

**EMPLOYMENT PAPER**  
**2000/9**

**The ILO and the informal sector:  
an institutional history**

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**Employment Sector**

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## Foreword

Robert Heilbroner, the economic historian, in his thought-provoking look at the past in order to get a glimpse of the future (“21<sup>st</sup> Century Capitalism”; W. W. Norton & Co, New York, 1993), begins with the following quote from a Russian medievalist: “History teaches nothing, but only punishes for not learning its lessons.” I think this principle is relevant to our work on the informal sector. Many lessons from past experience are there; but we will have to dig them out. They will not teach themselves to us spontaneously or automatically.

The ILO launched the concept of the informal sector three decades ago. Since then, it has done more work on both the concept and the underlying social problem than any other single institution. This paper documents the institutional history of this thirty years of effort. Starting with a brief account of the informal sector’s historical roots in the development thinking of the 1950s and 1960s, Bangasser traces its conceptual development through the 1970s and its gradual dispersion and then absorption into the evolving development paradigm of the 1980s and 1990s. He also looks at the role of the informal sector in the ILO as it enters the new millennium. The paper ends by casting an eye over “some roads not taken”, and why. The annex material is also interesting. Here we find listed all the different work items on the informal sector in the ILO’s regular budget since 1969. There is also the “Director General’s Reply” in 1991 to the international debate on the informal sector at the International Labour Conference. Also annexed is the formal Resolution concerning Statistics on Employment in the Informal Sector adopted by the International Conference of Labour Statisticians in 1993, which was then incorporated into the newly revised System of National Accounts.

The informal sector is still central to ILO’s mandate of social justice. Whatever we call it, unorganised sector or informal economy or something else, we will be working on the informal sector in the future, as we have in the past. And, indeed, so we should. It behoves us, however, and our constituents to ensure that these efforts are, to use Amartya Sen’s provocative phrase, “well deliberated”. We should ensure that this continuing informal sector work learns from and grows out of the extensive experience from the past. We should make the effort to learn the lessons from history. This paper will help us do that.

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# **The ILO and the Informal Sector an institutional history**

## **INTRODUCTION<sup>1</sup>**

To learn from history, we must know it. Over the past three decades, the ILO has been both the midwife and the principal international institutional home for the concept of the informal sector. As we enter the next millennium, with a new Director General and a refocused mandate on “decent work” and an increased emphasis on the marginalised and the excluded, it seems timely to pause and look back. Over these past thirty odd years, how has this institution wrestled with the informal sector, both as a concept and as a painful reality for our constituents? Where did this concept come from? How has the ILO dealt with it over the years, with what successes ... and what failures?

Despite these three decades of work, the informal sector is still a topic which elicits diverging views, sometimes passionately so, about how to define it, how to measure and to classify it, and especially about how to respond to it. There is even debate on what to call it<sup>2</sup>. There is little divergence now, however, that the informal sector exists and will be with us for the foreseeable future. This consensus is in large measure the result of these three decades of ILO’s effort both to develop the concept of the informal sector and to implant it into the development paradigm. In this paper, I focus on recording the institutional history of this effort rather than on the concept itself.

The concept of the informal sector has itself evolved over these years. My intention, however, is neither to trace that conceptual evolution nor to explore its current state. That is a sufficiently broad topic on its own to merit taking up separately. In this paper, I concentrate on the bureaucratic or institutional history of the ILO and the informal sector. How did the International Labour Office, as a large international and also bureaucratic institution (with both the strengths and the weaknesses these characteristics entail) respond to a concept and an economic reality which is both central to the institution’s core mandate of social justice and at the same time foreign to its traditionally understood tripartite constituency and institutional culture?

The “official record” of an institution is just the skeleton of its history. Each officially recorded event is done (or left undone), supported (or opposed) by real people. An institutional history, then, should also include this sometimes collaborative and sometimes conflictual but always complex human interaction of the people actually involved in these events. In the following pages, I have tried to provide an account not just of the official events by the formal institutional ILO, but also some of the human environment and the professional context within which these events took place. For some of these, I was a participant; for many others, they happened “just down the hall” and I knew personally the officials who were involved. So what follows includes an element of personal memoir. Many of those who participated in these events

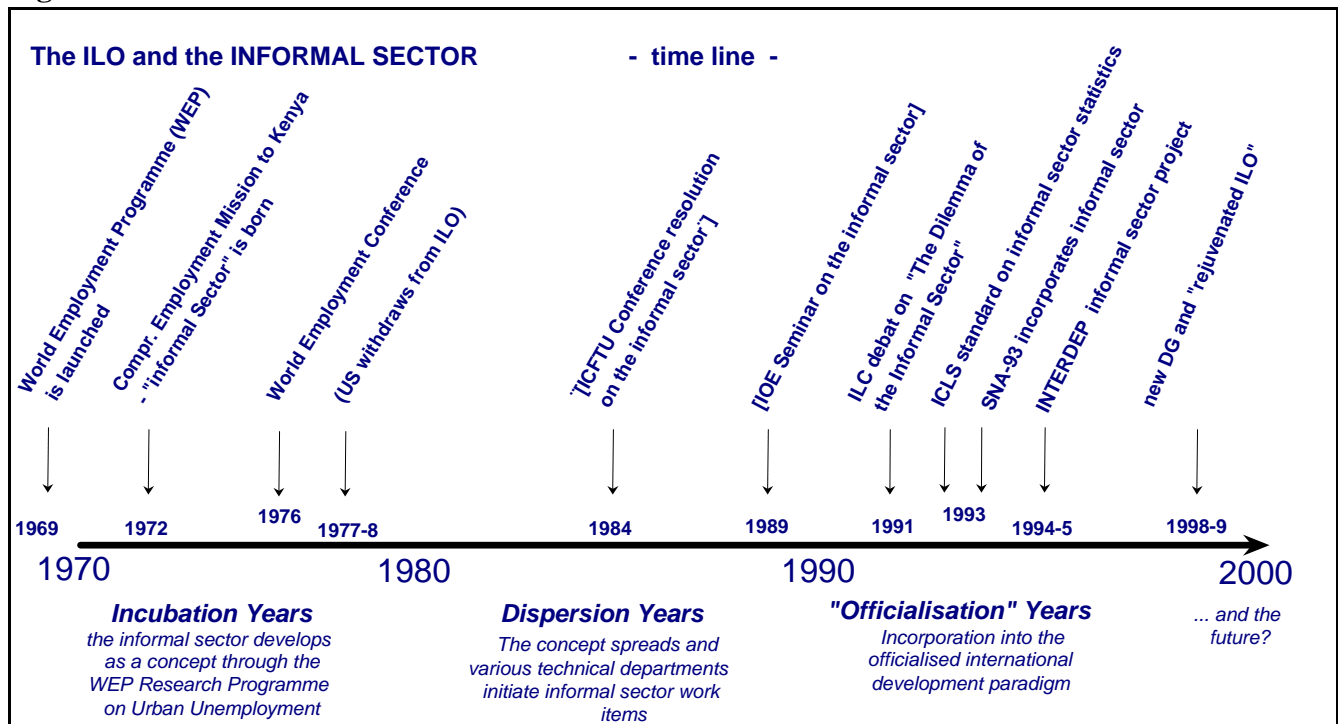
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<sup>1</sup>Numerous colleagues read and commented on an early draft of this paper. I want, in particular, to thank Peter Richards, Werner Sengenberger, Enrique Bru, Rajendra Paratian, and especially Harrold Lubell for their very useful comments.

<sup>2</sup>This debate over nomenclature has been present since the concept first appeared. There is some substance to it, since different phrases carry different emphases and nuances and connotations and different authors wish to draw these differences out. In this paper, however, the focus is on the ILO and its institutional handling of the concept. So throughout this paper, I use the phrase which reads easily in that context.

are no longer around; but some are. Perhaps they will also add their memoirs to the story. This would be useful, since no one sees the whole story. Knowledge is cumulative; and a full picture only emerges when official records and personal recollections are pooled. I think those responsible for carrying the mantle of the informal sector into the next millennium would be enriched by these contributions.

**Figure 1**



I have organised this institutional history into three phases, corresponding to the three decades shown along the time line in Figure 1. The decade of the 1970s I have called the incubation years, when the concept of the informal sector was developed and took root. The decade of the 1980s were the years when this concept was taken up by many different actors and incorporated into their respective programmes. During the decade of the 1990s, the concept of the informal sector achieved international recognition and was incorporated into the official international schema.

## **A. Historical roots - the development paradigm of the 1950s and 1960s**

While the phrase "informal sector" came onto the development scene in 1972, its roots reach back into the economic development efforts of the 1950s and 1960s. That was a time of confidence and optimism. With the surprisingly successful rebuilding of Europe and Japan following the Second World War, there seemed no reason why a similar sort of deliberate economy-building effort could not also be applied to the newly emerging countries in the decolonialising Third World.

The "Cold War" added political motivation for "helping" the Third World in this development process; but the ethos was essentially technical. Whether the model of preference

was Raul Prebisch's "center vs. periphery" (1949) or Arthur Lewis' "unlimited supplies of labour" (1954) or Harvey Leibenstein's "big push" (1957) or W. W. Rostow's "stages of economic growth" (1960)<sup>3</sup>, the method of argumentation was virtually always the same. The subject was material well being, indicated by measurable income per capita. The conceptual tools were taken overwhelmingly from economic science, and with a strong preference for "positive" rather than "normative" economics. And the logic was applied "universally" across the spectrum of "developing countries", with little allowance or variation for their evident differences in size, history, cultures, natural endowments, etc.

With the "right" kind of macroeconomic policies, supporting institutions and enough development assistance resources, generating a sustained growth of per capita incomes was a technically feasible objective and attainable within an acceptable time frame, ... if the political will was there. Obviously any poor, traditional, stagnant country would want to transform itself into a growing, dynamic, "modern" one. Therefore, while there would certainly be some interim tensions and structural dislocations, the political will could be assumed. The core issue thus became one of "managing" this economic transition process. Within this mind-set, various cultural or political changes didn't seem essential "before the fact". These could be left to follow.

This technical ethos towards development was especially strong in UN Specialised Agencies like the ILO. It allowed them a measure of protection from Cold War political crossfire without undercutting either their *raison d'être* nor their universality. Also, it gave them something attractive to offer a new (and usually poor) member State which respected its new sovereignty. Whichever Cold War "camp" the new nation chose, the ILO (or UNIDO or UNESCO or FAO or WHO) could "help" it with its development efforts.

But these efforts and this transition process had to be managed carefully, so development planning was all the fashion. There were variations, of course. Some called for comprehensive compulsory planning along the lines of the Soviet 5 year plans. Others advocated a "commanding heights" development strategy based on a carefully planned public sector control over basic industry and perhaps one or two "key" export products. Even the advocates of "indicative planning" considered that some kind of deliberately orchestrated coordination of public efforts for development was needed. And each "planning model" has its Cold War orientation: socialist, "non-aligned" or "free world".

One of the technical areas which obviously needed to be planned, and an area where the ILO claimed competence among international organisations, was manpower.<sup>4</sup> A separate technical branch within the Office existed for this topic, the Manpower Planning and Organisation Branch (MPO), which was part of the Human Resources Development Department.

This department also included Vocational Training (VTB) and Management Development (ManDev) branches. These two were the "big guns" of ILO technical cooperation in those days. Each had built up a substantial portfolio of "institution building" projects to establish vocational training and management and productivity centres throughout most of the developing world.

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<sup>3</sup>This small and non-technical book, with its sub-title "a non-communist manifesto", especially captured the minds of that time. W. W. Rostow's *The Stages of Economic Growth* (Cambridge; Cambridge University Press, 1960) went through thirteen printings between March 1960 and November 1965.

<sup>4</sup>Gender sensitive terminology was still far off in the future.



With generous extra-budgetary funding, mainly from the then new UNDP, these two programmes had grown dramatically during these two decades. By focussing on providing the human resources needed for whichever kind of planning the receiving country chose, the ILO could help any member State regardless of its political orientation.

As part of the same Human Resources Department, the Manpower Planning Branch shared in this growth, but to a smaller degree, since by its nature the planning of human resource needs requires smaller staffs and less glamorous facilities than their actual provision. It was here in the manpower planning function that the lacuna in contemporary development theory came into focus. The numbers didn't match!

Even using very favourable assumptions about investment and productivity growth, the number of jobs being created was way short of the projected demand. There were many fewer "modern" jobs than there were people wanting to fill them. Furthermore, many people were often working outside the framework of their official or planned "work". Some who were not officially not "working" at all were in fact economically busy. This came to be called "informal employment", in other words economic activity which was outside the framework of the official plan. These activities took many forms; "moonlighting" by poorly paid civil servants, cottage industry activities of persons officially "working" as collectivised farmers, or whatever. Urban migration was also a growing phenomenon; and in the urban setting this gulf between the "planned employment" and the visible reality was especially evident. Increasingly large numbers of people were obviously economically active; but what they were doing did not appear in the plan and so, de facto, neither did they.

Official reaction on the part of both national authorities and the international development community to these "escapees" from the national development plan was mixed; sometimes open hostility, sometimes benign indifference, but virtually never positive encouragement, and certainly not assistance. It was axiomatic that, as "take off" was achieved and the development process gained momentum, the "modern sector" would gradually absorb them. So the "problem" was only temporary. The important thing was not to get distracted from the "big push" of investment and related development efforts to get to sustained growth. So both these "escapees" and their "informal activities" (which wasn't really "work", anyway) were either actively discouraged or at least ignored. This attitude also fitted well with ILO's big vocational training and management development programmes. "Informal employment" was clearly not what the graduates of these institutions were being prepared for.

But the "temporary problem" didn't go away; it got worse. An increasingly large and visible "modern jobs gap" could not be ignored. Demographic trends plus seemingly unstoppable urban migration meant that ever increasing numbers of people were entering the urban labour market, which was the modern sector par excellence. The levels of capital investment needed to generate "modern sector" jobs to absorb them were simply not in the cards, even under the most optimistic assumptions about both domestic saving and foreign investment. By the middle to late 1960s, unemployment was clearly not responding to the planned development efforts as it was supposed to. And this was in spite of significant efforts, and successes, in areas like capital formation, infrastructure investments, human resources development, etc. Something had to give.

## **B. The World Employment Programme**

The ILO's response to this increasingly evident paradox was the World Employment Programme. The WEP emerged as a proposal in 1967 at the Americas Regional Conference in Ottawa. It quickly found a strong echo among constituents, and then was formally endorsed and launched in Geneva at the 1969 international labour conference. Its main thrust was to bring the issue of employment generation into the center of the national planning and development efforts as an explicit policy objective in its own right, instead of leaving it as a residual and eventual consequence of "successful" development efforts.

Today, this may sound pretty obvious. But in the thinking of the 1960s, the centre stage of attention was capital formation, export promotion and the like. The conventional wisdom considered that employment would grow as a result of advances in these areas. Leave the labour market alone to function "efficiently"; and supply and demand will "clear" at the "equilibrium" wage rate. Any concern about the low level of this "equilibrium wage" should be addressed by making sure that this labour is, on the supply side, well and appropriately skilled and, on the demand side, productively used. (Ergo, vocational training to ensure useful and up-to-date skills, and management development to make sure these skills were put to good effect in efficient enterprises). There may be some "social stresses" during the adjustment periods and the "take off" stage, but these will fade as sustained growth takes hold and the modern urban sector gradually expands to absorb any displaced from the rural and traditional sectors. To be sure, this "residual self-regulating labour market" thesis never sat well with much of the ILO community, both within the Office and among the constituents (especially on the workers group side). But it was a widely held view among respectable mainstream economists; and economists tended to dominate the development debate.

The WEP was, in effect, a direct attack on this conventional economists' wisdom. The basic WEP counter thesis was that employment should be seen as a central component of development efforts, not as an eventual result of them. It should figure prominently both at the planning as well as the implementation stages and at the macro as well as the micro levels. Full and productive and freely chosen employment should be brought into the development process as an explicit and unifying leitmotif, to be pursued as socially and economically desirable in itself, and as a theme which gives other development efforts their societal justification, not vice versa.

That thesis still seems relevant today, ... and still in need of promotion.

## C. Comprehensive Employment Missions

To get the WEP rolling, the old Manpower Planning and Organisation branch (MPO) was moved out of the Human Resources Development Department and elevated to a department in its own right, the Employment Planning and Promotion Department (EPPD). The new department had three branches, each with its corresponding focus; research, sectoral employment projects, and comprehensive employment planning missions. This third branch had the mandate of organising large multi-disciplinary “comprehensive employment missions” of up to two months duration to specific requesting countries.

These comprehensive missions were quite an innovation at the time. Not only did they represent a new focus for development efforts, namely employment; they also constituted a different approach to technical assistance. First, much more attention, and consequently most of the resources went into analysis and diagnosis rather than remedial activities, as had been the case for most technical cooperation projects to date. Indeed, the whole thrust of a comprehensive employment mission was to analyse and to recommend rather than to implement. Second, each mission was not only multi-disciplinary but also made up of experts from many institutions, not just the ILO. Academics, officials from other international organisations, specialists from national universities and research institutes, trade unions, employers organisations, management consultancy organisations - considerable effort went into making these teams not just technically but also culturally and institutionally heterogeneous. Effort was also invested in making sure each team had an unbiased perspective. There was no linkage between either past or pending technical assistance projects. Nor were the missions to be constrained with the amount of development assistance funds currently available, like a sort of portfolio programming exercise. The whole idea was to give the requesting government the best possible analysis of its current employment challenge, in all its many facets, and to leave the national authorities with the broad outline of a coherent strategy as to how they could respond to this challenge.

Each mission typically consisted of up to twenty-five to thirty recognised experts in a variety of specialisations and from a variety of institutions, some local or national and some international. After careful preparation and planning by the ILO and the national counterpart organisation (usually the national planning authority), which included not only the physical and logistical preparation but also the assembly of as much background information and data as possible, the mission would gather in the receiving country and spend up to two months or more working closely with all the different national actors in the national development effort. The output would be a comprehensive national employment plan, parallel or tandem to the national development plan, usually embodied in a general report. Each mission also typically produced a number of technical or working papers on specific themes.

The echo from this initiative by the Office was generally quite positive. In addition to a sort of macroeconomic “employment audit”, these missions also provided national authorities a well-grounded mosaic for coordinating and planning various specific development projects. Donors liked the broad-based and insightful analyses. Other academics and students of development liked the drawing together into a single consolidated place what had previously been rather disbursed information and data.

But these comprehensive missions also suffered from some design flaws. First, while the ILO officially sponsored and organised them, the missions themselves and especially the content

of their findings and recommendations were considered the responsibility of the team leaders and, to a lesser extent, its members. There was no official ILO endorsement of either the report(s) or the recommendations. When the idea of such comprehensive missions was developed, this autonomy was seen mainly as a way to ensure that each team had an unbiased perspective and was free to draw the conclusions and make the recommendations which sprang naturally from its analysis. But the effect was also to mean little institutional commitment to follow-up, especially once team members returned to their respective organisations and jobs when the mission was over. Second, donors liked the idea of the missions in general, and supported them financially and used their findings in their respective project programming activities. But there was no institutional change in the way in which development assistance funds were allocated to programmes and then into specific projects. This process has easily a three- to five-year time frame. So, in effect, donor resources were provided for the missions themselves (which were, to be sure, expensive but far less so than the called for follow-up) but no provision was made for any *additional* project funding above the levels already set, and programmed. So any fresh projects to follow-up on the recommendations of the comprehensive missions had to compete with existing projects or with proposals already in the pipeline. In short, the missions tended to raise expectations for subsequent assistance which later proved financially impossible to satisfy.

Those follow-up flaws could have been resolved; but there were deeper problems which only became visible from the vantage point of hindsight. While the missions were a true innovation in their day, and were undertaken in genuine good faith, today we would probably consider them both too “technocratic” and too “culturally insensitive”. At the time, bringing in a group of “high-level experts” to figure out in a few weeks how to address a pervasive social and economic problem which had been festering for years seemed reasonable. Today, this strategy sounds a bit naive. Can a “high level international expert” understand a problem or an issue better than the local people who live with it every day? He or she may have broader knowledge about how similar issues are addressed in other countries; but does that broader international knowledge translate into a valid comparative advantage for figuring out how to solve that problem within the intricacies of the local situation? Second, six to eight weeks in a country is barely enough to get adjusted to the local food, let alone to get a feel for how to approach complex social issues like employment.

Third, and perhaps most fundamentally, this whole approach was still well within the “technocratic ethos” mentioned earlier; and within this ethos, economics was by far the “dominant” discipline, to the effect that these missions used nearly exclusively technocratic and economic “lenses”, predominantly imported, to conduct their analyses and to formulate and argue their recommendations, with only a shallow grounding in the local cultural or political or social institutional context. Whereas it had originally been planned that the participation of various local “experts” in the work of these missions would allow to circumvent this pitfall, in the event the international cadre of the missions tended to enjoy higher prestige than their local counterparts and, being away from their other responsibilities, were more “100%” into the work of the mission. (The important exception to this pattern is the concept of the informal sector and the mission to Kenya, as I describe below.) Also, without exception the team leaders were economists of “high level international standing” (and all men, no women!); and the reports and documentation were finalised at ILO headquarters in Geneva. So these comprehensive employment missions in fact remained well within the then dominant technocratic ethos and economics perspective of the late 1960s.

For whatever reasons, by the middle to late 1970s, the “bloom was off the rose” for comprehensive employment missions. While some missions continued to be organised into the early 1980s, more and more of the mandate for assisting member States to formulate their employment oriented development strategies passed to the regional employment teams (PREALC, ARTEP, JASPA and SARTEP, which along with other technical regional teams became the nuclei for the current MDTs)<sup>5</sup>. Nevertheless, and however we may look back upon them with the advantage of hindsight, these comprehensive employment missions had a significant impact on the ILO and the WEP. In the first place, they brought the ILO into public attention in areas where it had not previously seemed largely irrelevant. National development planning, macro-economic themes such as fiscal policy and taxation, technology policy, sectoral and regional development, etc. were areas in which the ILO had something to offer, but had not so far been very successful in getting the ear of either local authorities or the development community. Finally, the missions brought into the Office a number of talented persons whose careers would otherwise probably not have brought them this way. Some of them stayed on and have made substantial contributions to the life of the institution.

And, of course, it was the comprehensive employment mission to Kenya in 1972 that gave us the concept of the informal sector.

#### **D. The Kenya mission of 1972 — the “informal sector” is born**

The Kenya mission, in 1972, was the first comprehensive employment mission to Africa. It took place in the missions’ “glory days”, and enjoyed both the strengths and weaknesses described above. But undoubtedly one of its most lasting legacies has been the concept of the informal sector.

In the Kenya report<sup>6</sup>, “Employment, incomes and equality”, not only was the phrase “informal sector” coined; but this concept played a key role in the whole analysis of the employment situation. Chapter 13 of the report is devoted entirely to the informal sector. A separate section of the initial summary and recommendations is on the informal sector. Technical paper 22 is on “the relationship between the formal and informal sectors”. And throughout the various other chapters and sections, separate comments and observations are included on the formal and informal sectors.

This report played a seminal role for the concept of the informal sector. Even today, it is hard to find a better definition or description of it, nor a better analysis of why it is an important contribution to the development dialogue. So the following somewhat long extract from the report’s introduction seems appropriate:-

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<sup>5</sup>Programa regional del empleo para America Latina y el Caribe (PREALC), Asian Regional Team for Employment Promotion (ARTEP), Jobs and Skills Programme for Africa (JASPA), Southern African Regional Team for Employment Promotion (SARTEP), and multi-disciplinary teams (MDT).

<sup>6</sup>“Employment, incomes and equity: a strategy for increasing productive employment in Kenya” (ILO, Geneva, 1972). The following quote is from pages 5 & 6 of the Introduction.

“The problem with employment is that the statistics are incomplete, ... omitting a range of wage earners and self-employed persons, male as well as female, in what we term ‘the informal sector’.

“The popular view of informal sector activities is that they are primarily those of petty traders, street hawkers, shoeshine boys and other groups ‘under-employed’ on the streets of the big towns. The evidence presented in Chapter 13 of the report suggest that the bulk of employment in the informal sector, far from being only marginally productive, is economically efficient and profit-making, though small in scale and limited by simple technologies, little capital and lack of links with the other (‘formal’) [sic] sector. Within the latter part of the informal sector are employed a variety of carpenters, masons, tailors and other tradesmen, as well as cooks and taxi-drivers, offering virtually the full range of basic skills needed to provide goods and services for a large though often poor section of the population.

“Often people fail to realise the extent of economically efficient production in the informal sector because of the low incomes received by most workers in the sector. A common interpretation of the cause of these low incomes (in comparison to average wage levels in the formal sector) [sic] has been to presume that the problem lies within the informal sector; that it is stagnant, non-dynamic, and a net for the unemployed and for the thinly veiled idleness into which those who cannot find formal wage jobs must fall. It is hardly surprising that this view should be widespread, for academic analysts have often encouraged and fostered such an interpretation. Further, from the vantage point of central Nairobi, with its gleaming skyscrapers, the dwellings and commercial structures of the informal sector look indeed like hovels. For observers surrounded by imported steel, glass and concrete, it requires a leap of the imagination and considerable openness of mind to perceive the informal sector as a sector of thriving economic activity and a source of Kenya’s future wealth. But throughout the report we shall argue that such an imaginative leap and openness of mind is not only necessary to solve Kenya’s employment problem, but is entirely called for by the evidence about the informal sector. There exists, for instance, considerable evidence of technical change in the urban informal sector, as well as of regular employment at incomes above the average level attainable in smallholder agriculture. The informal sector, particularly in Nairobi but to varying degrees in all areas, has been operating under extremely debilitating restrictions as a consequence of a pejorative view of its nature. Thus there exists an imminent danger that this view could become a self-fulfilling prophecy.

“Later, we explain how employment in the informal sector has grown in spite of obstacles and lack of outside support: the evidence suggests that employment has probably increased a good deal faster in the informal than in the formal sector. It is therefore impossible to judge how the employment problem has changed merely from the data on employment in the formal sector.

“Our analysis lays great stress on the pervasive importance of the link between formal and informal activities. We should therefore emphasise that

informal activities are not confined to employment on the periphery of the main towns, to particular occupations or even to economic activities. Rather, informal activities are the way of doing things, characterised by -

- (a) ease of entry;
- (b) reliance on indigenous resources;
- (c) family ownership of enterprises;
- (d) small scale of operation;
- (e) labour-intensive and adapted technology;
- (f) skilled acquired outside the formal school system; and
- (g) unregulated and competitive markets.

“Informal sector activities are largely ignored, rarely supported, often regulated and sometimes actively discouraged by the Government.”

Chapter 13 and Technical Paper 22 in the body of the report go on to develop and to substantiate these statements in the introduction. Yet this extract above continues to be an excellent and succinct statement both as to what the informal sector is and, especially, why it is an important conceptual tool for understanding and affecting the development process. It touches virtually all the issues which this new concept stirred up. Today, over a quarter of a century and several library shelves of research later, the evidence over these years has emphatically confirmed this report's perspicacity, even though some of these issues are still disputed.

It also seems important note how positive the report is about the informal sector, its efficiency, its innovativeness, its resilience. This is in rather sharp contrast to the “miserabilist” attitude which is now so prevalent towards the sector.

Before putting down the Kenya report, an additional comment is in order. Slipped in as a footnote, the report acknowledges that the informal sector idea originated not with the high-level foreign “development experts” brought in for the mission but from the work and the staff of the Institute of Development Studies of the University of Nairobi, a fact which has been generally forgotten since then. In other words, it was not the ILO which invented the concept of the informal sector. It came out of the thinkers and analysts of the Third World. The ILO basically picked it up and gave it broader currency. This fact may help explain why the concept was rather slow to be accepted in the high levels of the Development Set but quickly embraced by the Third World itself..

## E. WEP Research Programme on Urban Unemployment

Parallel to the comprehensive employment missions, The World Employment Programme also had a research programme with a number of specific themes, one of which was urban unemployment. While this research theme had begun in 1968 and 1969 (its first publication was Paul Bairoch's ground-breaking study on Urban Unemployment in Developing Countries, in 1971), it only really got rolling with the arrival of Harold Lubell in October 1971. He began a series of metropolitan city-specific studies, beginning with Calcutta, which emphasised field surveys and the collection of original data to supplement available information. In September 1973, S. V. Sethuraman joined Lubell.

While neither of the two was a member of the Kenya mission, their urban unemployment research programme is where the concept took root and blossomed. They incorporated in the methodology for their initial series of metropolitan city studies, and in a second phase as the focus on a series of urban informal sector city studies. The programme became "the urban informal sector research programme". The concept was a handy way to simplify linguistic complications of defining "disguised unemployment", "hidden versus open under-employment", etc. Someone in the informal sector was understood to be "economically active" somewhere between holding down a "good job" in the formal sector and hanging idly around the town square waiting to get hired. It also offered language which both up-dated and nuanced the "modern vs. traditional" and "rural vs. urban" duologies. We now also had a "formal vs. informal" axis.

But these benefits came with some costs. First, they cast the notion of informality into an exclusively urban context. This was not illogical; since this research programme was directed at the urban setting, and its managers logically called it the urban informal sector. But what about the rural setting? Does "informality" also exist there? How does it differ from the urban context? These questions about relevance and applicability of the informal sector to rural contexts were only systematically addressed later, after the informal sector as an urban phenomenon had been established. To some extent, the urban - rural split was bridged in 1974, when the whole WEP Research programme was reorganised (see the next section). However, it is still a source of professional divergences and potential confusion. Does the informal sector cover rural as well as urban situations; and, if so, what are the differences, if any?

Second, as an "employment" issue in the development debate, the informal sector was not seen as relevant to other policy areas such as public sector investment, export promotion, infrastructure development, etc. Also, since "good jobs" axiomatically belonged to the formal sector, those working in the informal sector were assumed to be there because they couldn't find a better alternative (ie., in the formal sector). So the informal sector came to be seen as a sort of labour market sump, where those who missed (for whatever reasons) getting one of the "good jobs" of the formal sector ended up. As regards the broad development strategy, the informal sector was still just an unpleasant but passing labour market phenomenon which had to be suffered through but would eventually fade away. (Does this "big push", "take off" thinking sound familiar?) So, the informal sector soon picked up the bleak hue of a "last resort" sector of "dead end" employment, which was just what the Kenya Report feared, a pejorative official view that perpetuates debilitating conditions and creates a self-fulfilling prophecy of low productivity and poverty and but ignores the creative potential and energies of the informal sector.



For all its strengths and weaknesses, the urban unemployment research programme, under the direction of Harold Lubell and then S. V. Sethuraman, carried the concept of the informal sector onto the Development Scene.

## **F. The 1970s — incubation years**

Initially, even within the ILO the concept was not embraced with immediate and universal enthusiasm. For example, it did not figure in the conceptual framework of subsequent comprehensive missions (e.g., Iran, The Philippines).

The WEP and the Employment Department itself went through a major structural reorganisation at the end of 1974. The new structure was based on technical theme (rural development, technological choice, income distribution, urban migration, etc.) rather than means of action (i.e., research, comprehensive missions, and sectoral projects), the idea being to link operational and technical cooperation activities more closely with research to the benefit (hopefully) of each. The 1974-75 programme and budget also saw a broad shift towards the rural sector. Six of the seven major research themes dealt with rural employment or rural development. The issue of urban unemployment (and, therefore, the urban informal sector) was viewed as, in essence, a reflection of stresses and imbalances between the rural and the “modern” or formal urban sectors. So research on urban unemployment was a secondary priority, not the dominant concern of top management.

Over the course of the 1970s, the phrase “the urban informal sector” gradually replaced “urban unemployment”. Most of the work consisted of city studies, with an emphasis on investigation and original supplementary data collection, and on policy level advice. Relatively little emphasis went into direct remedial programmes and traditional technical assistance projects. This approach made sense since the concept was new and neither understood nor as yet widely accepted. It needed to be demonstrated, first, that the issues encapsulated by the phrase were important ones and that this new phrase contributed in a useful way to the development dialogue. The first phase of research carried out studies on Calcutta, Abidjan, Jakarta, Sao Paulo, Lagos and Bogota. The second phase focussed on the informal sector as such across a wider size range of Third World cities.

“Perhaps the major contribution of (these studies) was to demonstrate the importance of the urban informal sector in employment and income generation ... Tentative estimates of the size of the sector in terms of its share of the urban labour force range from 40 to 60 per cent.”<sup>7</sup>

The documentary output during this decade was impressive. By the early part of the 1980s, this urban unemployment rubric of the WEP had produced thirteen books published by the ILO plus another 7 by outside publishers, nine articles for the *International Labour Review*,

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<sup>7</sup>“Urbanisation, Informal Sector and Employment: a progress report on research, advisory services and technical cooperation”, ILO - World Employment Programme, April, 1984; p. 9, 10.

45 WEP Studies, eight technical reports to individual countries, and roughly 25 miscellaneous documents.<sup>8</sup>

However, two major events took place during the 1970s which significantly affected the whole ILO, including the urban informal sector programme. First was the Tripartite World Conference on Employment, Income Distribution and Social Progress and the International Division of Labour (commonly called the World Employment Conference). This special conference took place in June 1976, in tandem with the regular World Labour Conference. It was probably the high water mark of the WEP, bringing ministries of planning and finance along with ministries of labour into the heart of the employment issue, and giving them a taste of tripartism at the international level. It was also quite an organisational feat, hosting two separate major international conferences at the same time and place.

The World Employment Conference endorsed a “basic needs approach” for development strategies, which continued the focus on the rural sector. While this was appropriate, since the incidence of poverty was clearly both numerically greater and more acute in rural areas, this meant that the urban informal sector continued to be somewhat out of the limelight of institutional priorities. In the 1978-79 programme and budget, drawn up in late 1976 and 1977 immediately following the World Employment Conference, the informal sector was rolled into the sub-programme Employment and Basic Needs in the Rural and Informal Sectors, one of the six sub-programmes which made up Major Programme 60 - Employment and Development.

The second event was equally as dramatic but much more negative, - the withdrawal of the United States from membership in the ILO — taking with it a full quarter of the ILO budget. Suddenly, instead of being able to develop a programme and budget for the next biennium building upon the momentum from the World Employment Conference and a decade of spade work to get employment into the center of development strategies and debate, the ILO was faced with an identity crisis as traumatic as its removal to Montreal in 1940 at the outbreak of the Second World War. While this crisis did not really relate to the work of the WEP, the Employment Department had to take its knocks along with the rest of the house. The crisis hit the 1978-79 programme hardest, since it had been finalised and approved in June 1977 but came into operation six weeks following the US withdrawal. It had to be cut back by 25 per cent. The 1980-81 programme and budget, which was put together while the crisis was at its height in 1978 and 1979, was also seriously affected. It had to be constructed with 303 fewer “budgetary positions”. So, instead of an institution moving forward on issues and concepts such as the informal sector, the Office ended the decade in a defensive, retreating mode.

## **G. The 1980s — dispersion years**

Despite this inauspicious start, the decade of the 1980s saw the concept of the urban informal sector spread rapidly. It became one of the five “global themes” of the Medium Term Plan for 1982 to 1987 (approved by the Governing Body in 1980). For the first time, informal sector activities began to appear in other major programmes besides the Employment Department. The new PIACT (International Programme for the Improvement of Working Conditions and

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<sup>8</sup>Ibid, pages 32 to 40

Environment, know by its French acronym) included informal sector work items. The next biennium (1984-85) included nine distinct informal sector work items, including activities in the Training Department and the Sectoral Activities Department. By 1986-87, there were 17 work items; and by the 1988-89 biennium every major technical programme had at least one work item dealing with the informal sector. Although the 1988-89 biennium fell between the two Medium Term Plans of 1982-87 and 1990-95, the informal sector was one of its priority “interdepartmental themes”. This is also the first biennium in which a major programme in the relations sector<sup>9</sup>, the Workers’ Activities Bureau, included an informal sector work item.

A perusal of the official programmes and budgets over the three decades<sup>10</sup> also reveals how attention gradually shifted from analysis and documentation towards remedial actions. Efforts in the 1970s had centred around exploring and analysing the informal sector. As the pace of activities began to pick up again throughout the Office after the financial crisis of the US withdrawal, the 1980s saw other departments include the informal sector in their activities. And the focus changed as well. Technical units concerned with training, labour administration, working conditions, co-operatives, workers’ organisations, etc. proposed work items with an explicitly remedial focus on the informal sector. This was hardly inappropriate, since a substantial amount of knowledge about the informal sector was now available. It was time to move from identification and exploration and diagnosis to action. However, this also meant that those designing and implementing these remedial actions did not always have a sound grip on the concept. A tendency developed to paste onto existing programmes and approaches (which necessarily had been conceived for a formal sector context) an “informal sector” component. As soon as these new programmes became operational, the mercurial nature of the informal sector became evident. Many of the informal sector units for which the programmes were planned, often most of them, turned out to be either inaccessible or unresponsive to this “help”. Meanwhile, the informal sector itself continued to grow.

To understand this increasing focus on remedial actions despite the often meagre and disappointing impact, it is helpful to examine a bit more closely the Office’s programming and budgeting process. It looks on the surface quite technical and demand driven. In theory, every two years the Office look afresh at what our constituents need and want and how the ILO can help them. This biannual “rethink” starts with a “programme guidance letter” from the Director General to the rest of the Office, which sets out a few broad themes or leitmotifs for the upcoming two years under consideration. Then, using “zero base budgeting” (decoded, this means: “Just because we have been doing this activity in the past does not mean that our constituents still need it and is therefore not a justification for continuing to do it in the future.”), each organisational unit, followed by each branch and then each department, puts forward its proposed “programme” of work items, or “shopping list”, for the next biennium. Each work item is costed (mainly for the staff work-months expected to be required). Normally, three such “shopping lists” are invited from each department, one at the same level of current resources, one for a somewhat higher and one for a somewhat lower level.

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<sup>9</sup>In those days, the word “sector” had a different meaning. Then it referred to the three sectors (technical, administrative, and relations) of the Office, each with its respective Deputy Director-General and separate major programmes and sub-programmes of the overall Programme and Budget. Also not to be confused with the Sectoral Department, which looked after the programme of industrial committee meetings.

<sup>10</sup>ANNEX 1 lists work items on the informal sector included within the approved programmes and budgets from 1969 to 2001.

So, in fact, the technical content of each biennium's programme is put forward by and through the existing staff and the existing organisational structure, and on the basis of existing resource distributions. Also, the whole process starts in the first quarter of the preceding biennium; for example, the work planned to the end of 1983 was first proposed by the respective technical units in early 1980, nearly four years earlier. When the member States come to vote formally on the as yet still only proposed biennial programme six months before the current programme and budget expires, there is little room for change. Any additional work on, say, the informal sector has to bump some other work item out of the package. Thus, despite the appearances of carefully anchoring the programme and budget on an objective technical analysis of constituent needs, there is plenty of scope for political influence, development fashions, bureaucratic power struggles, protecting existing compromises and balances, personal career interests, etc. etc. etc.

These human realities of the ILO programming and budgeting process affected the informal sector both as a concept, as a programme, and mainly negatively. Because it did not find a natural champion in either the worker or employer or government group of ILO constituents, the concept never grew to become a programme in its own right. There have been over the years a number of sub-programme units with "informal sector" as part of their title; but there has never been a box in the ILO organisation chart with the specific mandate "the informal sector". When the informal sector became one of the "global themes" for the Medium Term Plans of the 1980's and early 1990s, this put it on the pedestal as one of the programming leitmotifs within the triggering programme guidance letters. Programme managers were (and still are) sensitive to changing fashions, and quickly picked up on this new fashionable topic. They had little problem adding "informal sector components" onto existing programmes no matter how curious the fit.

With no specific organisational unit responsible for the informal sector as such, everybody got into the game; but no one took overall responsibility. Also, most informal sector work items focussed on the visible consequences of working in the informal sector, rather than its much less visible causes. It was much safer to "help" those suffering from informality than to confront those benefiting from it. The overall portfolio drifted gradually away from measuring and analysing the informal sector and its causes over towards taking actions to "help" those caught in it. While these remedial efforts were certainly worthwhile, they drew attention away from WHY the informal sector existed. So it continued to grow! And the ILO continued to put forward every two years rather disjointed portfolios of remedial "action". We, in effect, treated the patients suffering from this growing social disease but never attacked systematically its source(s).

The avoidance of looking into the causes of the informal sector had a political payoff for various interest groups within the ILO community. In the short run at least, it gave the appearance of "doing something" about this social problem while not requiring either the ILO or its constituents to face up to the fact that the informal sector has always been largely unrepresented in the traditional ILO tripartism. The institution could also avoid risking the conclusion that some traditional ILO programmes and procedures were either irrelevant to the informal sector, or possibly even exacerbating it. By concentrating attention on "helping" those suffering from informality (that is, by concentrating on remedying the symptoms rather than correcting the causes of the informal sector), we have been able for three decades to claim that we were responding to an increasingly virulent social disease without having to change our own

modus operandi nor risk making any of the technical capacities the Office has built up over the years obsolete.<sup>11</sup>

A corollary tendency also developed along with this focus on symptom instead of cause, what for the lack of a better term may be called the “miserabilist” vision of the informal sector. A striking feature of the original concept in the Kenya report is the positive attitude towards the informal sector. It is clear that the authors of this report did NOT consider the informal sector as a dead-end “sump” into which fall those who miss out getting swept up into the formal (or, as they called it then, the “modern”) sector. On the contrary, they evidently admired the resilience and creativity of informal sector units, usually in the face of tremendous economic and social and political obstacles. In its original conception, the informal sector was an attractive alternative development strategy, a way to escape the modern versus traditional labour market dilemma.

Over the years, however, this positive vision of the informal sector atrophied. The phrase “informal sector” became a synonym for the poorest of the poor, the bottom of the heap, those “missed” by the march of progress, etc. It became axiomatic that any one in the informal sector was there as a last resort. This “miserabilist” vision fitted well with an orientation on “helping the victims” rather than analysing the causes. As long as we viewed the informal sector as a miserable place which anyone would be overjoyed to get helped out of, we could also assume that “helping” those in it to get out, that is to get into the formal sector, was an appropriate long-term strategy. But this “miserabilist” view drew us away from seeing the strengths of the informal sector. And it made it impossible to see the informal sector as what it had originally been presented, a viable alternative approach to the organisation of economic activities. In effect, we were still locked into the modern-tradition and urban-rural modes of dualistic thinking, we had just changed the terminology slightly to include formal-informal.

Outside the ILO also, the concept of the informal sector was gradually catching on. The accompanying chart (Figure 2) shows the number of documents on the informal sector registered each year in the ILO LABORDOC collection. The ILO’s own contribution to this growing corpus of informal sector literature ranged between a third and a half of the total. The remainder came mainly from academic institutions and other development organisations. Throughout these decades, there was extensive collaboration and exchange of information and views throughout the development community on the informal sector. While the ILO on its own accounted for less than half of this exchange, it has been the largest single contributor, both year by year and also commutatively.

## **H. The 1990s — “In with a roar! Out with a ..... ?”**

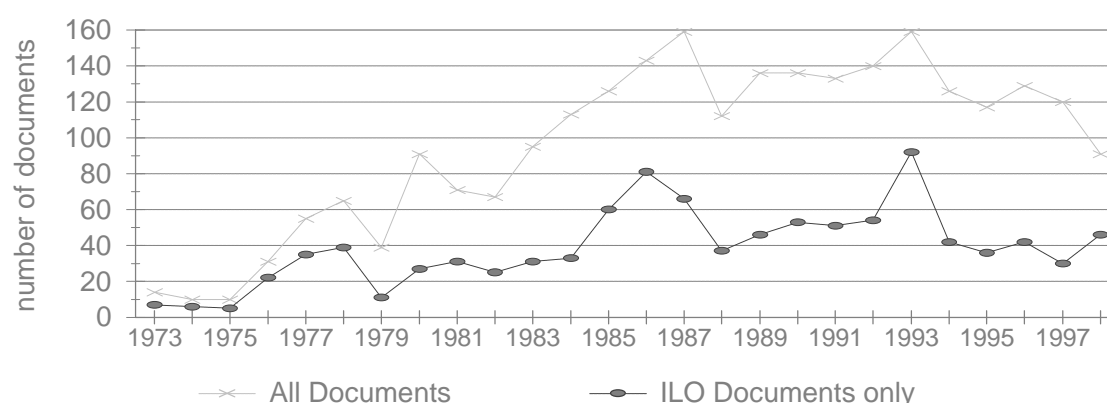
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<sup>11</sup> The dynamics of programming and budgeting have always been, and probably always will be, a lot less technical and objective and a lot more political and bureaucratic than one might wish. My sense is that this is not a conscious result but an unintended cumulative effect of the individualistic and isolated way that specific work items are conceived and proposed and then filtered and massaged as the building blocks which go into the final Programme and Budget. The new method of programming introduced for the first time in the preparation of the 2000-01 biennium includes some interesting innovations in this regard, mainly having the Conference first settle the major themes and their respective allocation of resources, and then proceeding with the defining of specific work items. It remains to be seen, however, whether these changes will outweigh the human bureaucratic propensities to “protect one’s turf” and to draw an official’s creativity away from conclusions which might put into question his or her past success and, possibly, future advancement.

The building momentum of attention to the informal sector crescendoed in the early 1990s. Three major informal sector “events” marked the first half of the decade; 1) the international tripartite debate on the informal sector at the 1991 International Labour Conference, 2) the 15<sup>th</sup> International Conference of Labour Statisticians’ (January, 1993) adoption of a recommendation on statistics of employment in the informal sector, and 3) the Office-wide inter-

**Figure 2**

## Documents on the INFORMAL SECTOR entered annually into the ILO LABORDOC



departmental project on the informal sector in the 1994-95 biennium.

### **(1) *An international tripartite debate on The Dilemma of the Informal Sector***

The 1991 International Labour Conference was the high water mark of international debate and discussion on the informal sector. This was the first time it was a principle and explicit agenda item for a major international conference. This was also the first time it was discussed on a universal and tripartite basis by persons NOT directly involved with dealing with the informal sector. Up to that time, the subject had been largely the domain of “specialists” and “technicians”. The 1991 conference provided an occasion for employers’ and workers’ representatives and government officials, whose professional perspectives normally cover the whole economy, to express themselves on the subject. That was a “first”.

The Director General’s Report,<sup>12</sup> *The dilemma of the informal sector*, which introduced the subject and served as the conference discussion document, is still one of the best general treatments on the topic. It focusses, correctly, on the concept without getting too caught up in definitions or statistical demarcations. It also discusses how the informal sector represents a particular mix of challenges to conventional notions of economic governance. Hence its title: “The dilemma of the informal sector”. The report outlines the implications of the dilemma in a number of specific policy areas

<sup>12</sup>*The dilemma of the informal sector*, Report of the Director General, International Labour Conference, 78<sup>th</sup> Session (1991).

The report also makes two other points worth mentioning here. First, in its conclusion, the report states clearly: “Contrary to earlier beliefs, the informal sector is not going to disappear spontaneously with economic growth. It is, on the contrary, likely to grow in the years to come, and with it the problems of urban poverty and congestion will also grow.”<sup>13</sup> A growing urbanisation is consistent with the developmental expectations of the 1950s and 1960s. However, that this trend towards urbanisation would represent a nexus of seemingly unsolvable problems of grinding urban poverty is quite different from that earlier thinking. The upward spiralling dynamics of “modernisation” which were supposed to accompany urbanisation, and lead to economic “takeoff”, didn’t kick in; there wasn’t any trickle-down of any significance, nor should any be expected, at least not within any reasonable time frame. This is an important conclusion, with fundamental implications for the conventional development paradigm.<sup>14</sup>

A second point to note from the Director General’s report is its focus on the *urban* informal sector. Whether the concept of the informal sector applies to rural environments as well as urban has been an issue since the phrase was first coined. In the Kenya report, the context was clearly and explicitly urban. This was also the case for the WEP research work during the 1970s. But outside the ILO, and also as the concept spread to other technical departments within the Office, a tendency developed to apply the phrase somewhat loosely to most any sort of poverty or social exclusion, whether in urban or rural contexts. This has not been a helpful development. Such loose and often casual use of the term has led to confusion and disappointment. As the report explains, while many symptoms of the urban informal sector are also to be found in rural areas, the causes and the context are different, and their accessibility to various kinds of remedies is also quite different. So, for both analytic and remedial reasons, it is better to treat issues of rural poverty and exclusion as separate from the *urban* informal sector.

If the DG’s report on the informal sector was excellent, the debate on it by the tripartite delegations was outstanding. Unfortunately, that debate is much less easily accessible, since it is only available in the Record of Proceedings<sup>15</sup> for the conference, which also includes all the other issues which the conference took up. Also, in addition to a certain stylized manner of expression particular to an international conference, some speakers use their opportunity for intervention to make observations on other issues as well. All this must be “filtered out” to get to the points on the informal sector which the various speakers wished to make.

For the diligent and the patient, however, the rewards are worth the effort. During the three weeks of the Conference, 220 speakers rose to give their views on the report “The dilemma of the informal sector” and the issues it described. Out of these, about half came from the Government group, of whom 77 were ministers or equivalent. 43 delegates from the Employers Group and 49 from the Workers Groups spoke, and 16 observers, mostly from international trade secretariats. Despite the fact that the report emphasised the prominent role of women in the informal sector, of the 220 speakers only 9 were females: six ministers and one employer and two

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<sup>13</sup>Ibid, page 63

<sup>14</sup>A similar conclusion came out of the HABITAT II Conference in Istanbul in 1996. See: “Report on the Second United Nations Conference on Human Settlements (HABITAT II)”, ILO Governing Body Document GB.267/5.

<sup>15</sup>International Labour Conference, Seventy-eight Session, Geneva 1991 - Record of Proceedings” (ILO, Geneva, 1992)

worker delegates. Virtually every region and every political system and every level of economic development was represented. Even a casual perusal of the speeches shows that this tripartite and universal gathering of delegates both understood the issue(s) and spoke their minds. It is this unique combination of diversity plus informed candour which makes that international debate on the informal sector so interesting.

What did they say? It is both presumptuous and superficial to condense into a few lines over two hundred speeches. Many speakers, especially from the Government Group, took pains to describe efforts in their country to deal with the informal sector. Virtually all supported the importance of the concept and the need for it to continue as an important issue for attention from the ILO. A range of views is evident regarding the urban-vs-rural issue, and especially about the extent to which international labour standards and other forms of regulation could or even should apply also to the informal sector. Nearly every speaker, however, concluded that the informal sector could not simply be ignored either by public authorities or in the tripartite social dialogue. It had to be brought into the economic and social mainstream, ... somehow.

The Director-General's reply to the debate gives a good synthesis of the main points. It also highlights where there is an international consensus, and on what topics such a consensus has not yet evolved. For ease of reference, this reply is attached as ANNEX 2..

A curious epilogue of this 1991 Conference debate on the informal sector took place at the Governing Body the following November (251<sup>st</sup> Session). The Office submitted a paper<sup>16</sup> to the GB's Committee on Employment for follow-up on the Conference debate, proposing five lines of action: (a) data collection and policy research, (b) organisation of informal sector producers and workers, (c) improvement of the productive potential of the informal sector, (d) establishment of an appropriate regulatory framework, and (e) improved social protection. Following a somewhat unusual procedure in the committee,<sup>17</sup> the GB's Committee on Employment eventually included with its report a text representing "the personal views of the Chairman", which among other things called upon the ILO to "give priority to assisting the governments and employers' and workers' organisations of member States in the following areas": (a) improving the productivity of informal sector activities, (b) providing basic social protection to informal sector producers and workers, and (c) promoting and strengthening the organisation and collective action of informal sector producers and workers.<sup>18</sup> The full GB, then formally "requested the Director-General to take account of the Committee's discussion in preparing the document for preliminary consultation on the Programme and Budget proposals for 1994-95 and in carrying out current activities pertaining to the informal sector."<sup>19</sup>

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<sup>16</sup>GB.251/CE/5/2

<sup>17</sup> During which the Office was asked to provide an additional document "to distil the conclusions emerging from the discussion", and to which a number of delegates objected on the grounds that they were being asked to discuss and take decisions on a document about which they had not had the opportunity to consult their capitals and constituents and which was not available in the appropriate languages.

<sup>18</sup>GB.251/17/22

<sup>19</sup>*Official Bulletin*; Vol LXXV, 1992, Series A, No. 1; p. 14



Notice the differences between what the Office proposed and what the Committee on Employment recommended under the guise of “the personal views of the Chair”. This little arm wrestling between the Office and the Governing Body over the priorities for ILO work on the informal sector has been an under-current issue since the informal sector first appeared in 1972. Two issues kept coming up repeatedly. First, the Office has always included informal sector measurement and analysis and policy research as a prominent (often central) element in its informal sector work-plans; while the GB has shown a recurring preference for remedial actions. Second, when it comes to remedial actions, to what extent should ILO activities be carried out predominantly, even exclusively, through recognised tripartite constituents, especially through and with trade unions and, to a lesser extent, employers’ organisations or through other groups such as NGOs? These issues are still with us.

## **(2) *15<sup>th</sup> International Conference of Labour Statisticians (January, 1993)***

The second major event of the 1990s for the informal sector was its inclusion on the agenda of the 15<sup>th</sup> International Conference of Labour Statisticians (ICLS), in January 1993.

To be sure, the agenda item on the informal sector did not come out of the blue. In 1982, at the 13<sup>th</sup> ICLS, the issue of the informal sector was discussed briefly and a resolution was adopted stating that “it is desirable that countries develop appropriate methodologies and data collection programmes on the urban informal sector and the rural non-agricultural activities.”<sup>20</sup> That resolution was then followed in 1987, at the 14<sup>th</sup> ICLS, where the General Report informed, under the rubric “non-standard forms of employment and income”, that the Office’s Bureau of Statistics planned to “develop a conceptual framework for delineating the various forms of non-standard employment and incomes”, including informal sector activities, casual and intermittent employment, out-work, apprenticeship and unpaid family work.

No resolution on the informal sector had been anticipated by the secretariat for the conference. During the discussion of the General Report, however, the delegates demonstrated a keen interest in the issue of the informal sector. The delegate from Mexico moved orally a resolution on the need for more careful and in-depth treatment. After some discussion, a short formal Resolution VIII - Resolution Concerning the Informal Sector, was adopted which called for the informal sector to be put on the agenda of the next ICLS.<sup>21</sup> That was significant since it meant that the informal sector would be the subject of a separate technical report by the Office and the Conference would deliberate with a view towards a formalised international standard.

The 14<sup>th</sup> ICLS also concluded that “the ‘economic unit’ was the most appropriate measurement unit for defining the informal sector.”<sup>22</sup> This was, and still is, a tendentious issue in discussions about the informal sector. Should the unit of analysis be the individuals working in these conditions; or should it be the “enterprises” where they work even though these are typically very small, owned by the workers themselves and hard to catch and delineate statistically? This is more than a purely academic question. Which unit of analysis is chosen

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<sup>20</sup>Resolution I, Thirteenth International Conference of Labour Statisticians (ILO; Report II, ICLS/13/11, “Labour Force, Employment, Unemployment and Underemployment”; Geneva, 1982) para. 33

<sup>21</sup>Report on the Conference (ICLS/14/D.14) p. 83

<sup>22</sup>Ibid, p. 9

influences what kinds of remedies are envisaged. If this choice is not “well deliberated” (to use Amartya Sen’s phrase) then the hoped-for fruits from these remedies are likely to be pretty ephemeral, as has disappointingly often been the case. Discussing here the implications of this choice of unit of analysis would take us on a long detour from this institutional history. It is appropriate, however, simply to note that in 1987, the ICLS was “virtually unanimous” that the choice should be the “economic unit”, not the worker.

In accordance with established practice, the Office prepared in 1992 a report “Statistics on Employment in the Informal Sector”, as the basis for discussion on one of the three technical agenda items at the 15<sup>th</sup> ICLS in January 1993.<sup>23</sup> Also as per established practice, the report included a “draft resolution” for the conference to examine. Both the report and the draft resolution dealt with conceptual and definitional issues as well as methodological questions. As with “The dilemma of the informal sector” report in 1991, it drew together a wealth of background information and, along with the draft resolution, served to focus and to animate the discussion of the ICLS. However, the tripartite and universal debate itself generated a number of interesting and significant insights and perspectives which had not been captured fully in the document prepared by the Office. So anyone who looks back to this report should take care to examine also the final report on the full conference<sup>24</sup>, which contains both the report of the committee dealing with the informal sector technical item and also the final formal resolution which the ICLS actually adopted.

The final resolution of the 15<sup>th</sup> ICLS quickly got a significant boost in international status. Separately but parallel to the ILO’s work on statistics on employment in the informal sector, other major international organisations were engaged in a major revision of the 1968 version of the international System of National Accounts (SNA)<sup>25</sup>, the conceptual framework for the national financial and economic statistical systems used for such things as calculating national product, international reporting of comparable economic and financial data, etc. It is the core schema upon which these national accounting systems and virtually all international economic and financial comparative data are based.

The 1993 revision of the SNA was the culmination of a decade-long effort, under the general direction of the UN’s Statistical Commission, with full technical and financial participation of EUROSTAT, the IMF, the World Bank, and OECD, as well as various Specialised Agencies within the UN family. In the introduction, highlighting the significant changes of the new schema over the 1968 version, “the 1993 SNA notes and makes use of the distinction between the informal and formal sectors.”<sup>26</sup> The new SNA also explicitly recognises the lead role played by the ILO with respect to the informal sector, and incorporated as an annex a two-page extract from the recent resolution by the ICLS. Thus, within a few weeks of its

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<sup>23</sup>ICLS/15/III. The other two technical items were “statistics on strikes, lockouts and other forms of industrial action” and “revision of the international classification of status in employment (ICSE)”.

<sup>24</sup>ICLS/15/D. 6 (Rev. 1)

<sup>25</sup>“System of National Accounts 1993” (Commission of the European Communities - Eurostat, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, World Bank; Brussels/Luxembourg, New York, Paris, Washington, D. C.; 1993)

<sup>26</sup>Ibid, p. xliii

adoption, the ICLS resolution of statistics on employment in the informal sector was formally included into this SNA 1993 and then formally adopted and recommended to the international community by the United Nations Economic and Social Council. It is hard to imagine a more authoritative or universal endorsement!

Considering the importance of the 15<sup>th</sup> ICLS Resolution II, the “universal and tripartite” way in which it was developed, and its unique high-level endorsement, it seems appropriate to include the full text as ANNEX 3.

One final remark before moving on from the 15<sup>th</sup> ICLS. The conference also took up as a separate technical item the revision of the international classification of status in employment, and adopted the new ICSE-93. Much of the content of that item’s technical report and its subsequent discussion touched on issues either closely or directly related to issues linked with the informal sector. The interested reader is therefore urged to look into the section of the 15<sup>th</sup> ICLS on status in employment as well. As with the debates on the informal sector, it is also useful to read the record of discussions as well as the final resolution.

### **(3) *1994-95 Interdepartmental Project on the Informal Sector***

The third major informal sector “event” of the 1990s was the interdepartmental project on the informal sector in the 1994-95 Programme and Budget. Interdepartmental projects were an innovation into the ILO programming and budgeting process with the 1992-93 Programme and Budget. This, however, was the first full programming and budgeting cycle under the directorship of Mr. Hansenne. As stated in its introduction: “In recent years, the need has become apparent for more concerted action by the Office in certain fields crossing departmental boundaries.”<sup>27</sup> A new “department” for these cross-cutting projects was inserted into the P & B (Major Programme 140), with several issues singled out for special intensive interdepartmental attention during each biennium. That innovation lasted only through two biennia. In 1996-97, the “interdepartmental project” approach mutated into a series of smaller but more numerous “action programmes” each of which was attached into the traditional departmental structure.

While they lasted, there were six interdepartmental projects, of which one in the 1994-95 Programme and Budget, was on the informal sector.<sup>28</sup> The project’s objectives were: (a) to improve the productivity of informal sector activities, (b) to extend to informal sector producers and workers basic social protections incorporated into certain fundamental international labour standards, and (c) to promote and strengthen informal sector organisations and institutions for collective action. Its allocation included funds for 10 professional work-years plus nearly \$1 million for non-staff costs, plus an additional \$309,000 of additional funds for training courses and seminars and meetings in three selected cities: Bogota (Colombia), Dar es Salaam (Tanzania) and Manila (Philippines). There were also significant contributions and extensive collaboration with local authorities at both the municipal and national levels, and also with other donor agencies. Over thirty officials from 16 different technical units and field offices participated in

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<sup>27</sup>ILO, Programme and Budget for the Biennium 1992-93, Introduction para. 15

<sup>28</sup>The other projects were: in 1992-93, equality for women in employment, elimination of child labour, and employment promotion and structural adjustment; and in 1994-95, migrant workers, and environment and the world of work.

varying ways in the project. There were also three full-time local project coordinators (one in each city) plus a whole host of local and national government officials, representatives from employers' and workers' organisations, and NGOs who participated both in the planning and programming of project activities in each city, and then in the implementation of these activities. Also, and to the extent possible in each city, representatives from the informal sector itself were involved. In short, the project constituted a significant concerted effort involving a number of people from a range of technical and cultural perspectives.

The main thematic areas around which the project orchestrated its efforts were as follows:

- ! informal sector statistics: coverage and methodology
- ! the role of the informal sector: determinants of stagnation, growth and transformation
- ! the legal and regulatory framework; nature, impact and need for reform
- ! productive resources and markets: access to financial services, markets and sources of skills, training, and technology
- ! working conditions
- ! social protection
- ! informal sector self-help organisations / associations.

Two leitmotifs running throughout the project were “participation” and “demand driven”. This meant in practice that many people were involved and therefore much time spent on deciding what to do and how to do it. This in turn affected the timing of preliminary project activities, which in turn delayed other subsequent activities. For example, the statistics on the informal sector were not available until much later than expected, which meant that other activities were either delayed in turn or went ahead without the factual analysis that would have been desirable if a longer overall time frame had been possible. Notwithstanding these delays, however, virtually all directly involved in the project agreed that the leitmotifs were in the final analysis the wiser course to have followed.

One of the project's principal, if intangible, outputs was to stimulate attention and interest on, and practical innovations towards, the informal sectors in these three cities, especially in circles which usually did not consider issues of the informal sector to be particularly relevant to them. In that respect, the project was highly successful. It also achieved a rare degree of coordination and cross-fertilisation between different intellectual disciplines and different governmental authorities and different informal sector actors.

The project also generated a substantial amount of documentary output. Its bibliography included 27 publications or internal documents for Manila and Dar es Salaam each plus 17 on Bogota plus a number of documents of a general or conceptual nature.<sup>29</sup>

The interdepartmental project, however, suffered from a design flaw similar to the comprehensive employment missions of the early 1970s - follow-up. While the project was in full swing, and using its own resources to fund specific activities, things went well and target

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<sup>29</sup>For more information on this projects and its documentary output, see its final report: “Promoting Productivity and Social Protection in the Urban Informal Sector: an integrated approach” by George Aryee; (ILO, Geneva, 1996)

group interest was maintained. When the project ended, however, or when some specific activity was not funded directly by the project but left to counterpart contribution or to funding by some other donor, then the music changed. As a consequence, expectations were raised during the course of the project which were then unfulfilled when funds ran out and a new programme and budget cycle came into effect.

#### **(4) *The 1996-97 and 1998-99 Biennia***

The closing two biennia of the decade have had their attention on other things besides the informal sector. The practice of budgeting three to four major interdepartmental projects was overtaken with smaller scale, but more numerous, ‘action programmes’, “... special project(s) concerning a highly topical problem regarded as a priority by constituents in member States. Each action programme is intended to attain a specific aim and to result in one or more products which may be made available to constituents ...”<sup>30</sup>

The 1996-97 Programme & Budget contained thirteen action plans spread out among the various technical departments. Many of these action programmes dealt with topics linked to the informal sector, but none was specifically on the informal sector itself. A budget line entitled “informal sector” appeared in the Entrepreneurship and Management Development programme, which had been the bureaucratic “home” for the informal sector interdepartmental project during its operation, to bring to term the remaining threads from the project in the three cities, but only a small allocation for operational activities. There was also a sub-program on “urban poverty and the informal sector” within the (then) Development and Technical Cooperation programme. This subprogram, however, focussed mainly on urban infrastructure development and on informal settlements. Also, under the “workers participation in development” subprogram of the Workers Activities programme, plans were included for an international symposium in Geneva “to examine trade union action to further the interests of informal sector workers.”<sup>31</sup>

The 1998-99 Programme & Budget contained sixteen action programmes; and, again, several dealt with informal sector issues but none was focussed specifically on it. There were also informal sector “work items” in several technical departments. The Statistics Bureau budget included several activities related to informal sector measurement and statistics which focussed on implementing the mandate given the ILO in the Revised System of National Accounts (SNA 1993). The Development Policies department (formerly Development and Technical Cooperation, but still with the same acronym POLDEV) had changed its informal sector rubric to “The future of employment in the urban and informal sectors” and proposed to undertake technical assistance under the somewhat grand title “The Urban Employment Programme”, but to be financed principally from extra-budgetary sources. The Workers’ Activities programme, in addition to its international symposium rescheduled from the previous biennium, programmed various activities to assist trade unions “to help informal sector workers to establish their own organisations and develop existing ones”.

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<sup>30</sup>1998-99 Programme & Budget; Introduction, para. 8.

<sup>31</sup>This symposium was, in the event, postponed into the 1998-99 P&B, to October 1999.

## I. The Informal Sector in the “New ILO” of the Next Millennium

Our historical survey ends now. But what of the future? Some insight on the thinking which will dominate ILO activities on the informal sector in the coming millennium can be gleaned from the 1999 Conference, specifically from two key documents and two important speeches. The two documents are the new style Programme and Budget 2000-01 and the Report of the Director General “Decent Work”. Each of these documents presents itself, legitimately, as a cornerstone for the emerging “renewed and rejuvenated ILO” of the next millennium. The two speeches are the special address to the conference by Professor Amartya Sen, the 1998 Nobel laureate in economics, and the official “Reply by the Director General” to the discussion of his report “Decent Work”.

These two documents and two speeches are interesting for several reasons. First, each is deliberately wide and encompassing in scope, and NOT focussed specifically on the informal sector. Thus, we are able to see where this issue fits into the overall constellation of competing and complementing ideas. Second, with the exception of Prof. Sen’s speech (for which he certainly did not need, and probably did not receive, any assistance), each is a collective product, the fruit of the ILO’s own “brightest and best”. Each is also, in Professor Sen’s phrase, “well deliberated”, meaning that the contents have been carefully reviewed and examined by a number senior officials. Thus, taken together, they constitute a fair sounding of current top-level thinking within the ILO about the informal sector. Third, they are contemporaneous with each other and also aimed at the same audience, the international labour conference. So they are comparable in terms of scope and basic content, they are co-incident in terms of time, and they are all intended for the same audience, the international labour conference, which is the most authoritative organ of the ILO.

What comes across from these four sources is that, in today’s ILO, the urban informal sector is both not at the “centre of the stage” but still never far from the institution’s concerns. Each, whether speech or report, seems to shy away from the “urban informal sector” as the expression of choice. Other synonyms or close substitutes keep coming up ( “informal activities”, “informal labour”, “the unorganised sector”, “unregulated work”, etc); but the full traditional phrase “the urban informal sector” seems almost to be avoided.<sup>32</sup> Some of this may be explained as style, some also possibly as wanting to avoid the connotation of separateness associated with the word “sector”. Yet there is a clear intention in each to catch that large and growing portion of the economically active who do not fall within the “organised” or “formal” category. Each also shows clearly a genuine concern about this shadowy zone and about the consequences for those who get caught there. And each makes this issue of “those in the shadows” a central concern for the “renewed and renovated” ILO of the next millennium. So, in a sense, while the phrase continues to fall short of universal acceptance, the concept behind the phrase has in fact been incorporated into the schema of where and on what we need to focus in the future. Isn’t this what the authors of the original Kenya report really wanted? But, the concept remains as elusive and mercurial and ephemeral and mysterious as it was in 1972 ... only bigger.

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<sup>32</sup>Mr. Somavia, the ILO Director-General, confirmed my hunch in a speech several months after this paragraph was written: “What is now being observed is the growth of a wider informal sector and I think we do need to move to a new concept, that of the informal economy ...”(Inaugural Address; National Workshop on Strategic Approache to Job Creation in the Urban Informal Sector; Surajhund, Haryana, India; 17 to 19 February 2000.)

## **J. Some Roads Not Taken**

The preceding paragraphs have focussed on what happened over the past three decades within the ILO regarding the informal sector. As a final note, it seems worth taking at least a glance also at what did NOT happen. As Sherlock Holmes demonstrated, sometimes the significance lies in the fact that the dog did NOT bark.

One striking “non-event” concerning the ILO and the informal sector is the establishing of an organic unit to look after it. This is a normal bureaucratic response to an issue considered of more than passing importance - set up a unit for the issue. Yet over the three decades no branch or “programme” in the bureaucratic structure was ever established specifically and explicitly and more or less exclusively for the informal sector. There have been plenty of work items woven into the programmes of existing units, but never its own “stand alone flag” on the organisation chart. Other special concerns such as vocational rehabilitation of handicapped persons have become “established”, as so also have particular techniques such as micro-finance, as so also have other “cross-cutting issues” such as gender, ... but not the informal sector. Curious?

Another noticeable “non-event” has been the absence of informal sector posts in the field structure. In the 17 multi-disciplinary teams (MDTs) in the field, out of the 140-odd total posts, not a single one is dedicated specifically to the informal sector as such, although two posts (both within the Americas Region) include informal sector workers in their mandate under the residual heading “vulnerable workers”. But this is not quite the same as a “dedicated” informal sector post. This was also the case with the various regional technical teams which pre-dated the multi-disciplinary teams. In those days, the informal sector was “covered” by the respective regional employment team. All the employment teams did work on the informal sector, but only PREALC (covering Latin America and the Caribbean) had a “dedicated” informal sector post.

The most striking non-event concerning the ILO and the informal sector, in my eyes at least, has been its determined intellectual separation from international labour standards. A priori, these two topics both lie at the heart of the institution’s mandate. International labour standards are our oldest and most esteemed and most general “product”. Workers in the informal sector are in often desperate need of the social protection which standards are designed to offer. So the match would seem obvious. Here is an evident need and here is a package solution readily at hand.

As early as 1984, with the revision of the employment policy standards, there was an unambiguous recognition of the need to bring the framework of legal protections embodied in international labour standards into the working realities of informal sector workers. But there seems to be hardly any effort to follow up on this. For instance, in 1991, the same conference which discussed the Dilemma of the Informal Sector incorporated an exclusion in its Convention 172 (Working Conditions in Hotels Restaurants and Similar Establishments), an industry with a large informal sector, for “certain types of establishments which fall within the definition mentioned above but where nevertheless special problems of a substantial nature arise.” (e.g., “informality”?). Even standards on such evidently informal sector issues as homework or contract labour make only obscure and indirect references if any to the informal sector and generally skirt around the whole issue. The Declaration on Fundamental Principles and Rights at Work and the recent standards on the worst forms of child labour both avoid the concept altogether.

Why this divorce between standards and the informal sector, when there seems so much potential for synergy? This is an important but difficult question to answer, which would take us well beyond the scope of the present exercise. Still, two possible if only partial explanations seem worth a cursory glance. First, there is a logical argument. Once a specific topic, say homework, becomes the subject of an international labour standard, there is no longer a “gap” in the required international legal “framework”. Once the lacuna is filled, the topic is by definition no longer “informal”, at least as concerns international labour “law” and that specific aspect of the informal sector. Issues which can be the subject of an international standard are not by their nature specific to the informal sector but are general to economic life. So the notion of international labour standards for the informal sector is an oxymoron. The relevant issue is not the standards themselves but rather their application to the informal as well as the formal sectors.

This logic may have some appeal, and even some merit; but it is wrong, ... and dangerously attractive. True; economic activity in the informal sector does take place in a legal “twilight zone”. However, it does not follow that this legal shadow results only from “omissions” in the prevailing legal system. Nor does it follow that this legal system is “neutral” toward the informal sector. Indeed, one of the causes of the informal sector is the schema of national economic governance, including both laws and macro-economic policies and both their administrations, which is applied to the formal sector. The very existence of the informal sector is evidence that this schema is inappropriate and/or inadequate. Thus, the legal schema is itself, a priori, a most attractive window to address the underlying dynamics which cause the growth of the informal sector. To the extent that international labour standards are there to guide member States to construct “good” schemas of economic governance, should we in the ILO not try to make these standards informal sector “friendly”, perhaps even pro-active?

But it is just such an approach which has been ferociously resisted, usually under the cover of not “watering down” existing standards. Why? We have seen in recent years the complete reversal of international standards protecting female workers, and usually with the full support of the women workers themselves. Nobody calls the up-dating of these gender conventions “watering down”. Perhaps it is time to review international labour conventions and recommendations as possible causes of the growing informalisation of economic activity? My hunch is that the informal sector workers themselves would welcome the attention.

## CONCLUDING OBSERVATIONS

It seems appropriate to conclude this historical review with a few general observations. First, the concept of the informal sector seems still to this day to sit uncomfortably within a tripartite culture. Each of the ILO tripartite constituencies has natural and genuine inclinations to help those in the informal sector. But each also has fundamental problems how to go about this, and is to a certain extent threatened by its very existence. So, not surprisingly, each of the three Groups has had rather mixed feelings about the Office’s work on the informal sector and, very important, also mixed feelings about applying resources to informal sector work when this is at the expense of other work closer to that Group’s primary concerns. Fortunately for the informal sector, these mixed feelings differed with each group, and have also shifted over time as the concept became more clear and as its size and importance became more evident.



Second, the history of ILO work on the informal sector sheds some interesting light on the relationship between the Office and its supervisory organs, the Governing Body and the International Labour Conference. The officially hierarchical relationship may not be quite as hierarchical as it appears. For at least a decade, the Office continued work on the informal sector and the development of the concept despite at best indifference and sometimes open opposition from within the Governing Body. The Workers Group through the 1970s and early 1980s consistently opposed work on the informal sector. A sea change within the Workers' Group came in 1984 when the ICFTU at its own conference passed the first resolution calling for trade unions to take a more active role towards the informal sector. The employers, while now also endorsing a positive approach to the informal sector, continue to this day to express concern about "unfair competition". Fortunately, the Office continued for nearly two decades to work on the informal sector if not in open defiance certainly in open non-compliance with these Groups preferences. And the way things developed has demonstrated, I think, that this was the correct approach.

Third, it is not quite accurate to say the Office continued working on the informal sector. It would be more correct to say that certain officials did. At the management level, the ILO as an institution never really "put its shoulder" to the informal sector theme as has, for example, the new management to gender. I have already mentioned how the informal sector never got its "own" rubric in the official programme and budget. The fact that there is an informal sector theme today is the result of the professional perspicacity and tenacity of a few officials **below** the senior management or directorate level. I have already mentioned Misters Lubell and Sethuraman, neither of whom was on the Kenya comprehensive employment mission but who picked up this concept as the core for their urban unemployment research activities, at the behest of Louis Emerij. Victor Tokman championed the usefulness of the concept through the late 1980s, when the World Employment Programme as a whole was under critical re-examination and both departmental and senior management were inclined to "close out" work on the informal sector as a somewhat dated concept without much glamour left in it. George Niham also deserves credit for pioneering the concept on the francophone side, notably in Africa, often against stiff linguistic and cultural resistance as an "anglo-saxon transplant". The vacuum caused by his untimely death was well filled by Carlos Maldonado. These professionals persevered with the informal sector as a conceptual tool even when it was not the evident "fast track" for personal advancement. They have demonstrated that individuals can and do make a difference.

As a final observation, it is fair to say that the concept of "an informal sector" has now entered the development paradigm. There is still plenty of divergence about how to define it, and even more about how to deal with it. But no one doubts that the informal sector exists, that it is large, most agree that it is growing, and that it will be around for a good while yet. This is no small achievement! In the terminology of cultural change, we have achieved an "un-freezing" of the old paradigm, which is a precondition for genuine progress. This kind of paradigm shift is what the ILO is really all about. It now remains to build upon this achievement and incorporate the informal sector into the evolving new paradigm of the "renewed and rejuvenated ILO" of the coming millennium.

Hopefully, this brief review of the institutional history of the ILO and the informal sector will help in the task. As the historian Barbara Tuchmann has said, the only light we have to illuminate the future is the lantern on the stern.



## Three Decades of ILO Work on the Informal Sector from ILO's approved Programmes and Budgets

The following list contains the work items on the informal sector in the ILO's official Programme and Budget as approved by the International Labour Conference over the past three decades. These "official" work items are the ones which have made it successfully through a long negotiating process every two years which starts with what individual officials suggest that the ILO should do and, after being hammered into a coherent "programme" by the Office's own programming procedures and then being cleared through the Governing Body, eventually ends with what the member States formally agree as to how their financial contributions to the organisation should be spent.

This list is not an exhaustive nor definitive itemisation of work done by the ILO on the informal sector. Some of these items never actually end up being carried out, for all sorts of reasons. Other work not set out in the official "regular budget" programme either comes up unexpectedly or is carried out "off the radar screen" through externally funded technical cooperation projects or through the individual initiative of a concerned official. This list does, however, reflect the overall vision and approach to the informal sector within the ILO. It also gives a bird's eye view of how the concept of the informal sector has evolved in the official thinking and resource allocation process of the institution.

Prog No.	Description of work item (with para. number)
	<b>1969</b> (last one-year programme and budget of ILO) <b>World Employment Programme (WEP)</b> is launched, and includes research programme on urban unemployment
	<b>1970 - 71</b> (first two-year programme and budget)
7	Human Resources department
7.4	Manpower Planning and Organisation branch
	para 285 " ... and to examine in depth certain aspects of the problem of rural-urban migration ..." (including reissue of a 1960 study, "Why Labour Leaves the Land")
	<b>1972 - 73</b>
70	EMPLOYMENT PLANNING AND PROMOTION department
	Urban unemployment research programme
	para. 340 "... (a) a broad study ... to analyse the problems of urban unemployment from a multi-disciplinary point of view ..., (b) a two-part study ... to examine employment expansion possibilities within those modern and traditional activities which comprise the "services sector", and (c) (an analysis of ) urban employment problems arising from the migration into towns of a largely unskilled rural population ... (and ) economic activities among persons living in marginal urban areas."
	<b>1974 - 75</b>
70	EMPLOYMENT PLANNING AND PROMOTION department
	Urban unemployment research programme - continued

para. 547 “... the (research programme) will consist of (i) additional case studies along the lines of those carried out in Calcutta in 1972 and Abidjan in 1973, and (ii) the preparation of a general report which would be a revision of an earlier monograph on urban unemployment in the light of the case studies.”

#### 1976 - 77

60 EMPLOYMENT AND DEVELOPMENT

60.- Urbanisation and employment sub-programme

(Intro. para 50) “... extend the scope of work on the urban informal sector” (case studies had then been completed on Calcutta, Dakar, Abidjan, Jakarta, Sao Paulo and Bogota)

(para. 51) “... re-orient current activities ... towards the employment implications of (urban) pollution and living conditions.”

#### 1978 - 79

60 EMPLOYMENT AND DEVELOPMENT

60.2 Employment and basic needs in the rural and informal sectors sub-programme

60.20 “... the alleviation of poverty in the rural areas and informal sectors of developing countries

60.27(c) “... further research and advice on policies for the informal sector ... and (advisory services)

#### 1980 - 81

60 EMPLOYMENT AND DEVELOPMENT

60.2 National employment and basic needs strategies

60.23 “... and measures to help the informal sector”

60.25 “... a report about the suitability of unconventional systems for obtaining complementary manpower information in the informal sector.”

#### 1982 - 83

60 EMPLOYMENT AND DEVELOPMENT

60.2 National employment and basic needs strategies sub-programme

60.21 - “development of the urban informal sector” (studies, practical guidelines, technical assistance)

“The proposed activities would build upon the experience acquired in previous biennia. Studies would be undertaken to identify viable informal sector activities and their capacity to generate growth.

Practical guidelines would be prepared analysing factors contributing to success or failure in the informal sector.”

90 WORKING CONDITIONS AND ENVIRONMENT (PIACT)

90.22 “... new emphasis on the informal urban sector (sic)” with tripartite regional seminars in Africa and Latin America

90.71 “... study (to) identify the major issues and the magnitude and nature of the problem of poor working conditions and workers’ welfare in the informal sector.”

## 1984 - 85

- 60 EMPLOYMENT AND DEVELOPMENT
  - 60.2 Labour market problems and policies sub-programme
    - 60.13 Impact of labour market policies on employment and poverty in urban areas
    - 60.18 Development of efficient low-cost systems of labour market information for rural and informal sectors (national training courses “in at least 10 countries” - practical guidelines for the organisation and operation of key informants approach, sub-regional seminars, etc.)
  - 60.3 National & international aspects of employment and development policy sub-programme
    - 60.31 “... studies on the nature and extend of interdependence between the formal and informal sectors and on the links between the informal sector and the provision of basic needs, particularly housing and other urban services.”
- 70 TRAINING
  - 70.2 Management development sub-programme
    - 70.26 “guidelines and training materials in entrepreneurship development for trainers and prospective entrepreneurs would be developed”
    - 70.29 “(a) a tested methodology for the design and implementation of appraisal techniques for small loans and for management and supervision of small loan portfolios by rural bank managers, and (b) guidelines for the training of loan officers in rural banks ... “
    - 70.30 “(a) a comprehensive inventory of completed research (on subcontracting), (b) ... an inventory of existing subcontracting practices, and (c) design arrangements for the active promotion and use of subcontracting to develop small enterprises.”
    - 70.33 “‘action guidelines’ - for training systems for managers of rural development programmes “which can be run remotely, thus reducing the need for costly residential programmes.”
  - 70.4 Training Policies sub-programme
    - 70.70 a technical paper on “alternative low-cost training inputs to improve skill acquisition in the informal sector”, including two pilot projects.
- 90 WORKING CONDITIONS AND ENVIRONMENT
  - 90.3 Conditions of work and welfare facilities
    - 90.68 following on work in the 1982-83 biennium, “case studies in developing countries to identify what measures can be taken to meet the needs of workers in the area of working conditions, the working environment and welfare facilities, including those of homeworkers, as well as in regard to occupational safety and health services and ergonomic improvements.”
- 100 SECTORAL ACTIVITIES
  - 100.3 Basic industries and transport sub-programme
    - 100.18 A study on “the role of the construction industry in the process of urbanisation and urban rehabilitation in developing countries, ... particularly (focussed) on new approaches to the need for low-cost construction programmes, including self-help schemes.”
  - 100.6 Cooperatives sub-programme

100.58 “Special attention would be given to the urban informal sector, and the potential for applying a participative approach to the development of projects in this sector.”

## 1986 - 87

- 60 EMPLOYMENT AND DEVELOPMENT
- 60.2 Labour markets and employment planning sub-programme
  - 60.13 Case studies on youth unemployment and the functioning of urban labour markets
  - 60.17 exploratory study on the important role and special problems of women in informal sector activities
- 70 TRAINING
- 70.3 Vocational training sub-programme
  - 70.39 implication of new instructional technologies for developing countries
  - 70.40 Methods of providing vocational skills to individuals with low literacy levels
  - 70.41 Promotion and coordination of the development of learning materials and aids at regional and country levels
  - 70.44 “guidelines for the improved delivery of relevant skills ... with special reference to Africa where the urban informal sector has been growing at a rapid rate.”
- 80 INDUSTRIAL RELATIONS AND LABOUR ADMINISTRATION
- 80.2 Labour law and labour relations sub-programme
  - 80.23 Continuation of earlier work, national monographs on precarious employment, concentrating on home work
- 90 WORKING CONDITIONS AND ENVIRONMENT
- 90.3 Conditions of work and welfare facilities sub-programme
  - 90.55 “develop audio-visual training packages using local examples” to improve working conditions in small and medium-sized enterprises
  - 90.65 Practical guide on basic welfare facilities in small and medium-sized enterprises in developing countries
  - 90.72 Child labour in the services sector. “... gather detailed micro-level information, identify (worst areas), assess existing policies and programmes, (etc.) ... “
  - 90.73 “gather, assess and publish information on ... government policies and programmes in respect of work sites, welfare facilities and social services” in the informal sector
  - 90.74 “temporary or casual work, sub-contracted work, home work and similar types of activities”
- 100 SECTORAL ACTIVITIES
- 100.3 Basic industries and transport sub-programme
  - 100.14 Study on the social and labour issues connected with all forms of urban transport in selected African cities
- 100.6 Cooperative sub-programme

100.54 Study on cooperative type services for urban low income groups ... in providing employment opportunities in selected manufacturing and service industries

120 LABOUR INFORMATION AND STATISTICS

120.3 Statistics sub-programme

120.23 “advise five African countries on the development of a core programme of labour statistics, including the collection of data relating to the informal sector.”

## 1988 - 89

55 PROMOTION OF EQUALITY

55.4 International migration for employment sub-programme

55.28 Returning migrants in the informal sector

60 EMPLOYMENT AND DEVELOPMENT

60.2 Labour markets and employment planning sub-programme

60.21 “monograph assessing ongoing programmes and policies in three selected countries with a view to enhancing the capacity of developing countries to design and implement appropriate policies for the informal sector. It is also proposed to undertake a study of the institutions which have been utilised to promote micro-enterprises . Such as grass-root level organisations, government agencies and para-statal organisations.”

70 TRAINING

70.4 Training policies sub-programme

70.58 Two in-depth studies ... to determine how the informal sector can be approached, how to assess its needs and how to gain access to it in terms of training interventions.”

70.60 Vocational training for young women in low-income households

80 INDUSTRIAL RELATIONS AND LABOUR ADMINISTRATION

80.2 Labour law and labour relations sub-programme

80.13 Labour law and labour relations in the informal sector

90 WORKING CONDITIONS AND ENVIRONMENT

90.2 Occupational safety and health sub-programme

90.19 Draft code of practice on safety and health in construction

90.24 Study on the provision of occupational health services for small-scale enterprises, agricultural workers and the informal sector

100 SECTORAL ACTIVITIES

100.3 Basic industries and transport sub-programme

100.25 Study on the construction of low-cost housing and shelter in developing countries

100.6 Cooperatives sub-programme

100.71 Case studies on cooperative type services for urban low-income groups

- 120 LABOUR INFORMATION AND STATISTICS
- 120.3 Statistics sub-programme
  - 120.23 Report on statistics and descriptions of sources and methods for non-standard employment and income
- 230 WORKERS' ACTIVITIES
- 230.3 Workers' education sub-programme
  - 230.22 Manual on special services for urban workers

### 1990 - 91

- 60 EMPLOYMENT AND DEVELOPMENT
  - Intro. para 43 "a wide-ranging study ... to determine the size of the informal sector and its role in different countries and regions so as to promote a better understanding of the policies appropriate to increase employment and incomes.
  - " ... a review of past and ongoing activities of the ILO and other organisations to improve the design of technical cooperation activities - Guidelines for technical assistance.
  - " ... documentation of experience on the participation of the people concerned in the policy-making process so as to enhance the impact of measures to raise employment and income levels in the informal sector
- 70 TRAINING
  - Intro. para 44 Guidelines on how vocational training institutions can assist and support self-employment in the informal sector. Emphasis on appropriate training methods
- 90 WORKING CONDITIONS AND ENVIRONMENT
  - 90.66 Tripartite meeting of experts to identify ways of effectively protecting home-workers
  - 90.64 Promotion of practical action by governmental and non-governmental organisations aimed at the abolition of child labour, which is widespread in the informal sector
- 120 LABOUR INFORMATION AND STATISTICS
  - 120.20 work on the measurement of employment in the informal sector
  - ... review of national experience and the main conceptual and methodological issues, in preparation for a meeting of experts in 1992.

### 1992 - 93

- 60 EMPLOYMENT AND DEVELOPMENT
- 60.4 Employment and incomes in the rural and informal sectors sub-programme
  - 60.52 "Three national studies ... to assess the employment effects of various structural adjustment measures ... (with) special attention on the effect of eliminating parallel markets
- 65 ENTERPRISE AND CO-OPERATIVES
  - 65.25 Six studies to assess the "nature and importance of regulatory barriers and ... the impact that changes in regulations can have on various categories of micro-enterprises
- 70 TRAINING



- 70.13 “a study on the conditions under which successful non-formal training schemes can be opened up to a greater proportion of women.”  
 “a study based on case studies on training that provides employable vocational and business skills.”  
 “A set of guidelines to advise training administrators on how to broaden women’s access to training.”
- 70.28 Training for self-employment in the urban informal sector  
 Study to adapt Skills Development for Self Reliance (SDSR) and Training for Rural Gainful Activities (TRUGA) for the urban informal sector.  
 Handbook on how to design and implement vocational training programmes and projects for the urban informal sector.
- 75 TURIN CENTRE
- 75.16 Assist the Training department to adapt the TRUGA and SDSR programmes
- 250 FIELD PROGRAMMES IN AFRICA
- 250.19 “Drawing on its work on the rural non-farm sector and the urban informal sector, JASPA advisory work ... will ... emphasise the development of small-scale enterprises in the rural sector in general and in the non-farm sector in particular.” - six national case studies.
- 250.33 “... (vocational training activities for the urban informal sector) will aim at improving the access of workers in the informal sector to modern training facilities and adapting training programmes to the needs of the informal sector.”
- 260 FIELD PROGRAMME FOR THE AMERICAS
- 260.20 “... policies oriented studies in 10 countries in order to achieve a better understanding of the relations between the modern and informal sectors ... focus on modern sector demand for informal sector products and on the competitiveness of such products.”
- 260.26 “... the harmonisation of concepts and methods for data collection, particularly for labour force surveys and studies of the informal sector.”
- 270 FIELD PROGRAMMES IN ASIA AND THE PACIFIC
- 270.16 “Studies ... on the growth potential of very small enterprises ... a framework (for) the promotion of small enterprises at the national and local levels ...”

## 1994 - 95

- 60 EMPLOYMENT AND DEVELOPMENT
- 60.4 Policies and programmes for development sub-programme
- 60.47 “... employment and poverty in the urban and informal sectors”
- 60.48 “... practical guidelines ... showing how infrastructure investment can be channelled to alleviate urban poverty and increase productivity and social protection in the informal sector.” “Develop and disseminate the components of an effective strategy to alleviate urban poverty through informal sector and infrastructure development.”
- 60.53 “Women workers in the rural and informal sectors” ... policy guidance, evaluation reports and comparative analyses
- 65 ENTERPRISE AND COOPERATIVE DEVELOPMENT
- 65.2 Entrepreneurship and management development sub-programme
- 65.17 “The objectives of this sub-programme are to develop entrepreneurship and to up-grade the informal sector.”

65.20 Informal sector development - "When coupled with an appropriate policy environment, these approaches (information, direct support, suitable technology) may help to achieve a gradual integration of the informal sector into the structured economy."

65.21 "methods will be identified of inducing the private sector to respond to the technological needs of the informal sector" (food processing, building materials, textiles, agricultural tools, and "craftwork")

65.22 "Practical guidelines ... as a supplement to the services provided in support of small enterprises through ... INSTEAD."

65.23 "Advisory services will be provided with a view to assisting and promoting the transfer of these services and assistance to local authorities and private and semi-private bodies, including professional organisations. The eventual goal is for the provision of advisory and information services and assistance to be self-supporting."

## 75 TURIN CENTRE

75.15 Employment and training in the informal sector - "meetings and seminars ... with a view to achieving a consensus and obtaining the commitment of governments and the social partners in support of the practical programmes and measures proposed by the (INTERDEP informal sector project - see major programme 140).

## 90 WORKING CONDITIONS AND ENVIRONMENT

### 90.2 Occupational Safety and Health sub-programme

90.19 "pilot training workshops will be organised with a view to testing results, training occupational health personnel and promoting workplace participation in practical improvements and first aid."

90.20 Joint ILO/WHO Committee on Occupational Health "On measures to promote the extension of occupational health services which are suited to the needs of small-scale enterprises, agriculture and the informal sector."

### 90.4 Conditions of Work and Welfare Facilities sub-programme

90.68 Chile labour - support for action by employers' and workers' organisations and community groups. "national seminars and workshops, particularly to encourage action relating to small enterprises and where appropriate the informal sector."

90.71 Prevention of sexual harassment at work - "collection and dissemination of information ... on economic, social, regulatory, and practical aspects of a variety of topics, including ... workers in the informal sector ..."

## 120 LABOUR INFORMATION AND STATISTICS

### 120.3 Statistics sub-programme

120.32 Development of new statistical tools (including "informal sector employment)

## 140 INTERDEPARTMENTAL PROJECTS

### 140.3 Inter-departmental project on the informal sector - to include

- a) fact-finding and data collection,
- b) analysis and policy assessment,
- c) policy dialogue, and
- d) operational assistance

## 225 EMPLOYERS' ACTIVITIES

225.4 Meetings and workshops, at the regional and subregional and national levels, which among other things follow up on programmes on the informal sector.

## 230 WORKERS' ACTIVITIES

230.16 Workers' education material on " ... the role of the trade unions in the improvements of working conditions in the informal sector."

## 1996 - 97

(Note: in this biennium, the sub-programme "employment policies for development" is changed to major programme No. 125 Development and Technical Cooperation.)

## 65 ENTERPRISE AND COOPERATIVE DEVELOPMENT

65.2 "As regards the informal sector, the work of the major programme will be designed to promote the wider application of the methodology developed under the 1994-95 interdepartmental project on the informal sector to improve productivity, working conditions and social protection through the strengthening of informal sector organisations."

65.11 Social dimensions of enterprise finance. "There is also a need to gain a better understanding of informal sector financing mechanisms, such as savings clubs and money lenders, with a view to identifying means of reducing the cost and risks of small-scale finance." ... "the production of guidelines and policy recommendations ... and ... the provision of technical support for projects ... to strengthen financial self-help organisations and develop new delivery mechanisms."

## 65.2 Entrepreneurship and management development sub-programme

65.14 "The objective of this programme is the development of national capacities to: ... (fifth item mentioned) adopt policies which are instrumental in upgrading the informal sector and which therefore facilitate its integration into the formal economy."

65.25 "Manuals and guidelines on important aspects of the operation of micro-enterprises will be published for use by ILO constituents, MDTs, informal sector organisations, municipal authorities, (etc.)"

65.26 "research will be undertaken on issues such as: constraints in securing adequate premises, the promotion of effective linkages between informal sector organisations and other professional and sectoral organisations, the privatization of support services, effective subcontracting arrangements. Activities will also be undertaken to help strengthen organisations which provide support for the informal sector."

## 70 Training

70.10 "Advisory services and technical cooperation will concentrate on: ... and specific issues such as informal sector training."

## 90 WORKING CONDITIONS AND ENVIRONMENT

90.1 "Constituents ... need to extend protection to categories of workers who are excluded from the scope of traditional protective measures or for whom the application of these provisions gives rise to particular difficulties ... " (informal sector)

90.12 (action programme) Manual on action planning for the progressive elimination of child labour. "The MAP will include explanations of how formal sector employers can influence informal sector employers with regard to child labour. ... self-policing by large industries of their smaller subsidiaries, which offer promising alternative for monitoring the informal sector. ... Industry codes of conduct ..."

## 110 SOCIAL SECURITY

110.9 Social safety nets, social assistance, and the prevention of poverty

“The programme is to develop viable means of providing social protection to (various excluded groups consisting mainly of the unemployed, the poor and their families in the urban and rural informal sectors) or, alternatively, helping them to develop their own mechanisms.”

“... an analysis ... of the current and potential role of tax-based transfers ... in five or six countries ... (and) tax-based financed universal health care services and ... potential community or family based social protection mechanisms.”

120 STATISTICS

120.14 “A report will therefore be prepared on recent practices in informal sector data collection for submission to the 16<sup>th</sup> ICLS. This report will also follow-up the work of the interdepartmental project on the informal sector.”

125 DEVELOPMENT AND TECHNICAL COOPERATION (new major programme)

125.3 “A wide range of activities ... the launching of programmes to upgrade the informal sector and reduce urban poverty.”

125.15 Urban poverty and the informal sector. “The enhanced capacity of public administrations in developing countries, including municipal authorities, to implement practical measures designed to: overcome the factors that lead to low productivity and low incomes as well as the poor conditions of work and environment in the informal sector, increase the role played by infrastructure investment policies in generating employment and improving the living and working conditions of the poor, and promote informal sector organisations and strengthen their capacity to contribute to the development of the sector.”

125.18 “action-oriented research ... to illustrate the links between infrastructure development programmes and improved productivity and working conditions in informal sector enterprises ... the preparation of guidelines, including easy-to-use training materials to assist the social partners, local authorities and informal sector organisations...”

230 WORKERS’ ACTIVITIES

230.23 Workers’ participation in development sub-programme “The objective of this sub-programme is the enhanced capacity of trade unions to strengthen workers’ participation in development through their effective contribution to debates on structural adjustment measures and other development issues and through action to promote the organisation of workers in the informal sector. This objective will be met through the organisation of education and training activities, including meetings and seminars, and the provision of policy advisory services, backed up by research and the dissemination of information.”

**1998 - 99**

120 STATISTICS

120.14 “As a follow-up to the 1994-95 interdepartmental project on the informal sector, technical assistance and training will continue to be provided to member States on the development of statistics of the informal sector.

Following the request made by the 15<sup>th</sup> ICLS in its resolution concerning statistics of employment in the informal sector, a report will be submitted to the 16<sup>th</sup> ICLS on the experience gained in the design and implementation of informal sector surveys. This will provide the basis for the preparation of a manual containing technical guidelines on the concepts and methods of informal sector data collection.”

125 DEVELOPMENT POLICIES

125.17 “In response to this huge problem (of growing urbanisation and the growth of the urban informal sector), a programme of technical assistance, entitled the Urban Employment Programme, will be implemented with the objective of developing the capacity of constituents to create jobs and alleviate poverty in the urban informal economy.

“A package of training materials and guidelines will also be developed for use by the field structure in collaboration with municipal governments and the social partners with external development agencies.” (Note: separate work items on “strengthening the organisational capacity of excluded groups” and “home work” which include in their text reference to “informal sector”.)

## 230 WORKERS’ ACTIVITIES

230.17 “Assistance will continue to be provided to trade unions to help informal sector workers to establish their own organisations and develop existing organisations.

“Research and training activities will be undertaken in fields such as education, vocational training, legal assistance, self-help schemes and information services on social protection for informal sector workers.

“A regional seminar will be held for Latin American trade union representatives to exchange information and develop suitable strategies to address the problems of workers in the informal sector.

“Research and training activities will also be carried out to support trade union efforts to organise homeworkers and workers engaged under contract labour. These activities ... will concentrate on the creation of greater awareness among both categories of workers (“home” and “contract”) of the relevance to their situation of international labour standards, collective bargaining, occupational safety and health provisions and social security schemes.”

230.18 “An international symposium will be held in Geneva for five days to examine trade union action to further the interests of workers in the informal sector, home workers and workers engaged under contract labour.

## 2000 - 01

(note: this is the first programme and budget of the “new ILO” and has followed a different method for both its content and format.)

SO - 2	Strategic Objective #2 -	Create greater opportunities for women and men to secure decent employment and income
IF- 3	In-Focus #3	Boosting employment through small enterprise development
	Oper. Objective 2(d) implemented	Policies and programmes to upgrade informal sector activities are effectively implemented
SO - 3	Strategic Objective #3 -	Enhance the coverage and effectiveness of social protection for all.
IF - 2	In-Focus #2	Economic and social security in the twenty-first century
	Oper. Objective 3(b)	Member States broaden the scope of social security systems, improve and diversify benefits, strengthen governance and management, and develop policies to overcome financial constraints. para. 91 “Emphasis will also be placed on extending the scope of social protection systems to improve their benefits and cover the vast segments of society excluded from social protection, in many countries, including workers in informal activities and in rural areas.”

*Record of Proceedings*  
**International Labour Conference,**  
*78<sup>th</sup> Session (Geneva, 1991)*

**Reply of the Director-General to the Discussion of His Report**

“... I come now to your discussion of my report on the informal sector.

I am very happy to note the very broad consensus which emerged, with different nuances and some reservations, of course, in favour of my diagnosis of the problem and my proposals concerning the objectives and strategy to be followed.

The first conclusion to be drawn from your discussion is that the strategy for the informal sector, in order to be realistic and efficient, must be comprehensive. Many of you have stressed that the vulnerable and isolated situation of the informal sector can only be treated by attacking the underlying causes and not just the symptoms.

Such an approach implies in-depth reforms affecting both the economy and the development strategy as a whole, as several speakers have stressed. If, as it would seem, we all agree that the existence and growth of the informal sector are due to imbalanced development, then we must deal with these imbalances. In this connection, certain delegates, such as Mrs. Ngiriyé, Minister of Labour and Social Security of Burundi, have reproached me - quite rightly, I admit - for not having focussed enough on the rural sector in my analysis of the informal sector. Neglect of the rural world, of course, has in many countries been one of the major imbalances which have led to the rapid growth of the informal sector. Rural development which is both dynamic and equitable is therefore a prerequisite for slowing down the growth of the informal sector. However, there are other imbalances, for example those which have favoured large and

often unprofitable industries whilst disregarding the crucial role which small industries and handicrafts can play in economic development and job creation.

Discriminatory measures, whether deliberate or not, have also helped to isolate the informal sector and prevent its integration into the modern economy. Finally, over-regulation and excessive administrative bureaucracy have contributed to the marginalisation of a whole sector of the population.

Let us for a moment concentrate on this problem of regulation, which has been the focus of your discussions to some extent. Many speakers have complained about the over-regulation of the economic and social lives of their countries which, they believe, puts useless obstacles in the way of the creation and smooth operation of enterprises, and has thus contributed to the expansion of the informal sector outside legal bounds. Mr. Oechslin, Employers' delegate of France, quoting the conclusions of a seminar of the International Organisation of Employers, stressed that the informal sector is a reaffirmation of market forces against the State which has made legitimate activities illegal. Other speakers, however, have warned us against deregulation. Mr. Rios, Workers' delegate of Venezuela, for example, denounced the neo-liberal fever that is spreading across the world. Mr. Morton, Workers' delegate of the United Kingdom, criticised my Report for having given in to the reasoning of those who thought that legislation and regulation were a crippling burden for enterprises. Whilst everyone agrees that a certain amount of regulation is needed in any society, there remains a wide difference of opinion on the question of how far we can go in

regulation if we wish to bring the informal sector within the bonds of legality. In a tripartite organisation such as ours, such differences of opinion are inevitable, but I have three remarks to make, in an attempt to achieve a synthesis.

First of all, nobody, I believe, doubts that priority should be given to the full application, in the informal sector as elsewhere, of standards concerning fundamental human rights and those that protect them against inadmissible exploitation, such as child labour. Under no circumstances should there be what Mr. Vanderveken, Secretary-General of the ICFTU, and others have called double standards, or lesser rights for second-class citizens. It must now be our priority to discover practical ways of overcoming the obstacles to the full application to the informal sector of the legal provisions guaranteeing these rights and this protection.

Secondly, it is indisputable that simple laws and rules, and the flexible and efficient administration of these laws and rules are the prerequisites for the gradual legalisation of the informal sector. In other words, the legalisation of the informal sector must be achieved by simplifying and streamlining the legislative regulatory and administrative machinery of the whole of society.

Thirdly, we must be careful in our efforts to streamline not to destroy what is essential. With regard to labour legislation, each country has drawn up its own standards and legal provisions, often through the impetus of the ILO itself. Even if the precarious situation of the informal sector makes the immediate application of some of these standards impossible, and even if certain aspects of this legislation would gain from being simplified, there can be no question of going back on these social gains simply in order to allow the informal sector to become legalised. These must remain goals to be achieved gradually, as soon as possible, in the informal sector.

If, as I believe, there is fairly widespread

agreement on these basic principles, it is imperative to initiate a far-reaching social dialogue to achieve them. You have all recognised that the employers and workers of the informal sector must be involved in this dialogue. This is a huge challenge for the trade union movement and for employers' organisations. In this connection I was very encouraged by the statements made by the delegates from the three groups who stressed the need to broaden the field of action of employers' and workers' organisations to include the promotion and defence of the interests of workers in the informal sector. Allow me particularly to stress the frank and courageous statement made by Sir Frank Walcott, Workers' delegate of Barbados, who called upon his social partners "to break out of the sometimes sterile band of traditional attitudes and perceptions to establish new relationships." "Trade unions," he said, "have a role to play in organising those who own operations and work in the informal sector, even though they may not conform to the traditional membership patterns." Other Workers' delegates have spoken along the same lines. I have also taken special note of many statements made by Employers' delegates, such as Mr. Cevallos Gomez of Mexico and Mr. Rahman of Bangladesh, both of whom stressed the need for employers' organisations to open their doors to the small enterprises of the informal sector and to establish and strengthen relations between the formal and informal sectors.

I think this is perhaps the most encouraging aspect of your discussion. If workers' and employers' organisations are in fact prepared to meet this challenge, to open themselves up to the informal sector, to defend its interests and to help it to overcome the many obstacles that prevent it from being integrated into society, there is reason to be optimistic as to the future of this sector. It is only on this condition that specific realistic and lasting programmes - such as access to credit, training and information - can be launched for the informal sector.

What should the ILO's role be in defining and implementing the comprehensive and multifaceted strategy I have roughly outlined above?

Before giving a precise definition, my colleagues and I must reflect deeply and give the discussion you have had at this Conference careful consideration. In November, I intend to put before the Governing Body proposals on the follow-up to this discussion.<sup>1</sup> At this point I will limit myself to three general comments.

First, our work on the informal sector must be broadened. We must all take into account the comprehensive strategy that emerged during your discussion - a strategy that must guide our activities in all the areas covered by the ILO: employment and training, of course, but also industrial relations, labour legislation and inspection, occupational safety and health, social security and - perhaps above all - our programmes of activities for employers' and workers' organisations. We must therefore embark upon a new course of multi-disciplinary and interdepartmental action.

My second comment concerns our standard-setting activity. I noted from your discussion that you are opposed to adopting specific standards for the informal sector - and I agree entirely. I also inferred from the debate that, in spite of the difficulties involved in applying our standards to the informal sector, we should never lose sight of our standard-setting activity when undertaking any action for this sector. We must in any case continue to be guided by our standards concerning fundamental rights such as freedom of association, the abolition of forced labour, equality of treatment and opportunity, and the abolition of child labour. First and foremost, we must concentrate on fully implementing these fundamental standards - both in the informal sector and in the modern sector. And we must try to strengthen the dialogue with our member States on the practical difficulties of applying these standards.

My third comment concerns technical cooperation. We must insist that our operational activities and our standards should be closely linked in the informal sector. I would repeat, as I said in my Report, that there is no question of the ILO helping to promote or develop an informal sector if, on the part of the countries concerned, there is not a firm commitment to guaranteeing and applying to this sector the fundamental freedoms laid down in our standards and to eliminate progressively the worst forms of exploitation. On this important condition, the ILO should be prepared to cooperate with governments and the social partners, as well as other international organisations, both governmental and non-governmental, in carrying out multi-disciplinary programmes on a large scale in order to implement a comprehensive strategy for the informal sector.

Despite the marked differences of opinion and approach, your discussion has shown a broad consensus on the path to be followed - both nationally and internationally. But - and this is highly significant - when discussing the dilemma of the informal sector you have dealt with the real issues which permeate the action of our Organisation : the balance that must be struck between economic growth and social progress, between the promotion of employment and social protection : and the vital need to bear standard-setting activities in mind, particularly in the field of fundamental rights. You have clearly demonstrated once again - as if there were any need - the value of tripartite dialogue in the search for this balance. You have shown that, in a world that is undergoing profound change and restructuring, this tripartite dialogue is more necessary than ever - which also shows the relevance of the work of our Organisation.



## Endnote:

1. This was submitted to the 251<sup>st</sup> Session of the Governing Body, in November 1991, as promised. (GB.251/CE/5/2) The final conclusions of the GB, however, were slightly different. (See GB.215/17/22 and *Official Bulletin* Vol LXXV; Series A, No. 1, p. 14.)

15<sup>th</sup> International Conference of Labour Statisticians  
(Geneva, 19 to 28 January 1993)

## RESOLUTION II

### **Resolution concerning statistics of employment in the informal sector**

The Fifteenth International Conference of Labour Statisticians,

Having been convened at Geneva by the Governing Body of the ILO and having met from 19 to 28 January 1993,

Recalling paragraph 33 of the resolution concerning statistics of the economically active population, employment, unemployment and underemployment (resolution I), adopted by the Thirteenth Conference (1982) and the resolution concerning the informal sector (resolution VIII), adopted by the Fourteenth Conference (1987),

Considering that statistics on 'employment in the informal sector are especially needed in order to improve the statistical systems of countries where informal sector activities account for a significant proportion of total employment and income generation,

Observing the development of concepts and techniques for obtaining and analysing such statistics in a number of countries,

Recognizing that although these concepts and techniques will be further improved in the light of additional experience, there is currently a need for international standards to provide technical guidelines as a basis for the development of suitable definitions and classifications of informal sector activities and the design of appropriate data collection methods and programmes, and recognizing the usefulness of such standards in enhancing the international comparability of statistics;

Adopts this 28th day of January 1993 the following resolution:

#### OBJECTIVES

1. Countries where the informal sector plays a significant role in employment and income generation and economic and social development should aim, where practicable, at developing a comprehensive system of statistics on employment in the informal sector to provide an adequate statistical base for the various users of the statistics, with account being taken of specific national needs and circumstances. The system to be developed should contribute to the improvement of labour statistics and national accounts as an information base for macroeconomic analysis, planning, policy formulation and evaluation, to the integration of the informal sector into the development process and to its institutionalisation. It should provide quantitative information on the contribution of the informal sector

to various aspects of economic and social development, including employment creation, production, income generation, human capital formation and the mobilization of financial resources. The system may also provide data for the design and monitoring of specific support policies and assistance programmes for the informal sector as whole or parts thereof with a view to increasing the productive potential and employment- and income-generating capacity of informal sector units, improving the working conditions and social and legal protection of informal sector workers, developing an appropriate regulatory framework and promoting the organization of informal sector producers and workers, and for the analysis of the economic and social situation of particular groups of informal sector workers such as women, children, rural-urban migrants or immigrants.

2. In order to fulfill the above objectives, comprehensive, detailed and reliable statistics should, as far as possible, be compiled on: (i) the total number of informal sector units, classified by various structural characteristics to provide information on the composition of the informal sector and identify particular segments; (ii) total employment in such units, including information on the number of persons engaged by socio-demographic and other characteristics and on the conditions of their employment and work; (iii) production and incomes generated through informal sector activities, derived, where possible, from data on outputs, inputs and related transactions; and (iv) other characteristics pertaining to conditions under which informal sector units are created and carry out their activities, including their relationships with other units inside and outside the informal sector.

3. In order to enhance their comparability and usefulness, statistics on the informal sector should, as far as possible, be compatible with other related economic and social statistics and with national accounts as regards the definitions, classifications and reference periods used.

4. Statistics on the informal sector should be compiled at regular intervals so that changes in the size and characteristics of the informal sector over time can be monitored adequately. The frequency of data collection may vary according to the different types of statistics mentioned in paragraph 2, survey methods required and their implications for the use of human and financial resources.

#### CONCEPT<sup>33</sup>

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.

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<sup>33</sup>Paragraphs 5, 6, 8, 9 and 10 of this resolution are each incorporated into the SNA 1993 document as an annex to Chapter IV, Institutional units and sectors.

(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.

(3) Activities performed by production units of the informal sector are not necessarily performed with the deliberate intention of evading the payment of taxes or social security contributions, or infringing labour or other legislations or administrative provisions. Accordingly, the concept of informal sector activities should be distinguished from the concept of activities of the hidden or underground economy.

## 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.

(4) own-account workers, contributing family workers, employees and the employment of employees on a continuous basis are defined in accordance with the most recently adopted version of the International Classification of Status in Employment (ICSE). Enterprises of informal employers

#### 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.

(7) Employers, employees and the employment of employees on a continuous basis are defined in accordance with the most recently adopted version of the International Classification of Status in Employment (ICSE).

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.

(2) Where possible, the population employed in the informal sector should be subclassified into two categories: persons exclusively employed in the informal sector, and persons employed both in and outside the informal sector. The latter category may be further divided into two subcategories: persons whose main job is in the informal sector, and persons whose secondary job is in the informal sector.

(3) If the total employed population is to be classified into mutually exclusive categories of persons employed in and outside the informal sector, persons employed both in and outside the informal sector should be classified as a separate category, or criteria should be established to determine their main job (e.g. on the basis of self-assessment, time spent at work or amount of remuneration received in each job).

(4) In some countries, a significant number of children below the age specified for measurement of the economically active population in population censuses or household surveys work in informal sector units and may represent a group of particular concern for labour legislation and educational and social policies. In such situations, every possible effort should be made in informal sector surveys to collect information on the work of all children irrespective of age, and children below the minimum age specified in population censuses or household surveys should be identified separately.

#### TREATMENT OF--PARTICULAR CASES

12. (1) Different members of a household may be engaged as self-employed persons in different kinds of informal sector activities during a given reference period. In order to determine whether such activities should be regarded as separate enterprises or as parts of a single enterprise, due consideration should be given to the definitional requirements of an enterprise, as specified in the International Standard. Industrial Classification of All Economic Activities (ISIC, Rev.3). Where it is difficult in

practice to apply these requirements, different activities carried out by different household members should be treated as separate enterprises if they are perceived as such by the household members themselves.

(2) A household member or group of household members may be engaged as self-employed persons in different kinds of informal sector activities during a given reference period. For practical purposes, all activities carried out at a time by the same household member or group of household members should be treated as parts of a single enterprise rather than as separate enterprises.

13. In the case of informal sector units which are engaged in different kinds of production activities during a given reference period, efforts should be made to collect as much separate information as possible in respect of each activity, even when the enterprises concerned need not or cannot be partitioned into establishments as defined by the International Standard Industrial Classification of All Economic Activities (ISIC, Rev.3). In particular, such separate information should be collected in respect of all activities of the enterprise which are horizontally integrated (i.e. producing different kinds of goods or services for sale or exchange and carried out parallel with each other), irrespective of their share in the total value added of the enterprise.

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.

15. With account being taken of paragraph 14, the scope of the informal sector should include household enterprises located in urban areas as well as household enterprises located in rural areas. However, countries which start to conduct surveys of the informal sector may initially confine data collection to urban areas. Depending upon the availability of resources and appropriate sampling frames, the coverage of the surveys should gradually be extended to cover the whole national territory.

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.

(3) In situations where the number of outworkers is significant or where outworkers represent a group of particular concern for data users, self-employed outworkers should be identified as separate subcategories of informal own-account enterprises and enterprises of informal employers or of the owners of such enterprises.

(4) For purposes of distinction between employment on a continuous basis and employment on an occasional basis, and in application of the definition of registered employees according to paragraph 9(6), employee outworkers should be treated in the same way as other employees. Where relevant, employee outworkers may be identified as a separate subcategory of informal sector employees.

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 subcategory in order to enhance international comparability of the statistics.

20. Activities excluded from the scope of the informal sector, such as domestic services, non-market production and agricultural activities, may be identified as separate categories outside the distinction between the informal and formal sectors.

## DATA COLLECTION PROGRAMME AND METHODS

21.(1) The collection of data on the informal sector should be integrated into the regular national statistical system. The data collection programme should provide both for (a) the current monitoring, if possible once a year, of the evolution of employment in the informal sector and (b) the in-depth examination, if possible every five years, of informal sector units with respect to their numbers and characteristics, in particular, their organization and functioning, their production activities and levels of income generation, as well as their constraints and potentials.



(2) The data collection programme with regard to the broad objective (a) should preferably be based on a household survey approach, with households as reporting units and individual household members as observation units. With regard to the broad objective (b), the data collection programme should preferably be based on an establishment survey approach or a mixed household and enterprise survey approach, or a combination of both, with the informal sector units themselves and their owners as observation and reporting units.

(3) Other measurement methods can also be considered, such as methods of indirect macroeconomic estimation or the comparative analysis of data from different sources.

#### Household surveys for monitoring informal sector employment

22. (1) Existing surveys of the economically active population and similar household surveys provide a useful and economical means of collecting data on employment in the informal sector in terms of the number and characteristics of the persons concerned and the conditions of their employment and work.

(2) For this purpose, questions pertaining to the definition of the informal sector should be incorporated into the survey questionnaire and asked in respect of all persons employed during the reference period of the survey, irrespective of their status in employment.

(3) Special care should be taken in the survey design and operations to ensure comprehensive coverage of the population employed in the informal sector as defined in paragraph 11(1) above. In particular, special efforts should be made in the sample design to ensure appropriate representativeness of areas where persons engaged in informal sector activities tend to live. It is also important to collect data on secondary activities of household members in the same detail as on the main activity, including the criteria used for defining the informal sector. Special probings may be needed with respect to informal sector activities that would otherwise go unreported, such as unpaid work in family enterprises or activities carried out by women on their own account at or from home. To obtain comprehensive data on children working in the informal sector, it may also be necessary to lower the minimum age normally used in the survey for measuring characteristics of the economically active population.

(4) The data collected should be analysed in conjunction with other relevant information obtained from the same survey. In particular, a mutually exclusive breakdown may be made of the economically active population by employment in and outside the informal sector and unemployment. Depending on national circumstances and data needs, information on various forms of atypical or precarious employment outside the informal sector may be obtained along with data on the different forms of employment in the informal sector. For this purpose, all employed persons, whether working in the informal sector or outside, should be classified by status in employment at an appropriate level of disaggregation.

(5) In order to monitor trends in informal sector employment over time, questions on employment in the informal sector should be included, if possible, once a year in existing infra-annual surveys of the economically active population or similar household surveys. Surveys conducted at less frequent

intervals (e.g., annually or quinquennially) should include questions on employment in the informal sector in every survey round, if possible.

#### Establishment surveys of informal sector units

23. It may be possible to collect data on informal sector units through various kinds of establishment surveys depending on the measurement objectives, the intended uses of the data, the calendar and structure of the national statistical system, and the availability of sampling frames and resources.

24. (1) In conjunction with an establishment or economic census or using the latest economic census as an area sampling frame, special surveys of informal establishments may be conducted to collect specific data on employment, production, income generation and other characteristics of informal sector units and their owners.

(2) For this purpose, the economic census should, in principle, contain the required items for identifying the informal sector units according to the definition set forth in paragraph 6. However, as the observation unit in economic censuses is typically the establishment, the reconstitution of informal sector enterprises on the basis of the available information may not be easy to achieve in practice.

(3) Unless particular measures are taken, the coverage of such surveys of informal sector establishments is limited by the scope of the economic census on which they are based. In particular, coverage typically excludes informal sector units which do not operate in fixed premises designated for the purpose of carrying out production activities or which are not identifiable as such from the outside during the listing operation.

(4) While it is generally preferable to cover all types of informal sector activities through a single survey, branch-specific surveys or a series of such surveys may be considered if the measurement objectives are limited to particular kinds of informal sector activities, or if the scale of a single survey is considered too large to be manageable in practice.

(5) In a branch-specific survey, the listing operation should be such as to identify all and only those informal sector units that fall within the scope of the survey. Rules need to be established for informal sector units also engaged in other activities, particularly if some of these activities fall outside the scope of the survey.

(6) When the intention is to cover all types of informal sector activities through a series of branch-specific surveys rather than a single survey, the data collection programme should be designed to ensure a comprehensive coverage of informal sector units without omission or duplication between surveys. The timing of the surveys and the methodology to obtain overall aggregates should be carefully planned.

#### Mixed household and enterprise surveys

25. (1) The basic principle of mixed household and enterprise surveys is to construct a sampling frame of informal sector enterprises through a household survey operation, prior to the informal sector survey itself. The household survey component, if appropriately designed, makes it possible to identify

informal sector enterprises rather than establishments, and to cover virtually all informal sector units irrespective of size, kind of activity, and type of workplace.

(2) Mixed household and enterprise surveys are based on area sampling and conducted in two phases: (i) informal sector enterprises and their working owners are identified during the first phase through a household listing or interviewing operation (household survey component); (ii) all or a sample of the business owners thus identified are interviewed during the second phase to obtain information on the characteristics of their enterprises (enterprise survey component).

26.(1) The time interval between the two phases should be kept as short as possible, to minimize loss rates of units.

(2) Informal sector enterprises should be identified on the basis of own-account workers and employers who are members of the sample households. Identification based on employees of informal sector units should be avoided.

(3) In order to avoid omissions, the household survey component must be targeted to all employers and own-account workers in the sample who are potentially included in the informal sector. The informal sector units are then subsequently identified on the basis of the information obtained from the enterprise survey component.

(4) While information during the first phase of the survey may often have to be obtained from proxy respondents, it is highly desirable in the second phase that the business owners themselves are interviewed. Where relevant, these interviews should preferably be conducted at the place of work rather than the place of residence of the household member.

27. (1) Since informal sector enterprises may be owned and operated by members of different households in business partnership, and such partnerships may differ significantly from other units in their characteristics, an appropriate procedure should be adopted, at the selection stage of the informal sector units. or, preferably, at the stage of assigning the sampling weights, to ensure that the resulting statistics are representative of the total survey universe. The sampling weights should be determined with great care .

(2) For a comprehensive coverage, all informal sector enterprises and their operators in the sample areas or in the sample households should be identified in the first phase of the survey. In particular, businesses operated as secondary activities of household members should be identified on the same basis as businesses operated as main activities. Special probing may also be necessary to identify women and children engaged in informal sector activities on their own account.

28. If information on seasonal variations of informal sector activities is to be obtained and annual estimates of the main aggregates are to be produced, data collection should be spread over a period of a whole year by dividing the sample into independent subsamples for different quarters or months of the year.

29. The nature and efficiency of the survey design of a mixed household and enterprise survey will depend on whether the survey is conceived as (i) an independent survey, (ii) an attachment to an existing household survey, or (iii) part of an integrated survey designed to meet several objectives.

30. (1) In an independent survey, the sampling scheme may be designed to satisfy the specific requirements of informal sector measurement and to ensure an adequate representation of different types of informal sector activities or units in the sample.

(2) A sufficiently stratified sample at the first stage of selection helps avoid the need for differential last stage sampling rates for different categories of informal sector units and facilitates survey implementation in the field. Using the latest population census or other available information, an area sampling frame for the household survey component should be constructed so as to consist of area units of the desired size, stratified as far as possible according to the concentration of households that operate informal sector units. Provided data are available from the population census and retrievable at a sufficient level of geographical detail, the stratification of area units may be based on the concentration of own-account workers and employers by broad industry group, and, if possible, by type of location of the workplace and, for employers, by number of their employees. Where such data are not available, provision should be made to obtain them from the next population census.

(3) The household survey component of an independent mixed survey may be restricted to a household listing operation in the selected area units, in which information is obtained on the composition of the household and, in respect of each household member of working age, whether the person operated, as main or secondary activity, any informal sector business during a specified reference period. Basic information on the type of workplace, its location, branch of economic activity, and, if possible, number of employees should also be obtained.

31. (1) If the enterprise survey component of a mixed survey is conceived as an attachment to an existing household survey (e.g. a labour force survey or a household income and expenditure survey) efforts should be made to make up for the limitations resulting from the design and selection of the base survey sample.

(2) The effective sample size of the enterprise survey component may be increased by selecting the sample of informal sector units on the basis of all households identified during the listing operation of the base survey rather than only those selected for the base survey sample. Alternative procedures would be to add, if resources are available, appropriately chosen supplementary areas to the base survey sample, or, if the base survey is of a continuing nature, to cumulate the subsamples of informal sector units over several rounds.

32. In developing integrated surveys for the collection of data on the informal sector and other topics (e.g. labour force, household economic activities), the requirements of informal sector measurement can be incorporated, to a greater or lesser extent, into the overall design of the survey, through appropriate methods of sample allocation and selection. The major requirement of the informal

sector component is adequate representation of the different types of informal sector activities and units in the sample.

#### ITEMS OF DATA COLLECTION

33. (1) The type of data to be collected on the informal sector depends largely upon the specific circumstances in each country, methods of data collection, the intended uses of the statistics and the practical feasibility of data collection. For determination of the items of data collection, the main users of the statistics should be consulted and the results of previous surveys analysed or pilot surveys conducted.

(2) In order to enhance the usefulness of informal sector statistics for joint analysis with other related economic and social statistics and for the purposes of international comparison, the definitions and classifications of the items of data collected should, as far as possible, be compatible with those used in other national surveys or censuses and correspond to the most recently adopted versions of relevant international recommendations and standard classifications.

34. The statistics obtained should include, as a minimum, the number of persons engaged in informal sector units by status in employment and by kind of economic activity and, if possible, the number of informal sector enterprises by kind of economic activity and by type (i.e. informal own-account enterprises, enterprises of informal employers).

35. (1) In addition, data may be collected in more or less detail and with appropriate frequencies on any one or more of the following topics:

(i) Employment and working conditions: number of persons engaged in informal sector units during the reference period by sex, age, migration characteristics, school attendance, educational attainment, kind of vocational training received, occupation, time spent at work and, where possible, other jobs held in or outside the informal sector taking account of the categories and subcategories mentioned in paragraph 11(2); number of employees by nature of employment (continuous, casual; registered, not registered); compensation of employees and its components (wages and salaries in cash or in kind, employers' social contributions), frequency and mode of remuneration, entitlement to paid annual or sick leave, etc.

ii) Production, income generation and fixed capital: frequency of operation (perennial, seasonal, casual); duration of operation during the reference period; quantity and value of outputs produced during the reference period; total amount of sales; intermediate consumption; taxes paid on production and subsidies received, if any; property income received and property charges payable in connection with business activities; characteristics of loans taken for business activities; fixed assets owned by the units; fixed capital formation during the reference period; etc.

(iii) Conditions of business operation: legal organization of the units; type of accounts kept; type of ownership (individual ownership, household ownership, business partnership with members of other households); number of business partners from other households, if any; location (urban versus rural

areas); type of workplace: workshop, shop, etc., fixed market or street stall, home of the enterprise owner, no fixed place (e.g. homes of clients, construction sites, mobile); type and number of customers, or proportion of output sold to different types of customers; extent and terms of work performed for other enterprises under subcontracting arrangements; sources of capital for the acquisition of fixed assets; origin of the main goods used for further processing or resale (importation, informal sector, other); type of registration or licensing of units; availability of public utilities at the place of work; participation in informal sector support programmes and kind of assistance received, if any membership in associations or cooperatives of informal sector producers; problems faced in the creation of enterprises and constraints on their operation or expansion; year of creation and evolution of enterprises; etc.

(iv) Enterprise owners: sex; age; marital status; place or country of origin; period of residence in the present area; previous place of residence, if any; educational attainment; acquisition of skill needed to conduct the business (formal versus informal kinds of training); present occupation; time spent at work in the business during the reference period; engagement in other economic activities; characteristics of other economic activities, if any, and main source of income of enterprise owners; reasons for working in the informal sector; characteristics of previous employment in or outside the informal sector, if any; plans for the future regarding business development or alternative employment; etc.

(v) Households of the enterprise owners: other household members by sex, age, marital status, relationship to the reference person and activity status; employment characteristics of other household members employed in or outside the informal sector; amount and sources of income of the households; etc..

(2) For the purposes of national accounting, the collection of data on the production and incomes generated by informal sector units should aim at providing the elements needed for the estimation of gross output, value added and mixed income (operating surplus) as defined in the United Nations System of National Accounts (Rev.4).

(3) Since production activities of informal sector units often overlap with consumption activities of the households of the enterprise owners, efforts should be made in the collection of data on intermediate consumption, property charges and fixed assets to separate usage for business purposes from usage for household consumption. If a clear distinction is not possible, the expenditures concerned should at least be allocated approximately in proportion to the use for business purposes.

(4) In the case of informal sector units engaged in several different kinds of production activities, inputs into production in the form of labour, capital, goods or services, which cannot be clearly allocated to a specific kind of activity, should be distributed in an appropriate way over all activities for which they are used.

(5) The collection of data on characteristics of the households of the enterprise owners enables informal sector activities to be analysed in the context of households as a whole. Such analyses may include studies of the role of other household members in providing additional income to households and the impact of the household situation on the activities of women in the informal sector.

## SUB-CLASSIFICATIONS

36. (1) In order to provide information on the composition of the informal sector and to identify more homogeneous groups for analytical purposes, as targets for social and economic policies and informal sector support programmes, and as basis for comparisons of statistics over time and between countries, informal sector units should be sub-classified by various characteristics on the basis of the information collected.

(2) Enterprises of informal employers, when included in statistics of the informal sector, should be identified separately from informal own-account enterprises.

(3) Useful sub-classifications of informal own-account enterprises and enterprises of informal employers, both for the analysis of informal sector statistics at the national level and international comparison, include distinctions according to the following characteristics:

- (i) kind of economic activity;
- (ii) type of workplace: home of enterprise owner, other fixed premises, no fixed place;
- (iii) location: urban areas, rural areas;
- (iv) number of persons engaged;
- (v) type of ownership: individual ownership, household ownership, business partnership with members of other households;
- (vi) relation with other enterprises: independent producers, producers working under subcontracting arrangements for other enterprises.

(4) In addition, it may be useful to sub-classify informal own-account enterprises according to the composition of their workforce, distinguishing one person-units from two-and-more person units and, among the latter, users of occasional hired labour from non-users of such labour.

(5) Depending on the needs of data users and the size of samples, two or more of these characteristics may be combined into more complex classification schemes.

(6) For the purpose of international comparisons, the classification by kind of economic activity should adhere to or be convertible into the International Standard Industrial Classification of All Economic Activities (ISIC, Rev.3). For international reporting of the statistics, data should be provided at the level of ISIC tabulation categories, except for category 'Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods' which should be subdivided appropriately. For other purposes, data classified according to kind of economic activity may be required in as much detail as is supported by the size of the samples. To reflect the diversity of informal sector activities, it may be necessary to develop appropriate further subdivisions of some of the groups which the activity classification commonly used provides at its most detailed level. To ensure the comparability of informal sector statistics with other statistics, any such subdivisions should be so defined that the data can be aggregated to higher level categories of the classification without cutting across their boundaries. Units engaged in more than one activity during the reference period should be classified according to their main activity which may be defined as that with the largest value added.

(7) The size intervals used for the sub-classification by number of persons engaged should be consistent with the standard size intervals recommended for the 1983 World Programme of Industrial

Statistics, i.e. 1-4, 5-9, 10-19, etc., persons engaged. Depending upon the intended uses of the statistics, these intervals may be further subdivided.

#### FURTHER ACTION

37. (1) In view of the particular characteristics of informal sector units and their owners, special efforts should be made in the design and operations of informal sector surveys to increase response rates and obtain the required information as accurately as possible.

(2) Countries collecting data on the informal sector should share their experiences with the International Labour Office.

38. (1) The International Labour Office should follow the developments in designing and implementing informal sector surveys, as well as surveys of household economic activities, disseminate and evaluate information about the lessons being learned from this experience for discussion at the next International Conference of Labour Statisticians, prepare a manual to provide technical guidelines on the contents of this resolution which reflects such improvements in concepts and techniques and, if necessary, arrange for a review of this resolution by a future International Conference of Labour Statisticians.

(2) The International Labour Office should cooperate, as far as possible, with countries in the development of statistics of employment in the informal sector in providing technical assistance and training.