unit for which they work.
- 39.44 (\*) Persons holding informal jobs may be categorized in the informal sector, formal sector or household own-use production and community sector, depending on the sector of the economic unit for which the work is carried out or, in the case of dependent contractors, on their formal status in relation to the legal administrative framework of the country.
- 39.45 (\*) **Formal employment** is defined as any activity of persons to produce goods or provide services for pay or profit in relation to a formal job, where the activities are effectively covered by formal arrangements. Formal employment comprises productive activities carried out in relation to formal jobs held by:
- a. independent workers in employment who operate and own or co-own a formal economic unit;
  - b. dependent contractors who have a formal status in relation to the legal administrative framework of the economy and whose activities are associated with effective access to formal arrangements;
  - c. employees, if their employment relationship is, in practice, formally recognized by the employer in relation to the legal administrative framework of the economy and associated with effective access to formal arrangements; and
  - d. contributing family workers carrying out work for a formal economic unit and whose work relationships are formally recognized in relation to the legal administrative framework of the economy and associated with effective access to formal arrangements. Registration of the job held by the contributing family worker and contribution to a job-related statutory social insurance scheme implies that the worker is employed formally in that job.
- 39.46 (\*) Persons holding formal jobs may be categorized in the formal sector or household own-use production and community sector depending on the sector of the economic unit for which the work is carried out or, in the case of dependent contractors, on their formal status in relation to the legal administrative framework of the economy.
- 39.47 (\*) Table 39.4 shows informal and formal jobs for five types of status in employment—owner-operators of corporations, independent workers in household unincorporated market enterprises, dependent contractors, employees, and contributing family workers. The cells numbered 1 through 8 represent various types of informal jobs. The cells shaded in light blue refer to formal jobs, and cells shaded dark blue are jobs which, by definition, do not exist in the economic units in that sector. The 21<sup>st</sup> ICLS *Resolution Concerning Statistics on the Informal Economy* elaborates the definitions used to clearly identify the five types of status in employment.

**Table 39.4: Informal and formal jobs by status in employment and sector (\*)**

Sector of the economic unit for which the work is carried out	Independent workers <sup>1</sup>			Dependent workers					
	Owner-operators of corporations <sup>2</sup>	Independent workers in household (unincorporated) market enterprises <sup>3</sup>		Dependent contractors <sup>4</sup>		Employees		Contributing family workers	
	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal <sup>5</sup>
Formal sector				1		2		3	
Informal sector		4		5		6		7	
Household own-use production and community sector						8			

Note: Cells shaded in dark blue refer to jobs, which, by definition, do not exist in economic units located in the specific sector. Cells shaded in light blue refer to formal jobs. Informal employment consists of the informal jobs in cells 1–8.

<sup>1</sup>Including employers and independent workers without employees (before ICSE-18 labelled Own-account workers).

<sup>2</sup>Including the ICSE-18-A categories 11 and 21.

<sup>3</sup>Including the ICSE-18-A categories 12 and 22.

<sup>4</sup>The sector of dependent contractors does not reflect the sector of the economic unit on which they depend but their formal status in relation to the legal administrative framework of the country.

<sup>5</sup>The existence of formal jobs among contributing family workers carrying out work for an economic unit in the formal sector depends on the national context (see paragraph 39.45d).

39.48 Depending on the national context and need, countries may identify persons with formal jobs carrying out partly informal productive activities and report the number of such persons, the hours spent on informal activities, or the earnings received from paid informal activities in relation to formal jobs.

## 2. (\*) Informal work other than employment

39.49 Informal work other than employment comprises informal productive activities in relation to own-use production work, volunteer work, unpaid trainee work and other work activities where the unpaid work is not covered by formal arrangements such as regulations and provisions that promote or facilitate the work and protect and regulate the actions and functions of the worker. Measuring the informal or formal nature of work other than employment supports the recognition and valuation of all forms of work, essential for achieving development goals such as attaining gender equality, social inclusion and social protection and reducing poverty. Informal work other than employment is not included in Table 39.4. Detailed definitions of informal work other than employment are provided in the 21<sup>st</sup> ICLS *Resolution Concerning Statistics on the Informal Economy*.

## D. Digitalization and informal cross-border flows

39.50 The conceptual framework, definitions and classifications that underlie the statistics on the informal economy and their relation to the System of National Accounts were presented in sections B and C. In practice, compilers will be confronted with many practical issues in collecting data and deriving estimates for informal activities. This section focuses on two issues that are of particular interest to national accounts and balance of payments statistics – digitalization and informal cross-border flows.

## 1. Digitalization

- 39.51 Digitalization penetrates many aspects of economic activity which leads to concerns about the possible mismeasurement of economic activity. New types of economic activities often make use of digital technologies and create new types of jobs, including jobs that are considered informal. Many of these jobs facilitated by digitalization are as dependent contractors as described in Section C of this chapter.
- 39.52 Most of the new forms of dependent contractors facilitated by digitalization are dependent on large formal enterprises that provide a digital intermediation service. Examples include households that provide transport or accommodation services. The formal or informal status of dependent contractors would vary based on the legal administrative framework of an economy, which regulates the ties between dependent contractors and formal economic units. For example, if dependent contractors are registered, participate in social insurance schemes or are regulated by the government in ways that facilitate their work or protect them as workers, they are classified as formal workers. If the government does not require the formal economic units to register or provide formal regulations or protections to the dependent contractors with whom they work, then the dependent contractors will be informal workers.
- 39.53 Digitalization facilitates household participation in production activities that can be informal, such as through digital marketplaces. Digitalization also provides opportunities for households to deliver interactive services such as online learning and entertainment channels where income is earned by the household through advertising or from viewer subscriptions. Households that receive monetary remuneration for uploaded content can be considered unincorporated household enterprises. If the household is not recognized by government authorities as a distinct market producer and thus is not covered by formal arrangements, then it is regarded as an informal enterprise. For multinational enterprise groups that operate digital platforms in a number of countries, the formal/informal status of the dependent contractors may vary from country to country depending on the legal arrangements in each country.
- 39.54 Additional general information on the role of digitalization and how it should be accounted for is provided in chapter [22 (SNA)/16 (BPM7)].

## 2. Informal cross-border flows [This will be a headline section in BPM7]

- 39.55 Informal cross-border flows pose challenges to data collection and estimation because they represent transactions undertaken by small units and households that may not be covered by the regular data collection programmes used for external sector statistics.
- 39.56 The framework for the informal economy presented in this chapter relates to the production of goods and services in the domestic economy. It is possible to extend the framework to account for external transactions related to activities of informal workers and informal economic units. These transactions would be recorded primarily in the current account and include the following:
- a. Trade in goods conducted by informal workers and informal economic units;
  - b. Trade in services by informal economic units (exports and imports);
  - c. Informal employment of non-resident workers;
  - d. Remittances related to the informal economy.
- 39.57 Trade in goods conducted informally includes small scale but frequent movement of goods between neighboring countries by informal units or workers, shuttle trade (see BPM x.xx), fish catch traded between vessels at sea where the vessel of the compiling economy is operated by informal units, and smuggling of otherwise legal goods by informal units or workers.
- 39.58 If an informal worker carries goods over the border for a formal enterprise, then the change of ownership is between a formal unit and a non-resident. In this case, only the work done by the carrier of the goods would be part of the informal economy (either a service by an unincorporated market enterprise or work by an informal employee). The payment from the formal unit to the carrier of the goods could be either an international or a domestic transaction depending on the residency of the parties.
- 39.59 The carriage of goods by informal workers and informal economic units across country frontiers is an important component of the informal economy, particularly in developing countries. Compilers of trade in goods are encouraged to collect data on the value of goods traded by informal units and workers and to gather information on the persons conducting informal trade when these activities are significant. One approach that has been used is to conduct routine surveys at border stations where imports and exports of goods that are carried over the border by informal units or informal workers can be recorded or observed.
- 39.60 Trade in services by informal units includes services such as room rental, ride services or informal restaurant and bar

services that are provided by informal units to travelers who are temporarily present in the reporting economy; exports and imports of services such as hairdressing, housekeeping and caring for persons, or construction provided by self-employed persons that move across borders but are not registered in a governmentally established system of registration in either their economy of residence or the economy of activity (see paragraph[(BPM) 4.116-4.119] for a discussion of residency); and cross-border services that are delivered online such as tutoring, wellbeing and other income generating online services where the service-provider is working informally and has not registered in a governmentally established system of registration.

- 39.61 Undeclared and underdeclared trade in goods or services by formal units is not part of the informal economy but may be accounted for as non-observed international trade – see section F of this chapter.
- 39.62 Some trade that is part of the informal economy in one economy may not be considered informal in the counterpart economy. This would occur, for instance, if a fishing vessel operated by an informal unit traded with a fishing vessel operated by a formal unit from another economy. Another example would be for accommodation services provided by informal units to non-residents; this would be considered part of the informal economy in the economy of the service provider, but for the economy of the traveler this would not generally be recorded in the statistics on the informal economy.
- 39.63 Some nonresidents such as seasonal workers and nonresident students may engage in informal employment because they do not have the appropriate employment permits to engage in formal employment. Volunteer work by nonresidents may also be considered informal depending on whether the work satisfies the criteria discussed in paragraph 39.49 and the 21<sup>st</sup> ICLS *Resolution Concerning Statistics on the Informal Economy*.
- 39.64 The 21<sup>st</sup> ICLS resolution does not discuss remittances. However, as migrant workers and non-national residents are often at risk of informality, it may be informative to provide information on remuneration of employees and personal transfers that relate to informal workers and informal economic units.
- 39.65 Remittance outflows related to the informal economy include personal transfers of income earned from informal employment by residents and personal transfers from income earned by resident persons belonging to an informal economic unit, as well as remuneration of employees less transport and travel of border, seasonal and other short-term nonresident workers such as unregistered nonresident domestic workers employed by households. The counterpart country would record these data as remittance inflows, but the information may not inform the same policy needs as other data on the informal economy.
- 39.66 As explained in paragraphs 39.26–39.27, trade in goods and services that are forbidden by law are excluded from the statistics on the informal economy. However, the balance of payments statistics include all trade in illegal goods and services, so care should be taken in reconciling the balance of payment statistics with external transactions from statistics on the informal economy to account for the difference in treatment.

## E. Data sources and presentation of indicators

- 39.67 The standards for statistics on the informal economy described in sections B and C provide the conceptual basis for statistics to be compiled in a harmonious and comparable manner from different data sources. The sources and data collection methods will depend on statistical capacity, national priorities, measurement objectives and the relevant reference unit.

### 1. Criteria for selecting data sources (\*)

- 39.68 (\*) Complete coverage of the desired elements might require the use of multiple sources. A close collaboration between different national institutions, including the main users of the data, national statistical offices and other national data producers is important to ensure harmonization across sources and institutions.
- 39.69 (\*) Different data sources each have their own strengths and limitations and can be viewed as complementary to provide data on different aspects of the informal economy. The ILO provides methodological guidance that can facilitate international comparability for data on the informal economy.
- 39.70 (\*) For any data source the quality of the data generated will be determined by the combination of methodologies used and concepts applied. Differences in survey sample sizes, population coverage, unit of observation, ability to apply definitions comprehensively and range of data generated, among others, will have implications in respect of precision, bias and comparability across sources. When planning the system of statistics on informality, close attention should be paid to the methodologies used to ensure that estimates generated are as representative as possible of the

target population, that the coverage of indicators produced is in line with objectives, and that samples are adequate to achieve desired levels of precision.

- 39.71 (\*) To enable clear and appropriate interpretation of the statistics it is crucial that data quality is assessed and reported on transparently. Metadata describing the source, the concepts, the methodologies, and the results generated should be published alongside any published data.

## 2. Data collection (\*) note that Section E will not have any subsections in BPM7

- 39.72 (\*) In general, household-based surveys, particularly labour force surveys, are important data sources for producing statistics with persons and jobs as reference units. Labour force surveys, generally characterized by detailed sequences of questions on the characteristics of jobs, are typically the recommended source of statistics for monitoring the extent of informal and formal jobs, assessing levels of informality and formality and levels of protection and vulnerability, identifying persons most exposed to and most represented among informal jobs, and assessing the working conditions of persons in formal and informal jobs. They are also a useful source to identify drivers of informality associated with the structure of the labour market. A combined household-establishment survey may be able to meet the same objectives.
- 39.73 (\*) Other household surveys, such as surveys on poverty and living standards, or household income and expenditure surveys, generally include less detailed sequences of questions on labour and may be designed with smaller sample sizes than a typical labour force survey. When such surveys include questions to identify persons having informal and formal jobs, they can be particularly suited to the production of data to analyse the relationship between informality and the main topics covered by the survey such as poverty, the level and composition of income and expenditure, and access to social protection beyond job-related contributory social security.
- 39.74 (\*) Other specialized household surveys, such as time-use surveys and household-based surveys on agriculture, education and training, or specialized surveys on digital platform employment and labour migration, may be better suited for the measurement of specific working activities, or for focusing on specific subgroups of the population. Time-use surveys can be an important source for the production of statistics on participation and time spent in informal unpaid work such as the own-use provision of services (in particular informal unpaid domestic work and care work). Surveys targeting specific subgroups of the population might be more appropriate for groups whose total number might be small in labour force survey samples, limiting the possibility to produce reliable statistics. It should be taken into account that the constraints of sample surveys often mean that certain groups at greater risk of informality, such as persons with a disability, migrant workers or digital platform workers, are also those likely to be under-represented in the sample.
- 39.75 (\*) National population censuses are an important source of statistics on employment and often provide the basis for designing survey samples, integrating national data sources, and producing small area estimates. Including questions to classify those employed according to the formal or informal nature of their job can allow the generation of estimates of informality for small geographical areas as well as for small population groups.
- 39.76 (\*) Economic censuses, enterprise-based surveys and mixed surveys are the main data sources for the analysis of informal sector and formal sector economic units, their production and contribution to GDP, and their characteristics. In general, due attention should be paid to ensuring that the scope of activities and type of economic units covered (in terms of size, place of work, economic activity and institutional sector) do not imply an exclusion of economic units likely to be informal (for example, independent workers without employees, units under a certain size threshold, units carrying out agricultural activities, units with non-fixed premises or home-based activities). To achieve comprehensive coverage of informal sector units, special attention should be paid to the sampling methods and frame used. The use of area-based sampling frames can be a useful method to establish an exhaustive list of units covering household-based activities and activities taking place in non-fixed locations.
- 39.77 (\*) Mixed surveys, that is, combined multi-stage household and establishment surveys, are specifically designed to identify and target economic units in the informal sector. Deriving their sample from a representative household survey, such as the labour force survey, ensures the inclusion of all types of activities within the informal sector, home-based activities, activities carried out from fixed locations as well as non-fixed locations. This requires an identification of economic units in the informal sector, through their owner(s), in the first phase. Care should be taken to ensure a sufficient sized representative sample of economic units in the informal sector.
- 39.78 (\*) Administrative records can be used as part of an indirect estimation of informal employment and of the informal sector because they provide information on formal employment and the formal sector. The number of persons covered by formal arrangements can, for example, be estimated in taxation systems, employment services and social security schemes. The size of the formal sector could be estimated by the use of business registers, tax registers and the like. The possibilities to do so depend on the structure and content of the country-specific administrative sources. Priority

should, however, in general be given to direct methods based on household surveys and enterprise-based surveys or mixed surveys for more accurate estimations of the total informal employment and the informal sector. Administrative information such as legal identity of the economic unit, taxation, declared earnings or income and contributions to social insurance in relation to a specific job can also be used as relevant auxiliary information in surveys to further support the identification of formal jobs and formal economic units. This requires that a direct linkage at the level of persons and jobs or economic units is feasible in the country.

[The following paragraphs will replace the above in *BPM7*. The '(x)' denotes *BPM7*-only paragraphs that will not be in *SNA*.]

- 39.79 (x) Compilers can use a range of statistical approaches including a combination of direct and indirect sources to estimate the size of the activities of the informal economy. These methods would be determined by the features of the informal economy in the compiling country as well as availability of source data and statistical capacity. The exchange of experiences and knowledge between national accounts and balance of payments compilers, and, also, between regulatory and policy agencies and statistics-producing agencies can be used to develop, for example, statistical models to estimate informal activities. National compilers are also encouraged to use innovative data sources, such as those provided by financial intelligence units and law enforcement agencies to develop estimates. In general, coverage of the informal economy, in both the national accounts and external sector statistics, requires additional source data, including through surveys.
- 39.80 (x) Details of sources and survey methods for collecting data on the informal activities in the economy are presented in 2025 *SNA* chapter 39 – Informal economy which is a joint or companion chapter to this current chapter. The methods described in the *SNA* chapter can be applied to gather data on the informal economic units and persons who trade informally, particularly for trade in services.
- 39.81 (x) If trade in goods and services is compiled separately from the national accounts, or if more than one agency is involved, compilers can cooperate to provide coherent statistics on the informal economy and to avoid duplication of work.
- 39.82 (x) Compilers may wish to identify trade that is estimated using these approaches as an “of which” sub-item of general merchandise and trade in services. Compilers may also choose to present data in a standalone publication with information, for example, on the extent of informal trade, the products being traded, the gender and nationalities of the persons involved in trading, and the modes of transport being used.

### 3. (\*) Presenting indicators on the informal economy [This section is excluded from *BPM7*]

- 39.83 To support the development of national policies and interventions for addressing the consequences of informality and facilitating transitions to formality based on evidence, a set of indicators should be selected reflecting the national context, priorities and objectives. The indicators to be produced will depend on the specific component of the informal economy under scrutiny, data sources and national policy goals. The information relating to activities undertaken informally extends, in terms of the *SNA*, only as far as the production account and the generation of earned income account.
- 39.84 The indicators linked to the different components of the informal economy could be structured to provide information on six dimensions of informality:
- the extent of informality – the prevalence of informality across jobs, economic units and activities;
  - the composition of informality – the distribution of informal and formal jobs and economic units by socio-demographic, employment-related characteristics and characteristics of the economic units and socio-demographic characteristics of the owner or owners;
  - the exposure to informality – the percentage of persons with informal main jobs and of economic units in the informal sector by socio-demographic, employment-related characteristics and characteristics of the economic units and socio-demographic characteristics of the owner or owners;
  - working conditions and levels of protection for those in informal and formal employment, productivity and factors constraining or enhancing the development and sustainability of informal economic units and formal ones;
  - contextual vulnerabilities – including poverty, inequalities, discrimination and other conditions such as limited or no access to land and natural resources; and with regard to all income sources and social protection from all household members, as well as the composition of households; and



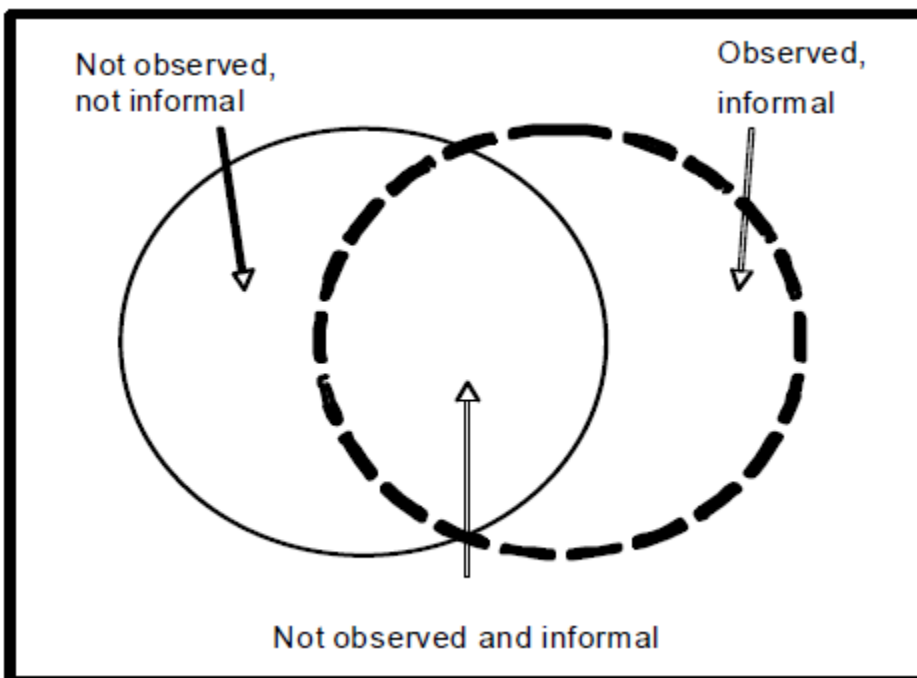
- f. other structural factors.

The 21<sup>st</sup> ICLS *Resolution Concerning Statistics on the Informal Economy* elaborates on the various possible indicators covering these six elements. A wider set of indicators to further support the national production of informality statistics can also be found in the ILO Informal Economy Indicator Framework available at: [insert link to Framework].

## F. The non-observed economy [adjusted in BPM7 to discuss non-observed trade]

- 39.85 The part of the economic activity difficult to measure has become known as the Non-Observed Economy (NOE) and several publications have been dedicated to measuring it, notably the handbook *Measuring the Non-Observed Economy* (Organisation for Economic Co-operation and Development, International Monetary Fund, International Labour Organization and CIS STAT (2002)). As the techniques in the handbook make clear, a specific measure of the non-observed economy is not important in itself. Attention focuses on ensuring that the measurement of total production is complete or “exhaustive”. The term non-observed economy is used in the context of achieving exhaustiveness of national accounts statistics, focusing on GDP in the context of production. In the same way, non-observed trade is used to describe cross border trade that is difficult to measure in the context of exhaustiveness.
- 39.86 There is a large overlap between the non-observed [economy/trade] and the informal [sector/trade]. (We focus here on the informal sector rather than the informal economy because the activities of the informal sector are entirely within the SNA production boundary and can thus be compared to the non-observed economy.) However, while the non-observed [economy/trade] and the informal [sector/trade] overlap, neither is a complete subset of the other. This can be seen in figure 39.2. The solid circle represents the non-observed [economy/trade] and the dotted circle the informal [sector/trade]. Thus, the overlap consists of [activities/trade] that are not observed and undertaken informally but there are some [activities/trade] that are not observed but are not undertaken informally and some that are undertaken informally but are observed. The relative size of the three segments in figure 39.2 will vary from country to country.

**Figure 39.2: The non-observed economy and the informal sector [with similar diagram replacing trade for economy in BPM7]**



- 39.87 Efforts to cover the non-observed [economy/trade] ensure that all enterprises are covered in statistical estimates even if not covered by statistical enquiries. Some of the supplementary estimates may well relate to those activities of household unincorporated enterprises considered to be informal, but some will relate to large enterprises, not regarded as informal. In addition, the non-observed [economy/trade] aims to cover misreporting in large enterprises, whether

this is inadvertent or deliberate.

- 39.88 Within the informal sector, some information may be captured statistically. Consider a household that lets rooms to visitors for one or several nights. The activity cannot be treated as a quasi-corporation because it is impossible to make a clear separation of costs from regular household costs and to partition that fraction of the house treated as an asset associated with the letting of rooms from its main function as a family home. However, the value of the letting activity may be captured in a survey directed at tourism activities, for example.
- 39.89 Other examples might be considered. [Street traders/Individual cross-border traders] or taxi drivers may be both not observed and informal. A small food producer may be formal but [too small to be covered by statistical enquiries/may trade at below threshold values] and therefore not observed. Teaching assistants may be informal but observed. The situation is complicated by the fact that street traders, taxi drivers, small food producers and teaching assistants may be formal in some countries and informal in others, just as they may be observed in some and not in others.
- 39.90 It should be noted that all economies have both non-observed parts of their economies and informal enterprises, though the scale of each and the policy interest in identifying them may vary. More detailed information about the scope and measurement of the non-observed economy is available in publications such as the one mentioned in paragraph 39.84.

## G. Guidelines and handbooks on the informal economy and the non-observed economy

- 39.91 Significant advances in methodology have taken place in fields related to the informal economy. Also, countries have gained extensive experience in collecting and working with data on the informal sector. These developments are highlighted in various guidelines and handbooks on statistics on the informal economy as well as handbooks on the measurement of the non-observed economy in the SNA.
- As discussed in this chapter, the *Resolution Concerning Statistics on the Informal Economy* adopted at the 21<sup>st</sup> International Conference of Labour Statisticians, (International Labour Office, 2023) provides the standards for statistics on informality.
  - The International Labour Organization also prepared a manual in 2013 for preparing estimates of the informal sector and informal employment, *Measuring Informality: A Statistical Manual on the Informal Sector and Informal Employment* (International Labour Office, 2013). Although this manual pre-dates the latest standard presented in the 2023 ILO *Resolution*, it nevertheless provides useful guidance on practical aspects of collecting and compiling informality statistics.
  - A wider set of indicators to further support the national production of informality statistics can also be found in the ILO Statistics on the Informal Economy page available at: <https://ilostat.ilo.org/topics/informality/>.
  - Chapter 6 of the Eurostat manual, *Essential SNA: Building the Basics* (European Union, 2014) provides a practical overview of how to address exhaustiveness, the non-observed economy, and statistics on informality. Eurostat has also developed a “Tabular Approach to Exhaustiveness” which is used to help ensure comparability.
  - Research on statistical methods for improving the exhaustiveness of measures of economic production led to the preparation of the handbook, *Measuring the Non-Observed Economy - a Handbook* by the Organisation for Economic Co-operation and Development, International Monetary Fund, International Labour Organization and CIS STAT (2002).
  - The UNECE published a *Non-Observed Economy in National Accounts: Survey of Country Practices* (United Nations Economic Commission for Europe, 2008) which summarizes practices as of that date in measuring non-observed economic activities to ensure the exhaustiveness of their national accounts.