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Women and the informal economy

A think piece by Lota Bertulfo[1]

While the informal sector refers to informal enterprises, informal employment refers to informal jobs. Employment in the informal economy can be defined as the sum of employment in the informal sector and informal employment found outside the informal sector.

Informal employment is rising rapidly in all regions of the world and in many developing countries it has long been a way of life. The old economic picture of a place of work was the shop, the office or the factory. The new reality of a workplace is often the street, the sidewalk or the home. Economic downturns, the globalization of value chains, and government cuts to social spending are some of the factors that push people into informal employment.

Vulnerability characterizes informal employment. Informal workers' working environment is not protected by health and safety legislation. They do not receive overtime payment, a minimum wage, worker benefits such as paid vacation and sick leave, health insurance, unemployment insurance, maternity benefits and parental leave. They have little or no formal means of managing risk, are not covered with pension benefits or access to child care. They have little access to mortgage loans or scholarships to help finance housing and education. They are vulnerable to various forms of exploitation by employers as they often work without written contracts.

Women dominate the informal economy. Within informal employment, their wages are lower than men's. The types of informal work women do as market or street vendors, hawkers or homeworkers, expose them to risks to their physical safety and health. The provision of social protection, including health insurance, pensions, and maternity benefits, improving occupational safety and reducing work hazards, improving access to child care, and building informal workers' organizations, alliances and networks are some of the ways that can be undertaken to improve the conditions of informal workers, especially women. Improving the conditions of informal workers therefore will have to take a gendered approach.

Addressing the conditions of female informal workers contributes to poverty reduction as it means improving the lives of at least half of the working population in many countries. When living and working conditions of female informal workers improve, so does their productivity, which leads to increased income, contributes to overall economic growth, and reduces poverty in the long term. Gender inequity in the informal economy will have to be taken into account in development planning. Such action will contribute to aid effectiveness.

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[1] This think piece has been commissioned by the Office of Development Effectiveness, however the views and opinions expressed in this paper are those of the author only.

The shape of today's global workforce is informal

Informal employment is rising rapidly in all regions of the world and in many developing countries it has long been a way of life. The International Labour Organization (ILO) estimates that the number of persons employed in the informal sector exceeds those in informal employment outside the informal sector, suggesting that the bulk of informal employment is concentrated in employment in the informal sector among 44 countries with sex disaggregated statistics on employment.[2]

Taking agriculture into account, informal employment accounted for nearly half of the working population in the Philippines, more than 70 per cent in Indonesia and more than 90 per cent in India.

The old economic picture of place of work was the shop, the office or the factory. The new reality of workplace is often the street, the sidewalk or the home.

Definition of informal economy

The ILO defines the informal economy as follows.[3]

While the *informal sector* refers to informal enterprises, *informal employment* refers to informal jobs. Employment in the informal economy can be defined as the sum of employment in the informal sector and informal employment found outside the informal sector.

Matrix: employment in the informal economy

Production Units	Informal jobs	Formal jobs
Informal sector enterprises	A	B
Other production units	C	D

A + C = Persons in informal employment

A + B = Persons in the informal sector

C = Informal employment outside of the informal sector

B = Formal employment in the informal sector

A + B + C = Total employment in the informal economy

Based on the above matrix, the informal economy comprises informal employment (without secure contracts, worker benefits or social protection) of two kinds:

- Self-employment in informal enterprises (small unregistered or unincorporated enterprises) including employers, own account operators and unpaid contributing family workers.
- Wage employment in informal jobs (for informal enterprises, formal enterprises, households, or no fixed employer), including casual or day labourers, industrial outworkers, unregistered or undeclared workers, and unprotected contract, temporary and part-time workers.

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[2] International Labour Organization, *Statistical Update on Employment in the Informal Economy*, Geneva, Switzerland, June 2011.
[3] Ibid

The vulnerability of informal employment

Forms of informal employment may be survival activities or a response by those who have lost their jobs in the formal economy in an economic downturn. Informal workers, while facing high risks, have little protection. Vulnerability characterizes informal employment. Informal workers' working environment is not protected by health and safety legislation. They do not receive overtime payment, a minimum wage, worker benefits such as paid vacation and sick leave, health insurance, unemployment insurance, maternity benefits, and parental leave. They have little or no formal means of managing risk, not covered with pension benefits or access to child care. They have little access to mortgage loans or scholarships to help finance housing and education. They are vulnerable to various forms of exploitation by employers as they often work without written contracts.

Informal workers are most likely to have low incomes, less able to afford cost of children's education, and health services for themselves and their families, and less able to save for emergencies or to deal with contingencies when they arise. Informality makes people less visible and harder to reach through mainstream institutional interventions in terms of human rights and social inclusion. One who works in the informal economy faces not only the lack of a secure contract and social and legal benefits, but he or she will also have less access (relative to formal workers) to basic infrastructure and publicly provided social services, financial resources, land and physical assets for productive activities. They will also have less influence in political and other institutions that influence markets and rules affecting them.

Migrants who move across the world or from rural to urban areas within their own countries in search of work often find themselves in informal employment if they find work at all. A growing number of these migrants are women. The jobs they find are often precarious as they usually do not provide any social protection. People migrate in search of opportunities to earn an income, but often doing so exposes themselves to new and large risks in unfamiliar situations in foreign environments.

What conditions produce informal jobs?

Economic growth in the 21st century has been patterned by flexible labour markets, the outsourcing of production and service provision and the expansion of jobs which are part-time and temporary. Evidence in both the global North and South indicate the informal economy continues to expand, as employers demand workers to give up secure contracts, mandated benefits, social protection and the right to organize.[4] The trend in global production and service provision is to informalize employment relationships which were previously formal. When workers no longer tolerate wages and conditions which do not cover their basic material needs or human rights, employers retrench workers or shift the location of their operations.

Economic downturns

When people lose their jobs in the formal economy they still have to make ends meet. The informal sector is often described as a shock absorber during economic downturns for people retrenched from formal employment. In times of recession, 'new entrants' join the informal economy – people who lost their jobs in the formal sector, now try to make ends meet by taking up an activity in the informal economy. This was well documented following the Asian economic crisis in 1997, when numbers of retrenched formal workers found work in the informal economy. [5]

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[4] WIEGO, Global Economic Crisis (flyer), 2009.

[5] Z Horn, *No Cushion to Fall Back On, The Global Crisis and Informal Workers, a Synthesis Report*, 2009. http://www.inclusivecities.org/pdfs/GEC_Study.pdf

But this is an incomplete picture. The informal economy is well integrated into the formal world economy through its direct provision of production, products and other services to global value chains. Therefore, when there is an economic downturn in the formal sector, the informal sector suffers too. For example, when there is a recession in the United States, leading to a decrease in demand for imported clothing, informal workers in the textile sector in Thailand producing for Thai exporters to US markets may lose their informal jobs.

Global value chains

The global trend is for agricultural and non-agricultural producers to pass risk down to the lowest end of the value chain. This is amply visible in global value chains such as textiles and horticulture, where homeworkers tend to outnumber factory workers and small scale farmers are producing for large grocery chains. Advocates for informal sector workers have noted the usefulness in analysing specific global value chains such as horticulture or textiles in order to understand the situation of informal workers in these sectors.[6] Studies of long and short chains in various sectors such as leather in Vietnam, the garment industry in general, and craft workers in the Philippines and Indonesia, have the potential to yield much information on how people fit into or are excluded from supply chains, and how this affects their access to social protection and social services.

Liberalization of trade has influenced a kind of competition that exposes exporters in certain sectors to volatility in supply and demand. Through value chain analysis, one can observe for instance how the horticulture industry has developed in a way that fresh perishable products can move quickly across large distances, to provide consumers with year-round access to fresh fruit and vegetables. By also looking at the chain from the workers' vantage point, one can observe how the sector has mitigated the volatile market risks by pushing 'risk' further and further 'down' the chain, increasingly in the direction of an informal workforce. When workers react to losses in wages and benefits, they usually try to organize. But for many industry lead firms the response is then to retrench the workers who try to organize and replace them with temporary workers. At the aggregate level this has led to weaker labour organizations.

By looking directly at employment relationships along the chain, the response of the employer to shifts in the market can be pinpointed along the chain. In this fashion, the potential for interventions – or innovations – can be pinpointed and stakeholders identified.

Government cuts to social spending

While industry leaders are trying to shed their responsibility for social protection of workers, national governments are trying to cut social spending. The structures around these global patterns – at least in the developing world – have been shaped in large part by international policies. In the 1990's, World Bank and IMF reforms obliged recipient countries to incorporate more flexibility into their labour codes. On the one hand, this allowed factories and employers a brand of flexibility to respond to rapid expansion and contraction of global market opportunities. In so doing, the traditional provision of social security has been returned to workers themselves, who in increasing numbers shift into a life of declining earnings and with their right and their ability to organize themselves undermined. The net result is that hundreds of millions of workers have themselves absorbed the non-wage costs of production and as a result live below poverty lines with little or no social protection.

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[6] F Lund & J Nicholson (ed.), *Chains of production, ladders of protection, Social protection for workers in the informal economy* http://wiego.org/sites/wiego.org/files/publications/files/Lund-Nicholson-Chains-of-Production.pdf

Women and informal employment

ILO's statistical update (June 2011) shows that in over half of the 44 countries where the ILO was able to obtain data disaggregated by sex, women outnumbered men as a percentage of informal workers in industries other than agriculture.[7]

According to the international advocacy group WIEGO (Women in Informal Employment, Globalizing and Organizing), in developing countries more women are employed in the informal economy than the formal economy. It accounts for the lion's share of employment for women but less so for men. Within the informal economy, men's share of informal wage employment is higher than women's share, except in countries with large low-wage export sectors, such as Vietnam, Sri Lanka and the Philippines. Many women in the informal economy are part of global value chains who work from their homes – home-based workers. And many of the home-based workers are homeworkers.[8] In Thailand, an estimated 38 per cent of clothing industry workers are homeworkers; in Chile, an estimated 60 per cent of all women's and children's clothing is produced by homeworkers; and in the Australian garment industry, at one time there were an estimated 15 homeworkers for every factory worker.[9]

Conditions of women in the informal economy

Within the informal economy, women are concentrated in work associated with low and unstable earnings and with high risks of poverty.

Outside of agriculture, women are more likely than men to be own account workers, domestic workers, unpaid contributing workers in family enterprises and industrial outworkers or homeworkers. A significant proportion of women working in agriculture are also unpaid contributing workers on the family farm.

Women spend long hours in unpaid household work. These responsibilities lead to labour segmentation – women get restricted to own-account or home-based employment, where in most cases, they earn less and lesser than men's in the same type of informal employment. In countries where women's mobility is not restricted, women are market or street vendors or hawkers where they face risks to physical safety and health.

The lack of access to formal child care due to its cost exacerbates female informal workers' work burdens. They are dependent on support from family or from neighbours to take care of their children while doing their work. It is also common for them to bring their children to their work places when informal sources of child care support are not available.

Finally, despite the low earnings and precarious nature of much of women's paid informal work, in both developed and developing countries, their work can help keep a family out of poverty.

Women in global value chains

The garment sector involves millions of people worldwide, especially in Asia. It is one in which there has been rapid informalization and contracting out. The sector has a high concentration of women, many

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[7] http://www.ilo.org/global/statistics-and-databases/WCMS_157467/lang--en/index.htm

[8] According to ILO Convention 177, a homeworker is a person who works from his/her home or from other premises of his/her choosing other than the workplace of the employer, for remuneration, which results in a product or service as specified by the employer, irrespective of who provides the equipment, materials or other inputs used.

[9] Research by D. McCormick and H. Schmitz (2001) shows how widespread homeworking is in many countries. See McCormick, Dorothy and Schmitz, Hubert, *Manual for Value Chain Research on Homeworkers in the Garment Industry,* Institute for Development Studies, University of Nairobi, Kenya and University of Sussex, UK, November 2001.

home-based workers and also many migrant workers. There is a wide range of consumers, from very poor people buying very cheap (and second hand) clothing, to elites with an interest in high-end fashion.

There has been considerable international pressure from groups concerned with production and trade in this sector. Cross-country research has been conducted on garment commodity chains, though not on access to social protection.

It begins to assess the risks and vulnerabilities of workers at various points on the chain. Its main concern is the different circumstances faced by formal factory workers; subcontracted and temporary workers; agency workers who have been substituted for formal factory workers in the process of the casualization of the industry; and various types of homeworkers.

Conventional value chain analysis has tended to concentrate only on the 'value added' at different points in the chain of production and distribution. Many analyses of global value chains focus on the chain as a whole or specific firms within it – but not on the workers in the chain. We also learned that few of the analyses that focused on workers in the chain included a focus on the industrial outworkers at the very bottom of the chain.

By focusing on the workers at different positions in the chain, and on their needs for security for themselves and their households, a more nuanced perspective is introduced. In these studies it can be seen how the value added to a commodity may increase the risks to the health status of workers. The value added to a commodity may mean less security for the workers and his or her family. The focus on short term competitiveness detracts attention from the need for human capital formation of the present generation of workers, and for the access to education of their children the next generation of working people.

The use of value chain analysis showed clearly how the type of employment arrangement determined the access to specific measures of social protection, and how workers with less secure working status either had to make their own provision to mitigate against risk, which was hard to do, because of their insecurity, or to depend on provision by the local or central state for, for example, health services.

Homework is women's work

Homework is an especially important source of work for women. Women are the majority of home-based workers almost everywhere. In Germany, Greece, Ireland, Italy, the UK, and the Netherlands, 95 per cent of known homeworkers are women; in France, 84 per cent; in Spain, 75 per cent. Data from developing countries are often less complete, but it is estimated that women make up the majority of home-based piece-rate workers in many countries such as Pakistan, India, Philippines and Indonesia. Homeworkers are the most vulnerable and poorest among home-based informal workers.[10]

Addressing vulnerabilities in informal employment[11]

It is clearly important to find ways to help informal workers, particularly the very poor, address the high risks that they face. Some of these ways are the following.

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[10] Footnote 9

[11] This section is taken mainly from *Tools for Advocacy: Social Protection for informal Workers* by F Lund & J Nicholson, Homenet Thailand and WIEGO, 2006.

Social protection

'Social protection' is a comparatively new term that has taken over from the term 'social security'.[12] In the last century social security was used to refer to formal schemes, which covered, for example, health care, incapacity for work due to illness, disability through work, unemployment, maternity, child maintenance and old age. As it was assumed that most people are formally employed, various forms of social security were available through a mixture of contributions between workers themselves, employers and governments.

However, all over the world more people are informally employed who are not covered by formal schemes of social security. What makes it even more problematic for informal workers are shifts in policies concerning access to social security. The state is continuously reducing its role in the provision of social security and passing this responsibility to employers. However, even employers are reducing social security benefits to their workers. The provision of health care, pensions and insurance of work-related injuries is being taken over more and more by the private sector. These shifts in policy concerning social security create problems for informal workers who either do not qualify for benefits or cannot afford them.

The term 'social protection' is now being used to capture the more active inclusion of individuals, families and communities in helping to provide a wider net of protection against risk. The most common social protection scheme for informal workers is micro-insurance. Existing micro-insurers mainly cover risks relating to health and death (funeral costs).

Health insurance

Informal workers tend to face a higher risk of illness than formal workers and yet few have health insurance. There are a number of reasons for this:

- Many insurance schemes cater to formal workers only. Workers pay a regular monthly contribution that is deducted from their wages. These schemes exclude a large number of workers in the informal economy. For example, in the Philippines nearly half of the working population works in the informal economy, in Indonesia it is more than 70 per cent, and in India more than 90 per cent of workers are in informal work.[13]
- People working in the informal economy often do not have a regular income and so they are not able to keep up payments to a health scheme. Others are too poor to afford even small payments towards health insurance.

However, in some countries, some formal schemes of health insurance (mainly state-provided) are now available to informal workers such as the case of Philippines and Thailand. But a more common practice of informal workers is to seek informal sources of support such as from family, relatives, or community-based schemes. An example of the latter is Thailand's '30 Baht Universal Coverage Health Plan'. Poorer people, including informal workers, pay less than a dollar for a visit to a government health facility, and this is much less than they would pay for private health care.

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[12] Social protection is defined as the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income. The policies and procedures included in social protection involve five major kinds of activities: labor market policies and programs, social insurance programs, social assistance, micro and area-based schemes, and child protection. (Asian Development Bank)

[13] Footnote 11

Occupational health and safety

Occupational health and safety is about ensuring that the conditions under which people work are physically safe and that they do not result in ill-health either in the short term or the long term. It is also about making sure that workers who use hazardous machines or materials are trained in the safe use of these. Formal sector workers are protected by laws that set health and safety standards for enterprises. Informal workers, who tend to face more risks at their places of work, have much less protection.

Subcontracted, home-based workers often work in hazardous conditions due to poor lighting and ventilation, poorly functioning equipment, and lack of safety equipment. Some examples are: female home-based workers in the glass bangle industry in Pakistan whose work is to join cut glass bangles produced in factories often experience back pain and suffer from upper respiratory illnesses (including tuberculosis) due to long hours of squatting, bending, and inhaling fumes from gas-fuelled pipes; there is high incidence of arthritis of the neck, shoulder, wrist and fingers among home-based stitchers or sewers in India; Maldivian women in the islands who are traditionally responsible for smoking fish using biomass suffer from upper respiratory illnesses. Most workers in the fishing sector in the Maldives are women. There is a lot that needs to be done to improve conditions in the places where informal workers are employed.

Child care

The issue of child care is about the productivity of women at work. It has been shown that having to care for a child while also trying to perform a job lowers the productivity of the worker. [14] Informal workers who lack the benefit of an extended family or support from neighbours often have no choice but to bring their children to their workplaces – be it the market or the street or the home – and expose these children to the same risks and work hazards they face. However, the effect of lack of child care on women's productivity is just one side of the issue. The other side is that children have a right to be brought up in a safe environment and to fulfil their own potential. Those who are brought up where their mother works have little opportunity to do this.

Child care provision can range from very formal to very informal. Formal child care services vary depending on state regulations and standards and incentives to the private sector that are encouraged to provide these services as well. At the very informal end, family members look after younger children, without being paid, or a neighbour may look after a child, in exchange for some other favour, or for some small amount of money. Some community-based organizations and non-government organizations have child care centres. Some are models of good provision, others may be dangerous places, with muddy floors and a moist, humid environment that is unhealthy for the children.

In countries such as Bangladesh, Indonesia and the Maldives, a return to religious fundamentalism also leads to socio-cultural barriers preventing the placement of children in child care facilities. In Pakistan, child care done by non-family members is unacceptable especially among poorer families.

In Nepal, some male members of the trade union federation GEFONT, are reluctant to take up parental leave even though they have participated in fighting for this benefit, as they think responsibility for child care is 'women's work'.

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[14] Footnote 11

Organizations, networks and alliances

Improvement of informal workers' conditions can be brought about through changes in policies, making policies more inclusive of all types of workers – formal and informal. However, policy change to benefit the informal workers will only come about with sustained organizing. Policy and policy change happens when pressure, information and campaigning are linked through all levels - informal workers linked to their organizations that in turn link into networks and alliances.

Organizing is particularly advantageous to informal workers as they are usually 'invisible' in the work place or in value chains, are likely to work in isolation in scattered physical locations such as their own or another person's home or on the streets and pavements, and are excluded from social and legal protection and from collective bargaining agreements. Organizations of informal workers could take many forms: member-based organizations or networks and alliances at local, national and international levels. Networks and alliances may be comprised of formal workers as well and could take any of three basic types of organizations - organizations of informal workers, organizations of formal workers which have begun to organize informal workers, and pro-labour support organizations of various kinds (both non-governmental and governmental) – or some mix of these. Policy advocacy, social services and enterprise development are some of the services and assistance that such organizations can provide their informal worker-members.

These different levels and types of organization can link local, national, regional and international actions. Policy change can be most effective when it combines action at different levels. The Philippines has a good expression: 'it takes two fires to bake a good rice cake – one above, and one below.' A good example of policy advocacy at all levels is the ILO Convention 177 (C177) on Homework, which is an outcome of several years of policy advocacy by many local informal homeworker associations, strong national organizations such as the Self-Employed Women Association (SEWA) of India, and of a loosely organized global network of activists who formed WIEGO, a year after the passing of C177.

Some examples of networks and alliances of informal workers or their supporters are:

StreetNet International

- StreetNet International has its roots in South Africa. It is an organization of street vendors, market vendors and hawkers. It promotes practical organizing and advocacy strategies. StreetNet affiliates, from Africa, Asia and the Americas, join in international campaigns to promote policies and actions that can contribute to improving the lives of millions of street vendors, market vendors and hawkers around the world.

HomeNet Southeast Asia and HomeNet South Asia

- These are regional networks of national associations of organizations of home-based workers. Homenet Southeast Asia was formed in 1997, a year after C177. Most of its member associations lobbied for a global policy on homework, wherein they succeeded as C177 was eventually passed.

Informality, aid effectiveness and the MDGs

'Poverty means working for more than 18 hours a day, but still not earning enough to feed myself, my husband and my two children.' – A woman worker in Cambodia[15]

[15] http://www.imf.org/external/pubs/ft/fandd/2000/12/narayan.htm

Despite the low earnings and the precarious nature of work for the majority of the world's women, women's earnings are critical to keeping their families out of poverty. A woman's income is a critical addition to her husband or her larger family's income and globally, women represent more than 20 per cent of household heads in many developing countries– that is, women are the sole income earner for over 20 per cent of the world's families.[16]

Addressing the needs of informal workers contributes to poverty reduction as it means improving the lives of more than half of the working population in many countries. When living and working conditions of informal workers improve, so does their productivity, which leads to increased income, contributes to overall economic growth, and reduces poverty in the long term.

The role of the private sector to economic growth has been recognized by various stakeholders. As sustained economic growth could contribute to poverty reduction, enhancing the role of the private sector in development is viewed as strategic in improving aid effectiveness. Informal employment occurs mostly in the context of the private sector. Working with the private sector to promote economic and social development, therefore, will have to include tackling constraints of informal workers.

According to UNIFEM, in the countries for which data are available, women's unpaid household labour is one of the primary reasons women work on average fewer hours than men in paid work.[17] Responsibilities for unpaid household work restrict large numbers of women in their ability to seek employment outside the home which would offer greater earning potential. At the aggregate level this translates into segmentation of men and women in the labour market and is one of the reasons so many women are restricted to own account or home-based employment, even if they have to work longer hours and earn less.

UNIFEM's Progress of the World's Women in 2005 made the case that decent work is central to women's economic security, which in turn is essential to slashing poverty in the world. The report provided early data to show that the proportion of women workers engaged in *insecure livelihood*, in the informal economy is generally greater than the proportion of men workers. UNIFEM concluded that unless efforts are made to improve wages and working conditions for the informal workforce, reducing poverty and achieving gender equality will not be possible.

Improving the conditions of informal workers therefore will have to take a gendered approach. Gender inequity in the informal economy will have to be taken into account in development planning. Such action will contribute to aid effectiveness.

Terminology and definitions

In June 2011, the ILO published a statistical update on the informal economy. The data collection was in collaboration with the International Expert Group on Informal Sector Statistics[18] and the global policy research network, Women in Informal Employment: Globalizing and Organizing (WIEGO). In this publication, the ILO and WIEGO promote an employment-based definition of the informal economy that

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16 In Vietnam 27%, Thailand 30%, Cambodia 24%, Indonesia 19% (2004) Mongolia 29% (2009); Maldives 35%, Nepal 23%, India 14% (2008); Ghana 34%, Liberia 30%, Namibia 44%, Uganda 30%, Zambia 24% (2009) Ukraine 49% (2009) Belarus 54%, Moldova 34% (2004); Argentina 34%, Dominican Republic 35% (2009) accessed at World Bank Gender Stats http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTGENDER/EXTANATOOLS/EXTSTATINDDATA/EXTGENDERSTATS/0,,contentMDK:21442585~menuPK:7820914~pagePK:64168445~piPK:64168309~theSitePK:3237336,00.html

17 UNIFEM, *Progress of the World's Women*, Chapter 2, New York, USA, 2005, page 25. http://www.unifem.org/attachments/products/PoWW2005_eng.pdf,

18 Is called the Delhi Group because the Government of India is its Convenor.

would capture all dimensions of informal employment, i.e., employment that is not protected or regulated – both inside and outside informal enterprises.[19]

While the **informal sector** refers to informal enterprises, **informal employment** refers to informal jobs.

The concept of **total employment in the informal economy** is used by the ILO to refer to the sum of the jobs in the informal sector and the jobs in informal employment, counting only once those jobs which are classified in both categories. These concepts refer to different aspects of the informalization of employment, as employment in the informal sector is an enterprise-based concept and informal employment is a job-based concept. This new conceptual framework is seen as a key advancement to allow the analysis of informality which can serve as input to support policy making at the national level.[20]

The **informal sector** consists of unregistered and/or small unincorporated private enterprises engaged in the production of goods or services for sale or barter. The enterprises typically operate at a low level of organisation, with little or no division between labour and capital as factors of production and on a small scale. Labour relations are based mostly on casual employment, kinship or personal and social relations. The fixed and other assets used do not belong to the production units as such but to their owners, and the units cannot engage in transactions or enter into contracts with other units, nor incur liabilities, on their own behalf. An unincorporated enterprise is a production unit that is not constituted as a separate legal entity independently of the individual (or group of individuals) who owns it, and for which no complete set of accounts is kept.

An **enterprise is unregistered** when it is not registered under specific forms of national legislation (e.g. factories' or commercial acts, tax or social security laws, professional groups' regulatory acts). Issuing of a trade license or business permit under local regulations does not qualify as registration. An enterprise is considered small when its size in terms of employment is below a specific threshold (e.g. five employees) to be determined according to national circumstances.

Employment in the informal sector refers to the total number of jobs in informal sector enterprises. For practical reasons, the concept is measured as the number of persons employed in informal sector enterprises in their main job. Informal employment, which encompasses all of the jobs included in the concept of employment in the informal sector except those which are classified as formal jobs in informal sector enterprises, refers to those jobs that generally lack basic social or legal protections or employment benefits and may be found in the formal sector, informal sector or households.

Informal employment includes the following types of jobs:

(i) own-account workers employed in their own informal sector enterprises;

(ii) employers employed in their own informal sector enterprises;

(iii) contributing family workers, irrespective of whether they work in formal or informal sector enterprises;

(iv) members of informal producers' cooperatives;

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[19] International Labour Organization, Department of Statistics, *Statistical Update on Employment in the Informal Economy*, June 2011 at http://laborsta.ilo.org/sti/DATA_FILES/20110610_Informal_Economy.pdf

[20] Footnote 2

(v) employees holding informal jobs in formal sector enterprises, informal sector enterprises, or as paid domestic workers employed by households;

(vi) own-account workers engaged in the production of goods exclusively for own final use by their household, if considered employed given that the production comprises an important contribution to total household consumption.

For operational reasons informal employment is measured as the number of persons employed (and not the number of jobs) in informal employment in their main job. As regards (v) above, employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (e.g. advance notice of dismissal, severance pay, paid annual or sick leave, etc.). The reasons may be the following: non-declaration of the jobs or the employees; casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold; employment by unincorporated enterprises or by persons in households; jobs where the employee's place of work is outside the premises of the employer's enterprise; or jobs for which labour regulations are not applied, not enforced, or not complied with for any other reason.

The following terms have been used to cover types of workers referred to in this document:

Subcontracted workers: This general term has been used to cover a range of contractual arrangements for workers who are not permanent, formal economy workers.

Homeworkers: These are people who conduct their earning activities in the place where they live (McCormick and Schmitz 2002). These could be own-account workers, or workers with contractual arrangements with informal or formal enterprises.

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Lota Bertulfo has over 20 years of international development work experience as a gender specialist. Over this period her gender expertise has been utilised in development projects in Southeast Asia and South Asia where she worked with NGOs, government and the private sector. Lota also served as Executive Director of the Asian Women in Co-operative Development Forum (AWCF, Philippines and Indonesia, 1990-2000). Currently based in Canada, she works as a consultant for CIDA and the ADB in various assignments including project feasibility, design and monitoring, program assessment and planning, and country/program gender assessments. Lota also has considerable experience in economic growth, governance, education, health, child protection, women's economic empowerment, and social protection. She has written, co-written and/or edited advocacy materials, casebooks, training manuals, and monographs on gender equality. She holds a bachelor's degree in psychology and took post-graduate courses in community/social psychology in esteemed universities in the Philippines. Should you wish to contact Lota regarding her think piece, please email lota_bertulfo@yahoo.com