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Delhi Group on Informal Sector –Contribution and Present Status

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Abstract

Informal Sector contributes significantly to employment generation and national income in developing economies, such as India. The unorganized sector (enterprises outside general government, corporations and cooperatives) in India accounted for 93% of total employment including agriculture and 82.4% of employment in non-agricultural economic activities, according to the survey on employment and unemployment carried out by the National Sample Survey Organisation (NSSO) in the year 2004-05. This sector contributed 57.1% to the total net domestic product (NDP) and 49% in non-agricultural NDP in 2007-08. The size of informal sector should be similar in most other developing economies and it is, therefore, important that reliable data on this sector is available.

The attempt to measure employment and value added in informal sector in the developing countries led to the research agenda for identifying a set of enterprises/establishments coming under the purview of informal nature of carrying out the economic activities, so that surveys can be focused on these units to measure their employment and output. The proceedings of 15th ICLS on informal sector (1993) and its mentioning in the System of National Accounts 1993 were some of the initial documents, which have called for further work on measurement and preparation of separate set of economic accounts for the informal sector. Subsequently, the “Expert Group on Informal Sector Statistics” commonly known as the “Delhi Group” was set up in 1997 as one of the City Groups of United Nations Statistical Commission (UNSC) to address various methodological issues involved in the treatment of informal sector. The Delhi Group held so far 10 meetings since its inception and made significant contributions in the area of informal sector.

This paper puts together the work done jointly by the ILO and the Delhi Group so far on the measurement of informal sector and informal employment. The experience of India in carrying out surveys on informal sector is also presented in the paper.

1. Introduction

1.1 Informal Sector contributes significantly to employment generation and national income in developing economies, such as India. The sector accounted for 93 per cent of total employment including agriculture and 82.4 per cent of employment in non-agricultural economic activities in India, according to the survey on employment and unemployment carried out in the year 2004-05 by the National Sample Survey Organisation (NSSO). The size of informal sector should be similar in several other developing economies.

1.2 Availability of separate sets of data on informal sector in terms of employment and value added, ensures in achieving GDP exhaustiveness, besides helping the planning and decision making process. For this purpose, defining and identifying the coverage of informal sector and laying down a methodology for collecting data from the informal sector, are important.

1.3 While attempting to measure the employment and value added in informal sector in some of the developing countries in recent years, the target population has been the group of enterprises/establishments coming under the purview of informal nature of carrying out the economic activities, and according to a set of criteria laid down by the Delhi Group and the International Labour Organisation (ILO). The few basic documents on the subject available at present to guide the countries in this context are (i) proceedings of 15th ICLS on informal sector (1993) and 17th ICLS on informal employment (2003), (ii) System of National Accounts 1993, (iii) OECD publication Measuring the non-observed Economy, A Handbook, (iv) UN-ECE publications Non-observed Economy in National Accounts: Survey of Country Practices (2003, 2008) (v) Delhi Group deliberations and recommendations, (vi) several ILO documents on informal sector and (vii) Chapter 25 on Informal Aspects of the Economy, System of National Accounts, 2008. Another development in this context is the launching of UN-ESCAP Project “Interregional Programme of Technical Cooperation on the Measurement of the Informal Sector and Informal Employment”.

1.4 The focus of this paper is to put together the work done jointly by the ILO and the Delhi Group so far on the informal sector and informal employment. The experience of India in measuring the contribution of informal sector to employment and GDP is also presented in the paper.

2. Conceptual Framework for Informal Sector and Informal Employment

Informal Sector

2.1 The term “informal sector” came into existence in official documents as a result of an employment mission to Kenya by the International Labour Organization (ILO) in 1972. The term was used to denote tiny units, engaged in the production of goods and services but whose activities were not recognized, recorded, protected or regulated by the public authorities. A wide range of activities from street vending, shoe-shining, food processing and other petty activities requiring little or no capital and skills to activities involving some amount of skill and capital such as tailoring, repair of electrical and electronic goods, operation of transport equipments were included in the informal sector. Invariably, the motivation for these activities is employment and income and not necessarily the maximization of profit or return on investment.

2.2 In 1993, the ILO included a resolution in the ICLS (15th ICLS) giving a conceptual framework and guidelines for the collection of statistics on the informal sector (*Annex I*). The resolution was intended to provide the first internationally approved technical guidelines for the development of statistics on the sector and to reduce the differences in the informal sector statistics of different countries and thus improve the international comparability of the data.

2.3 The preamble of the 15th ICLS recognised that informal sector statistics were especially needed in developing countries where the informal sector was playing an important role for total employment and income generation. It also recognised that at the time when the resolution was adopted, the experience in informal sector measurement was still limited, and that the concepts and techniques for informal sector measurement would be improved as additional experience was gained by countries.

2.4 In February 1993, the ICLS resolution was endorsed by the UN Statistical Commission and in July 1993, the definition of informal sector adopted by ICLS formed part of the revised System of National Accounts (SNA) adopted by the UN Economic and Social Council. The SNA (1993) characterised the informal sector as consisting of units engaged in the production of goods or services with the primary objective of generating employment and income to the persons concerned. They form part of the household sector as unincorporated enterprises owned by households.

2.5 The broad characteristics of the informal sector are that these are:

- Private Un-incorporated Enterprises (Enterprises owned by individuals or households that are not constituted as separate legal entities independent of their owners), as part of the household sector in SNA, with further bifurcation as (i) Own-account enterprises (that do not employ employees on a continuous basis) and (ii) Enterprises of employers (that employ one or more employees on a continuous basis). (There is also a terminology difference between the ICLS and the SNA, although ICLS terms the informal sector as a sub-sector of household sector of SNA. The informal sector referred to in the 15th ICLS refers to a group of producing units, whereas the household sector in SNA refers to an institutional unit consisting of both production and consumption units);
- Units for which no complete accounts are available that would permit a financial separation of the production activities of the enterprise;
- Produce *at least some* of their goods or services for market (sale or barter) (as against the SNA concept of market producers as those that sell *most or all* of their production on the market at economically significant prices);
- Produce goods and services using labour as input (as against the SNA concept which also includes production for own consumption without using labour as output, such as owner occupation of dwellings)
- The employment size of the enterprise is below a certain threshold (to be determined according to national circumstances);
- And/or not registered under specific form of national legislation.

Informal Employment

2.6 As a consequence of rapid economic development and specialization of services and the increase in demand for labour resources in the recent past, the business community has moved towards outsourcing of services. This phenomenon has contributed to the development of more casual arrangements between owners of enterprises and those contributing labour services. Broadly the informal employment could be comprised of

- informal jobs both in informal and formal enterprises and in households;
- Employees are considered to have informal jobs if their employment relationship is, by law or in practice, not subject to standard labour legislation, taxation, social protection or entitlement to certain employment benefits.

2.7 The conceptual framework of the informal employment endorsed by the 17th ICLS relates the enterprise-based concept of employment in the informal sector in a coherent and consistent manner with a broader, job-based concept of informal employment (*Annex-2*).

2.8 A person can simultaneously have two or more formal and/or informal jobs. Due to the existence of such multiple job holding, jobs rather than employed persons were taken as the observation units for employment. Employed persons hold jobs that can be described by various job-related characteristics, and these jobs are undertaken in production units (enterprises) that can be described by various enterprise-related characteristics.

3. Expert Group on Informal Sector Statistics (Delhi Group)

3.1 The “Expert Group on Informal Sector Statistics” commonly known as the “Delhi Group” was set up in 1997 as one of the city Groups of United Nations Statistical Commission (UNSC) to address various methodological issues involved in the treatment of the informal sector. The Secretary, Ministry of Statistics and Programme Implementation, Government of India, is the Chairman of Delhi Group.

3.2 The Delhi Group held so far 10 meetings since its inception, the last one being in Geneva during 8-10 October, 2007. The following are some of the important achievements of the Delhi Group:

- (i) Stocktaking and documentation of existing country experiences in the measurement of informal sector and informal employment;
- (ii) **Based on the Fifteenth International Conference of Labour Statistics resolution, development of a harmonized definition of the informal sector to obtain internationally more comparable statistics;**
- (iii) Refinement of the Fifteenth International Conference of Labour Statistics definition (e.g. regarding the treatment of households employing paid domestic workers);
- (iv) Inputs to the revision of the International System of Industrial Classifications;
- (v) **Upon the initiative of the Delhi Group, an integrated survey of households in India was conducted in 1999-2000 on employment, unemployment, consumer expenditure and non-agricultural enterprises in the informal sector that was the largest survey on the informal sector ever undertaken in the world;**
- (vi) **Upon the suggestion by the Delhi Group and with the support of its members, the International Labour Organization developed a conceptual framework for defining informal employment that was adopted in the form of international guidelines by the Seventeenth International Conference of Labour Statistics as a complement to the Fifteenth International Conference of Labour Statistics resolution;**
- (vii) Organization of annual meetings on specific topics agreed by the Group, which take stock of the progress achieved and are documented through the publication of meeting reports (including the papers discussed in the meetings);
- (viii) Conceptual and analytical work done on measuring the links between poverty and the informal sector/informal employment;
- (ix) **As a follow up of the recommendation of the Group the ILO has initiated preparation of a comprehensive Manual on Surveys of Informal Employment and Informal Sector.**

3.3 The Group after deliberations in the ten meetings, has come to the conclusion that the informal sector manifests itself in different ways in different countries. Therefore, national definitions of the informal sector can not be fully harmonised. It recommended that international agencies should disseminate informal sector data according to the national definitions used. In order to enhance the international comparability of informal sector statistics, following recommendations were adopted:

- (i) All countries use the criteria of legal organisation (un-incorporated enterprises), of type of accounts (no complete set of accounts) and of product destination (at least some market output);
- (ii) Specification of the employment size limit of the enterprise in national definition of the informal sector is left to the country's discretion. For international reporting, however, countries should provide figures separately for enterprises with less than five employees. In the case of multiple-establishment enterprises, the size limit should apply to the largest establishment;
- (iii) Countries using the employment size criteria provide disaggregated figures for enterprises, which are not registered, as well as for enterprises, which are registered;
- (iv) Countries using the criterion of non-registration provide disaggregated figures for enterprises with less than five employees as well as for enterprises with five and more employees;
- (v) Countries, which include agricultural activities, should provide figures separately for agricultural and non-agricultural activities;
- (vi) Countries should include persons engaged in professional or technical activities if they meet the criteria of the informal sector definition;
- (vii) Countries should include paid domestic services unless these are provided by employees;
- (viii) Countries should follow paragraph 18 of the Resolution adopted by the 15th ICLS regarding the treatment of outworkers/home-workers. Countries should provide figures separately for outworkers/home-workers included in the informal sector;
- (ix) Countries covering urban as well as rural areas should provide figures separately for both urban and rural areas;
- (x) Countries using household surveys or mixed surveys should make an effort to cover not only persons whose main job is in the informal sector, but also those whose main job is in another sector and who have a secondary activity in the informal sector.

3.4 The current ongoing activity of the Delhi Group is the preparation of Manual on Surveys of Informal Employment and Informal Sector by the ILO.

Manual on Surveys of Informal Employment and Informal Sector¹

3.5 The 15th ICLS, while passing the Resolution on informal sector recommended that the ILO may provide guidelines on the contents of the Resolution through the preparation of a Manual, as the subject evolves over the years. Also, the Delhi Group had recommended preparation of a technical manual to guide countries in the

¹ Ralf Hussmanns, International Labour Office, Bureau of Statistics: Manual on Surveys of Informal Employment and Informal Sector, September, 2007

development of statistics on the informal sector. The Manual is now being prepared by a team of contributors and is being coordinated by the ILO. The manual preparation is being funded by ILO and the Government of India on a 50:50% cost-sharing basis. The composition of the team of contributors (in alphabetical order) is given below, with the work being coordinated and administered by the ILO and Joann Vanek editing the final draft of the manual:

- Jacques Charmes (Director, Department ‘Societies and Health’, Institute of Research for Development, France)
- Ralf Hussmanns (Head, Methodology and Analysis Unit, Bureau of Statistics, International Labour Office)
- Rodrigo T. Negrete Prieto (Sub-director, Evaluation of Socio-demographic Projects, National Institute of Statistics, Geography and Informatics, Mexico)
- Nittala S. Sastry (former Director General and Chief Executive Officer, National Sample Survey Organisation, India)
- Joann Vanek (former Chief, Social Statistics Branch, United Nations Statistics Division)
- Vijay K. Verma (Professor, Department ‘Quantitative Methods’, University of Siena, Italy)

3.6 The manual will consist of 10 chapters.

Chapter 1: Introduction

Chapter 2: Concepts, definitions and sub-classifications

Chapter 3: Measurement objectives and data collection strategy

Chapter 4: Household surveys on informal sector employment and other types of informal employment

Chapter 5: Informal sector establishment surveys

Chapter 6: Informal sector mixed household and enterprise surveys

Chapter 7: Informal sector modules attached to household surveys

Chapter 8: Independent informal sector surveys using the mixed household and enterprise survey approach

Chapter 9: Tabulation, reporting and dissemination

Chapter 10: Use of data for national accounts purposes

3.7 The work on manual preparation started in October 2005 and is in various stages of drafting. The six chapters (chapters 1-5 and 10) that were presented in the 10th meeting of the Delhi Group are now available on the website of the MOSPI at http://mospi.nic.in/manual_10th_meeting.htm. The final draft manual will be presented in the 11th meeting of the Delhi Group.

4. The Indian experience of measuring ‘informal sector’

4.1 In India, the term ‘informal sector’ was not used in official statistics earlier. The term used was ‘unorganised sector’ which consisted of units not covered under the regular statistical reporting mechanism in each segment of the economy, as far as survey statistics are concerned. However, for the national accounts compilation, the ‘unorganised sector’ broadly corresponded to the ‘household sector’ of SNA, with some exceptions.

4.2 The organized sector (covered through Annual Survey of Industries(ASI)) mainly comprised of manufacturing units registered under section 2m(i) and 2m(ii) of the Factories Act, employing 10 or more workers using power; and those employing 20 or more workers without using power. The survey also covers bidi and cigar manufacturing establishments registered under the Bidi & Cigar Workers (Conditions of Employment) Act, 1966 with coverage as above. All electricity undertakings engaged in generation, transmission and distribution of electricity registered with the Central Electricity Authority (CEA) were covered under ASI irrespective of their employment size. Certain servicing units and activities like water supply, cold storage, repairing of motor vehicles and other consumer durables like watches etc. are covered under the survey. Defence establishments, oil storage and distribution depots, restaurants, hotels, café and computer services and the technical training institutes, etc. are excluded from the purview of the survey.

4.3 The units not covered under the Annual Survey of Industries are treated as part of unorganized sector in respect of manufacturing activities. This treatment is same in both the surveys and national accounts. Apart from these, the units belonging to the Trade, Hotels and Restaurants and services are treated as unorganized sector except those in the public and private corporate sector and co-operatives.

4.4 The surveys of unorganized sector are undertaken by the National Sample Survey Organisation (NSSO) under the Ministry of Statistics and Programme Implementation. The NSSO covered unorganized manufacturing sector in the following rounds of survey:

Round	Period
33	July 78 to June 79
40	July 84 to June 85
45	July 89 to June 90
51	July 95 to June 96
56	July 2000 to June 2001
62	July 2005 to June 2006

4.5 The NSSO also surveyed in the following rounds, units in the unorganized sector in some of the services industries

Round	Period
34	July 79 to June 80
41	July 85 to June 86
46	July 90 to June 91
53	Jan 97 to Dec. 97
57	July 2001 to June 2002
63	July 2006 to June 2007

4.6 The ‘informal sector’ is a sub-set of unorganized sector and accounted for about 98% of units in the unorganized sector in India. The first comprehensive survey of ‘Informal Sector’ using the criteria laid down by the Delhi Group was conducted in the NSS 55th Round during July 1999 to June, 2000, alongwith the periodical labour force survey. The definitions followed in this survey were:

- **informal sector enterprises:** Unincorporated proprietary and partnership non-agricultural, non-factory enterprises were treated as informal sector enterprises.

- **Informal employees:** were identified on the basis of a joint consideration of enterprise type, status of employment and conditions of employment.

4.7 During the survey two schedules viz. i) Employment-unemployment schedule; and ii) Enterprise Survey Schedule were canvassed. The first schedule was a household schedule and the second schedule was an enterprise survey schedule. The survey covered enterprises of following categories:

- Proprietary (Male)
- Proprietary (Female)
- Partnership (same household numbers)
- Partnership (different household numbers)
- Public Sector
- Semi-Public Sector
- Others (Co-operative Society, Public and Private limited company)

4.8 The categories of ‘status of employment’ covered during the survey included:

- Own Account Worker
- Employer
- Unpaid Family Worker
- Regular salaried/wage employee
- Casual wage labourer in public works
- Casual wage labourer in other types of work

4.9 The information on different conditions of employment collected during the survey were ‘Full time / Part time’, ‘Regular / Temporary’, and ‘Eligible for provident fund (PF) / Not eligible for PF’. The sample sizes covered during this survey for rural and urban India were:

Table 1: Sample size

Total	Rural	Urban
122,040 Households	72,552 Households	49,488 Households
197637 Enterprises	114,506 Enterprises	83,131 Enterprises

4.10 The following are some of the important findings of this survey:

**Table 2: Informal Employment
(Million)**

Sl. No.	Industry	Total Employment	Informal Sector Employment	Informal Employment
1.	Agricultural Workers	238	234	234
2.	Non-agricultural Workers	159	125	131
2.1	• Manufacturing	44.1	37.1	38.5
2.2	• Construction	17.6	15.7	17.3
2.3	• Trade	36.6	35.5	35.8
2.4	• Others	60.7	36.7	39.4
Total		397	359	365

**Table 3: Informal employment by gender
(Million)**

Sl. No.	Industry	Male	Female	Total
1.	Agricultural Workers	143	91	234
2.	Non-agricultural Workers	105	26	131
2.1	• Manufacturing	26.8	11.7	38.5
2.2	• Construction	15.3	2.0	17.3
2.3	• Trade	31.4	4.4	35.8
2.4	• Others	31.5	7.9	39.4
Total		248	117	365

**Table 4: Number of enterprises by type
(Million)**

	Rural	Urban	Total
Own account enterprises (OAE)	23.66 (94.4)	15.14 (78.3)	38.80 (87.4)
Establishments	1.41 (5.6)	4.20 (21.7)	5.61 (12.6)
Total	25.07 (100.0)	19.34 (100.0)	44.4 (100.0)

Figures in bracket are percentages

**Table 5: Number of enterprises by industry
(Million)**

Industry Group	OAE	Establishments	Total
1. Manufacturing	12.35	1.92	14.27
2. Construction	1.70	0.16	1.86
3. Trading and Repair Services	15.39	1.98	17.37
4. Hotels & Restaurants	1.37	0.40	1.77
5. Transport, Storage & Communications	3.54	0.40	3.94
6. Financial Intermediation	0.12	0.04	0.16
7. Real estate, renting & business	0.57	0.20	0.77
8. Education	0.40	0.17	0.57
9. Health & social Work	0.63	0.16	0.79
10. Other Services	2.73	0.18	2.91
Total	38.80	5.61	44.41

Table 6: Distribution of enterprises by number of workers

Number of Workers	Percentage		
	Rural	Urban	Total
1.	61.5	51.4	57.2
2.	29.4	27.5	28.5
3.	5.4	9.8	7.3
4.	1.8	4.4	2.9
5.	0.7	2.6	1.5
6+	1.2	4.3	2.6
Total	100.0	100.0	100.0

Table 7: Distribution of enterprises by type of ownership

Type of Ownership	Percentage of Enterprises		
	Rural	Urban	Total
Proprietary Male	86.0	86.3	86.2
Proprietary Female	13.0	10.5	11.9
Partnership between members of same household	0.6	2.0	1.2
Partnership between members of different household	0.4	1.2	0.7
Total	100.0	100.0	100.0

Table 8: Distribution of enterprises by location

Location	Percentage of Enterprises		
	Rural	Urban	Total
1. Within Household Premises	44.8	24.4	35.9
2. Outside household premises & with fixed location			
a. Permanent Structure	25.6	50.0	36.2
b. Temporary Structure	2.8	3.3	3.0
c. Without any Structure	3.1	2.9	3.0
3. Outside household premises & without fixed location			
a. Mobile Market	6.9	5.5	6.3
b. Street Vendor	11.3	10.1	10.8
c. Construction site	5.4	3.8	4.7
4. Not Reported	0.1	0.0	0.1
Total	100.0	100.0	100.0

Table 9: Distribution of enterprises by nature of operation

Nature of Operation	Percentage of Enterprises		
	Rural	Urban	Total
Perennial	95.6	98.4	96.9
Seasonal	3.8	1.1	2.6
Casual	0.6	0.5	0.5
Total	100.0	100.0	100.0

Table 10: Distribution of enterprises by status of registration

Status of Registration	Percentage of Enterprises		
	Rural	Urban	Total
No Registration	88.4	68.7	79.8
Registered	11.6	31.3	20.2
Total	100.0	100.0	100.0

Table 11: Registration agencies/act

Agency/Act	Percentage
Local Body	10.6
Shops & Establishments Act	5.5
Sales Tax Act	2.4
Motor Vehicles Act	1.8

4.11 India has taken an initiative to introduce a module on informal employment in the subsequent labour force survey undertaken during July, 2004 to June, 2005. The results of this survey are available in NSS Reports (No. 519, Part I and Part II). One Statement

showing the estimated labour input in organized sector (residual in unorganized sector) as per the previous two labour force surveys of NSSO, has been presented here.

Table 12: Total number of jobs (in '000) and share of labour input in organized sector (%)

Tabulation category/Description	2004-05		1999-2000	
	Total Labour Input	Share of Organised Sector	Total Labour Input	Share of Organised Sector
A: Agriculture and forestry	336,966	0.1	312,210	NA
B: Fishing	1,851	1.3	1,636	NA
C: Mining	3,026	35.6	2,466	22.6
D: Manufacturing	60,348	12.3	46,551	11.1
E: Electricity, Gas, Watersupply	1,322	87.6	1,187	70.8
F: Construction	31,823	7.6	20,699	7.2
G: Wholesale and Retail Trade,	47,496	1.7	39,223	2.4
H: Hotel & Restaurants	6,492	3.3	4,859	3.3
I: Transport, Storage & Communication	19,854	17.8	15,395	18.4
J: Financial Intermediation	3,234	67.6	2,278	58.7
K: Real estate, renting and business activities	5,002	18.6	2,715	12.1
L: Public Administration and Defence, etc.	9,027	97.4	10,538	72.1
M: Education	11,828	62.1	8,641	51.8
N: Health and social work	3,899	44.9	3,033	39.0
O: Other Community, Social and Personal Services	9,355	7.5	10,781	6.5
P: Private Households With Employed Persons	5,000	0.0	1,737	9.8
Q: Extra Territorial Organizations And Bodies	4	12.2	21	40.1
Grand Total	556,528	7.0	483,969	5.7

4.12 From the data available on informal sector and informal employment from the labour force and enterprise surveys, it is possible to show in the national accounts, separate estimates in respect of informal sector. The following table is one such attempt, which has been compiled using the available data on informal sector employment from the labour force surveys and value added per worker for the corresponding informal sector activity, from the enterprise surveys.

Table 13: Share of informal sector in the Net domestic product, 2001-02

industry	Unorganized			Organised	Total
	Informal	Others	Total		
1. Agriculture, forestry and fishing	25.5		25.5	0.9	26.4
2. Mining and quarrying	0.2		0.2	1.8	2.0
3. Manufacturing	1.6	3.4	5.0	8.4	13.4
4. Electricity, gas & water supply	0.1		0.1	1.0	1.0
5. Construction	3.9		3.9	2.5	6.4
6. Trade, Hotel, restaurants	9.3	2.5	11.9	3.8	15.6
7. Transport & commn.	3.3	0.6	3.9	2.8	6.7
8. Real estate, financial services and ownership of dwellings,	2.6	2.9	5.4	7.6	13.0
9. Community, social and personal Services	1.3	1.3	2.6	12.8	15.4
10. Total	47.7	10.7	58.5	41.5	100.0

5. Concluding Remarks

5.1 The Delhi Group, which was set up in 1997 as one of the City Groups of United Nations Statistical Commission (UNSC) to address various methodological issues involved in the treatment of informal sector, contributed significantly to the research work on measurement of informal sector and informal employment. Besides providing an operational definition for the informal sector and for international reporting of data on informal sector by the countries, the Delhi Group encouraged countries to take up surveys for measuring informal sector and informal employment. The Delhi Group was also instrumental in developing a conceptual framework for defining informal employment that was adopted in the form of international guidelines by the 17th ICLS.

5.2 The Delhi Group held ten meetings so far and has been working very closely with the ILO. In line with the recommendations of the 15th ICLS and the Delhi Group, the ILO (with the help of a team of contributors) is preparing a Manual on Surveys of Informal Employment and Informal Sector. This Manual will be part of the Agenda for the 11th meeting of the Delhi Group, and is expected to provide guidance to the countries in measuring informal sector and informal employment.

5.2 India was one of the first few developing economies to take up surveys to measure informal sector and informal employment, in the year 1999-2000, at the recommendation of Delhi Group. This survey was followed up by a survey to measure informal employment in the year 2004-05 (both the surveys were conducted as part of India's labour force surveys, which are household surveys). The 1999-2000 survey was, in fact, an integrated survey of households and non-agricultural enterprises in the informal sector. The results of these two surveys provided extensive data on informal sector and informal employment in India. With the help of the results of these informal sector surveys, it is now possible to show separately the contribution of informal sector in national accounts, as recommended in the SNA 2008.

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**Resolution concerning statistics of employment in the informal sector, adopted by the
Fifteenth International Conference of Labour Statisticians (January 1993)**

[Extract]

Concept

5 (1) The informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations - where they exist - are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.

(2) Production units of the informal sector have the characteristic features of household enterprises. The fixed and other assets used do not belong to the production units as such but to their owners. The units as such cannot engage in transactions or enter into contracts with other units, nor incur liabilities, on their own behalf. The owners have to raise the necessary finance at their own risk and are personally liable, without limit, for any debts or obligations incurred in the production process. Expenditure for production is often indistinguishable from household expenditure. Similarly, capital goods such as buildings or vehicles may be used indistinguishably for business and household purposes.

Operational definitions

Informal sector

6 (1) For statistical purposes, the informal sector is regarded as a group of production units which, according to the definitions and classifications provided in the United Nations System of National Accounts (Rev. 4), form part of the household sector as household enterprises or, equivalently, unincorporated enterprises owned by households as defined in paragraph 7.

(2) Within the household sector, the informal sector comprises (i) "informal own-account enterprises" as defined in paragraph 8; and (ii) the additional component consisting of "enterprises of informal employers" as defined in paragraph 9.

(3) The informal sector is defined irrespective of the kind of workplace where the productive activities are carried out, the extent of fixed capital assets used, the duration of the operation of the enterprise (perennial, seasonal or casual), and its operation as a main or secondary activity of the owner.

Household enterprises

7. According to the United Nations System of National Accounts (Rev. 4), household enterprises (or, equivalently, unincorporated enterprises owned by households) are distinguished from corporations and quasi-corporations on the basis of the legal organization of the units and the type of accounts kept for them. Household enterprises are units engaged in the production of goods or services which are not constituted as separate legal entities independently of the households or household members that own them, and for which no complete sets of accounts (including balance sheets of assets and liabilities) are available which would permit a clear distinction of the production activities of the enterprises from the other activities of their owners and the identification of any flows of income and capital between the enterprises and the owners. Household enterprises include unincorporated enterprises owned and operated by individual household members or by two or more members of the same household as well as unincorporated partnerships formed by members of different households.

Informal own-account enterprises

8 (1) Informal own-account enterprises are household enterprises (in the sense of paragraph 7) owned and operated by own-account workers, either alone or in partnership with members of the same or other households, which may employ contributing family workers and employees on an occasional basis, but do not employ employees on a continuous basis and which have the characteristics described in subparagraphs 5 (1) and (2).

(2) For operational purposes, informal own-account enterprises may comprise, depending on national circumstances, either all own-account enterprises or only those which are not registered under specific forms of national legislation.

(3) Registration may refer to registration under factories or commercial acts, tax or social security laws, professional groups' regulatory acts, or similar acts, laws, or regulations established by national legislative bodies.

Enterprises of informal employers

9 (1) Enterprises of informal employers are household enterprises (in the sense of paragraph 7) owned and operated by employers, either alone or in partnership with members of the same or other households, which employ one or more employees on a continuous basis and which have the characteristics described in subparagraphs 5 (1) and (2).

(2) For operational purposes, enterprises of informal employers may be defined, depending on national circumstances, in terms of one or more of the following criteria:

- (i) size of the unit below a specified level of employment;
- (ii) non-registration of the enterprise or its employees.

(3) While the size criterion should preferably refer to the number of employees employed on a continuous basis, in practice, it may also be specified in terms of the total number of employees or the number of persons engaged during the reference period.

(4) The upper size limit in the definition of enterprises of informal employers may vary between countries and branches of economic activity. It may be determined on the basis of minimum size requirements as embodied in relevant national legislations, where they exist, or in terms of empirically determined norms. The choice of the upper size limit should take account of the coverage of statistical inquiries of larger units in the corresponding branches of economic activity, where they exist, in order to avoid an overlap.

(5) In the case of enterprises, which carry out their activities in more than one establishment, the size criterion should, in principle, refer to each of the establishments separately rather than to the enterprise as a whole. Accordingly, an enterprise should be considered to satisfy the size criterion if none of its establishments exceeds the specified upper size limit.

(6) Registration of the enterprise may refer to registration under specific forms of national legislation as specified in subparagraph 8 (3). Employees may be considered registered if they are employed on the basis of an employment or apprenticeship contract which commits the employer to pay relevant taxes and social security contributions on behalf of the employee or which makes the employment relationship subject to standard labour legislation.

10. For particular analytical purposes, more specific definitions of the informal sector may be developed at the national level by introducing further criteria on the basis of the data collected. Such definitions may vary according to the needs of different users of the statistics.

Population employed in the informal sector

11 (1) The population employed in the informal sector comprises all persons who, during a given reference period, were employed (in the sense of paragraph 9 of resolution I adopted by the Thirteenth International Conference of Labour Statisticians) in at least one informal sector unit as defined in paragraphs 8 and 9, irrespective of their status in employment and whether it is their main or a secondary job.

Treatment of particular cases

14. Household enterprises, which are exclusively engaged in non-market production, i.e. the production of goods or services for own final consumption or own fixed capital formation as defined by the United Nations System of National Accounts (Rev. 4), should be excluded from the scope of the informal sector for the purpose of statistics of employment in the informal sector. Depending on national circumstances, an exception may be made in respect of households employing domestic workers as referred to in paragraph 19.

16. For practical reasons, the scope of the informal sector may be limited to household enterprises engaged in non-agricultural activities. With account being taken of paragraph 14, all non-agricultural activities should be included in the scope of the informal sector, irrespective of whether the household enterprises carry them out as main or secondary activities. In particular, the informal sector should include secondary non-agricultural activities of household enterprises in the agricultural sector if they fulfil the requirements of paragraphs 8 or 9.

17. Units engaged in professional or technical activities carried out by self-employed persons, such as doctors, lawyers, accountants, architects or engineers, should be included in the informal sector if they fulfil the requirements of paragraphs 8 or 9.

18 (1) Outworkers are persons who agree to work for a particular enterprise, or to supply a certain quantity of goods or services to a particular enterprise, by prior arrangement or contract with that enterprise, but whose place of work is not within any of the establishments, which make up that enterprise.

(2) In order to facilitate data collection, all outworkers should be potentially included in the scope of informal sector surveys, irrespective of whether they constitute production units on their own (self-employed outworkers) or form part of the enterprise, which employs them (employee outworkers). On the basis of the information collected, self-employed and employee outworkers should be distinguished from each other by using the criteria recommended in the United Nations System of National Accounts (Rev. 4). Outworkers should be included in the informal sector, or in the population employed in the informal sector, if the production units, which they constitute as self-employed persons or for which they work as employees fulfil the requirements of paragraphs 8 or 9.

19. Domestic workers are persons exclusively engaged by households to render domestic services for payment in cash or in kind. Domestic workers should be included in or excluded from the informal sector depending upon national circumstances and the intended uses of the statistics. In either case, domestic workers should be identified as a separate category.

**Guidelines concerning a statistical definition of informal employment,
endorsed by the Seventeenth International Conference of Labour Statisticians
(November-December 2003)**

The Seventeenth International Conference of Labour Statisticians (ICLS),

Acknowledging that the relevance of informal employment varies among countries, and that a decision to develop statistics on it is therefore determined by national circumstances and priorities,

Noting that the term ‘informal economy’ is used by the ILO as including the informal sector as well as informal employment, and that as a supplement to the System of National Accounts 1993 an international conceptual framework for measurement of the non-observed economy already exists, which distinguishes the informal sector from underground production, illegal production, and household production for own final use,

Recalling the existing international standards on statistics of employment in the informal sector contained in the Resolution concerning statistics of employment in the informal sector adopted by the Fifteenth ICLS (January 1993),

Noting the recommendation made by the Expert Group on Informal Sector Statistics (Delhi Group), during its Fifth Meeting, that the definition and measurement of employment in the informal sector need to be complemented with a definition and measurement of informal employment,

Emphasizing the importance of consistency and coherence in relating the enterprise-based concept of employment in the informal sector to a broader, job-based concept of informal employment,

Considering the methodological work, which the International Labour Office and a number of countries have already undertaken in this area,

Supporting the request, which was made by the International Labour Conference in paragraph 37(n) of the Resolution concerning decent work and the informal economy adopted during its 90th Session (2002), that the International Labour Office should assist countries in the collection, analysis and dissemination of statistics on the informal economy,

Recognizing that the considerable diversity of informal employment situations poses limits to the extent to which statistics on informal employment can be harmonized across countries,

Realizing the usefulness of international guidelines in assisting countries in the development of national definitions of informal employment, and in enhancing the international comparability of the resulting statistics to the extent possible,

Endorses the following guidelines, which complement the Resolution concerning statistics of employment in the informal sector of the Fifteenth ICLS, and encourages countries to test the conceptual framework on which they are based.

1. The concept of informal sector refers to production units as observation units, while the concept of informal employment refers to jobs as observation units. Employment is defined in the sense of paragraph 9 of the Resolution concerning statistics of the economically active population, employment, unemployment and underemployment adopted by the Thirteenth ICLS.

2. *Informal sector enterprises* and *employment in the informal sector* are defined according to the Resolution concerning statistics of employment in the informal sector adopted by the Fifteenth ICLS. For the purpose of statistics on informal employment, paragraph 19 of the Resolution concerning statistics of employment in the informal sector adopted by the Fifteenth ICLS should be applied to exclude households employing paid domestic workers from informal sector enterprises, and to treat them separately as part of a category named 'households'.

3. (1) *Informal employment* comprises the total number of informal jobs as defined in subparagraphs (2) to (5) below, whether carried out in formal sector enterprises, informal sector enterprises, or households, during a given reference period.

(2) As shown in the attached matrix, informal employment includes the following types of jobs:

- (i) own-account workers employed in their own informal sector enterprises (cell 3);
- (ii) employers employed in their own informal sector enterprises (cell 4);
- (iii) contributing family workers, irrespective of whether they work in formal or informal sector enterprises (cells 1 and 5);
- (iv) members of informal producers' cooperatives (cell 8);
- (v) employees holding informal jobs (as defined in subparagraph (5) below) in formal sector enterprises, informal sector enterprises, or as paid domestic workers employed by households (cells 2, 6 and 10);
- (vi) own-account workers engaged in the production of goods exclusively for own final use by their household (cell 9), if considered employed according to paragraph 9 (6) of the Resolution concerning statistics of the economically active population, employment, unemployment and underemployment adopted by the Thirteenth ICLS.

(3) Own-account workers, employers, members of producers' cooperatives, contributing family workers, and employees are defined in accordance with the latest version of the International Classification of Status in Employment (ICSE).

(4) Producers' cooperatives are considered informal, if they are not formally established as legal entities and also meet the other criteria of informal sector enterprises specified in the Resolution concerning statistics of employment in the informal sector adopted by the Fifteenth ICLS.

(5) 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 (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 (e.g. for social security contributions); 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 (e.g. outworkers without employment contract); or jobs, for which labour regulations are not applied, not enforced, or not complied with for any other reason. The operational criteria for defining informal jobs of employees are to be determined in accordance with national circumstances and data availability.

(6) For purposes of analysis and policy-making, it may be useful to disaggregate the different types of informal jobs listed in paragraph 3 (2) above, especially those held by employees. Such a typology and definitions should be developed as part of further work on classifications by status in employment at the international and national levels.

4. Where they exist, employees holding formal jobs in informal sector enterprises (cell 7 of the attached matrix) should be excluded from informal employment.

5. *Informal employment outside the informal sector* comprises the following types of jobs:

- (i) employees holding informal jobs (as defined in paragraph 3 (5) above) in formal sector enterprises (cell 2) or as paid domestic workers employed by households (cell 10);
- (ii) contributing family workers working in formal sector enterprises (cell 1);
- (iii) own-account workers engaged in the production of goods exclusively for own final use by their household (cell 9), if considered employed according to paragraph 9 (6) of the Resolution concerning statistics of the economically active population, employment, unemployment and underemployment adopted by the Thirteenth ICLS.

6. Countries, which do not have statistics on employment in the informal sector, or for which a classification of employment by type of production unit is not relevant, may develop statistics on informal employment, if desired, in specifying appropriate definitions of informal jobs of own-account workers, employers and members of producers' cooperatives. Alternatively, they may limit the measurement of informal employment to employee jobs.

7. Countries, which exclude agricultural activities from the scope of their informal sector statistics, should develop suitable definitions of informal jobs in agriculture, especially with respect to jobs held by own-account workers, employers and members of producers' cooperatives.

Conceptual Framework: Informal Employment

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

(a) As defined by the Fifteenth International Conference of Labour Statisticians (excluding households employing paid domestic workers).

(b) Households producing goods exclusively for their own final use and households employing paid domestic workers.

Note: Cells shaded in dark grey refer to jobs, which, by definition, do not exist in the type of production unit in question. Cells shaded in light grey refer to formal jobs. Unshaded cells represent the various types of informal jobs.

Informal employment: Cells 1 to 6 and 8 to 10.

Employment in the informal sector: Cells 3 to 8.

Informal employment outside the informal sector: Cells 1, 2, 9 and 10.