

# INFORMAL LABOR IN THE ARAB COUNTRIES THROUGH INTERNATIONAL STATISTICAL INDICATORS AND DATA

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## INTRODUCTION

Based on the International Labor Organization measurement methodology concerning informal labor and the guide issued for this purpose in 2012, we tried in this report to collect available data about informal labor in Arab countries, counting in particular on relevant international databases, publications, and academic and field studies. These sources consist particularly of the database and publications of the ILO, the UN organization concerned with labor issues and relevant social rights, and of WIEGO, given its effective contribution to developing the approaches of measuring formal labor and its reports on the specific conditions of women in the labor market, in spite of its inability to collect additional data on the geographic regions that concerns us.

We also counted on the main studies published by the Organization of Economic Development and Cooperation (OECD), especially the studies conducted by Jack Charmes, focused particularly on African and Middle Eastern countries, or the studies conducted by Friedrich Schneider, which resulted in an index estimating the contribution of the shadow economy to the Growth Domestic Product (GDP). As for demographic, economic and financial data, the World Bank databases, whether general or specialized ones, were the main source of the provided data.

We have devoted chapter one of the report to the indicators mentioned in the ILO database concerning the labor market in terms of informal labor, according to the direct method based on a relevant questionnaire, and to the indicators mentioned in WIEGO's reports based on the same methodology. However, the fact that Arab countries did not provide statistical data according to the specified approach is considered the first weakness, making the data received from these two sources on the Arab world almost completely lacking, except for Palestine and some partial data about Egypt.

Therefore, chapter two was devoted to the indicators based on approximate indirect estimates (proxy), particularly the approaches adopted when facing a lack of social protection, independent labor, or a lack in declaring an enterprise or production, as signs pertaining to the size of informal labor and its evolution in the region in the absence of direct measurements.

Chapter three is about indicators estimating the contribution of the informal sector to the GDP, either through national accounts or the empirical methodology based on economic statistics and mathematical models to estimate the hidden changes through a number of remarkable variables.

In chapter four, we tried to look for correlations between the different approaches, before tackling in chapter five informal labor indicators related to demographic aspects, the labor market, and a number of economic, financial, and institutional factors that might have a direct or indirect impact on the existence, size, and evolution of formal labor.

Given the particular situation of migrants and refugees who are among marginalized categories that are usually more exposed to employment in the secret labor market or the informal sector, we mentioned the indicators related to this category of workers, with a focus on domestic workers, according to the new data published by ILO in its report issued in December 2015 concerning the estimates of migrant workers worldwide.

We listed in the annexes the detailed ILO standard methodologies through the guide published for this purpose, in addition to WIEGO's methodologies.

## INDICATORS BASED ON DIRECT METHODS AND ILO MEASUREMENT GUIDE

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We listed in the annexes the detailed ILO standard

1. « ILO Global estimates on migrant workers » ILO - Geneva 2015.

methodologies through the guide published for this purpose, in addition to WIEGO's methodologies.

ILO has developed a guide entitled «Statistical manual on the informal sector and informal employment» in order to help the countries measure informality.

This guide showed the different phases of developing the statistical concepts and definitions relevant to the different components of formality, measurement, estimation methods, and methodologies as per the instructions of international conferences of labor statisticians.<sup>2</sup>

The organization has created a sub-database in the framework of the database of key indicators of the labor market (KILM 08) which includes data about informal labor in 65 countries<sup>3</sup>. However, this database only includes the specific data of two Arab countries: Palestine and Egypt<sup>4</sup>.

### -1 Indicators included in the ILO database concerning informal labor

The only data concerning Arab countries in this database are included in the table below:

Table 1: Informal labor and labor in the informal sector in the Arab countries for which data are available in the ILO database:

Country	Years	Gender	People working in informal non-agricultural labor		People working in the informal non-agricultural sector		People working in informal non-agricultural labor outside the informal sector	
			Number (000)	Percentage	Number (000)	Percentage	Number (000)	Percentage
Palestine	2008	Males	333	59,9	125	22,7	208	37
		Females	42	42	14	54,0	28	28
	<b>Total</b>	<b>375</b>	<b>57,2</b>	<b>140</b>	<b>21,3</b>	<b>234</b>	<b>35,7</b>	
	2011	Males	324	51,5	142	22,7	183	29,4
		Females	46	40,4	14	52,9	31	27,8
	<b>Total</b>	<b>370</b>	<b>50,1</b>	<b>156</b>	<b>21,2</b>	<b>215</b>	<b>29,1</b>	
	2012	Males	342	52,9	154	23,9	188	29,1
		Females	45	39,7	15	51,9	30	26,6
	<b>Total</b>	<b>387</b>	<b>50,9</b>	<b>169</b>	<b>22,3</b>	<b>218</b>	<b>28,8</b>	
	2013	Males	362	53,5	161	23,9	201	29,9
		Females	49	42,2	15	52,6	35	30,3
	<b>Total</b>	<b>410</b>	<b>55,9</b>	<b>176</b>	<b>22,2</b>	<b>234</b>	<b>30,0</b>	
Egypt	2013	Males	7575					
		Females	572					
<b>Total</b>	<b>8149</b>							

Source: ILO database – Key Indicators of the Labor Market – table 8

According to the definitions included in the aforementioned database relevant to Palestine, informal labor in the first column includes the following:

- Renters, own-account workers, members of production cooperatives, and family members contributing to the informal sector;
- Producers for their own consumption;
- Workers without social coverage.

The informal sector includes the unregistered economic enterprises.

The database indicates that these statistics, in Palestine's case, are the result of studies in the labor.

Although this data indicates an important drop in informal labor in Palestine between 2010 and 2011, from %57.2 to %50.1, percentages increased again in 2012 and 2013 to reach %51.9. Females reached %42.2 in 2013 in comparison with %42 in 2010. These changes are mainly due to the important changes in the numbers and percentages of informal labor outside the informal sector, particularly between 2010 and 2011, and 2012 and 2013.

It is worth noting in this context that all other Arab countries did not provide statistical data according to the

new standards, and were not keen on keeping abreast of developments in terms of labor and enterprises statistics.

### -2 WIEGO data

WIEGO, in addition to a number of international experts in informal labor known as Delhi group, contributed to the aforementioned guide issued by ILO. WIEGO issued a number of reports on informal labor. However, these reports did not include additional data concerning the Arab region, except for Palestine and partially for Egypt. This is due to the fact that these countries counted on ILO database. Even on the level of MENA as a whole, the organization was unable to make estimates, and thus with data available for only two Arab countries, it was unable to come up with credible percentages and estimates for the region. The statistics published by the organization in 2014, in its report entitled «Women and men in informal economy: a statistical image»<sup>5</sup> covering 47 countries, are based on two sources: the answers to the questionnaire sent by ILO to the countries to collect their data, and ILO database concerning informal labor, particularly the tables about national research, including research on households in a number of countries where data are available<sup>6</sup>. WIEGO estimates that informal labor in the MENA region makes up %45 of agricultural labor, in comparison to %82 in South Asia, %66 in Sub-Saharan Africa, %65 in East and Southeast Asia (without China), and %51 in Latin America and the Caribbean. The percentage of formal labor in the MENA region amounts to %35 for women and %47 for men. The organization notes that these total estimates hide a huge difference between countries, given their individual specificities. The main data taken from WIEGO's publications on informal labor in Palestine and Egypt are shown in the following tables:

Source: Statistics on informal economy – WIEGO – 2014

Table 2: Percentage and components of the informal non-agricultural labor in Palestine - 2010

Rural areas	Urban areas	Men	Women	Total	Components
62,3	57,8	59,9	42,6	57,2	Informal labor workers
27,0	25,3	22,7	14,0	21,3	Informal sector workers
0,0	0,0	0,0	0,0	0,0	Informal labor workers in the informal sector
35,3	36,7	37,2	28,0	35,8	Informal labor workers outside the informal sector

This table, circulated as an example of data that could have been received if data collection were possible for the whole Arab region, shows that the percentage of informal labor in Palestine in 2010 reached %62.3 in rural regions, and %57 in urban regions. However, the percentage of informal labor outside the informal sector seems higher in urban areas, with %36.7, in comparison to %35.2 in rural areas. This can be due to informal labor in the formal sector, which is usually concentrated in cities. This can also be due to higher labor for families in urban regions.

This data shows that there are no formal workers in the informal sector in Palestine. It is also impossible to confirm that this is due to the lack of statistics or almost a complete absence of such category in the Palestinian economy.

Table 3: Percentage of informal labor to the non-agricultural labor by gender and activity

Activity sectors	Percentage of informal labor to the non-agricultural labor by gender and activity					
	Palestine			Egypt		
	Total	Females	Males	Total	Females	Males
Industry	77,6	90	76	49	48,5	49
Construction	96,9	—	96,9	92,1	39,6	92,4
Trade	72	80	71,4	84,4	84,9	84,3
Transportation	48,9	50	51,2	77,2	9,9	78,9
Services other than trade and transportation	20	28,2	16,9	59,8	11,6	23
All non-agricultural activities	52,8	40	54,5	51,2	23,1	56,3

5. «Statistics on the informal economy: definitions, regional estimates & challenges» Vanek, Chen, Carré, Heintz, Haussmans – WIEGO Working paper n°2 – April 2014.  
6. Annex 3 includes the methodology adopted by WIEGO.

Source: Statistics on informal economy – WIEGO – 2014  
The previous table shows that the percentage of informal labor in different non-agricultural sectors amounts to %52.3 out of the total non-agricultural labor in Palestine and %51.2 in Egypt. This percentage increases to %54.5 for men in Palestine and %56.3 in Egypt. As for women, it drops to %40 in Palestine and only to %23.1 in Egypt.

As for sectoral breakdown, the table shows that the percentage of informality is very high in the construction sector, whether in Egypt or in Palestine. The percentage of informal labor reaches %96.9 of the total labor in Palestine, and %92.1 in Egypt.

The other services sector (except for trade and transportation) sees the lowest percentages of informality, which do not exceed %20 of the total labor in both countries.

Table 4: Breakdown of formal and informal non-agricultural labor by gender and activity

Activity sectors	Total			Women			Men		
	Total	Formal	Informal	Total	Formal	Informal	Total	Formal	Informal
Palestine – 2010									
Industry	13,0	6,3	19,2	16,0	5,7	22,5	13,5	7,1	18,8
Construction	14,8	1,0	37,4	—	—	—	17,4	1,2	35,8
Trade	21,8	12,8	36,0	3,3	20,9	23,9	15,8	15,4	35,4
Transportation	6,9	7,0	6,4	3,6	1,7	2,5	3,7	6,9	7,9
Services other than trade and transportation	41,4	72,8	16,9	76,0	19,1	56,9	17,2	18,9	13,4
All non-agricultural activities	100	100	100	100	100	100	100	100	100
Egypt – 2009									
Industry	18	18,8	17,2	8,5	1,7	17,8	18,7	2,9	17,1
Construction	15,2	2,4	27,3	0,4	0,0	0,0	17,8	0,1	29,2
Trade	25,8	4,9	25,2	11,8	2,2	10,6	18,0	1,7	16,8
Transportation	9,3	4,9	14,0	1,4	1,8	0,7	10,7	0,2	16,8
Services other than trade and transportation	42,2	49,5	16,3	78,1	49,8	19,1	31,8	43,9	14,4
All non-agricultural activities	100	100	100	100	100	100	100	100	100

Source: Statistics on informal economy – WIEGO – 2014

The present table differs from the previous one in that the latter included the percentages of informality in each sector, whereas this one includes the breakdown of workers by non-agricultural sectors and their weight in terms of workers percentages to the total number of workers, the total formal labor, or the total informal labor, and takes into consideration the breakdown by gender.

The table shows that the other services sector (except for trade and transportation) attracts %43.4 of total workers in Palestine, but accounts for %72.8 of formal employees. This is a normal phenomenon since this sector largely includes management and organized enterprises. This percentage rises to %93.3 for women.

As for the construction sector, whereas it attracts %14.8 of the total labor in Palestine, it only attracts %1 of formal labor in comparison with %27.4 of informal labor. This means that this sector is highly informal and vulnerable.

The same table shows almost the same for Egypt. The construction sector accounts for %27.3 of informal labor, and only attracts %15.2 of total workers. On the other hand, the other services sector (except for trade and transportation) attracts %69.5 of the total formal labor (men) and around %90 of the total formal labor (women). This also shows that women are almost completely absent from informal labor in transportation (%0.7).

The following table shows that women represent around one-fifth of the total labor in Egypt and less in Palestine (%16.9). This percentage goes up to 30 percent of the agricultural labor in both countries. Palestinian women account for %38.8 of independent agricultural labor, whereas they only account for %4.5 of formal agricultural independent labor.

Table 5: Percentage of women at work by types in Palestine and Egypt

Categories	Palestine 2010	Egypt 2009
Total labor	18,9	18,9
Agricultural labor	29,5	30,4
Waged agricultural labor	0	
Rented formal agricultural labor	—	
Rented informal agricultural labor	0	
Independent agricultural labor	18,8	
Non-agricultural labor	15,2	15,8
Waged non-agricultural labor	16,4	
Rented formal non-agricultural labor	23,6	
Rented informal non-agricultural labor	10,3	
Independent non-agricultural labor	18,6	
Independent formal non-agricultural labor	4,5	
Independent informal non-agricultural labor	13,8	

Source: Statistics on informal economy – WIEGO – 2014

## INDICATORS BASED ON APPROXIMATE INDIRECT ESTIMATES (PROXY)

Indicators and data relevant to informal labor are estimated through many methods that developed over time. In the 1970s and 1980s, the general population censuses, conducted every ten years (or even more for some African countries), were considered the only sources of data regarding the informal sector. As of the 1990s, surveys concerned with active population and employment were conducted on a yearly basis, and sometimes a quarterly one, in a number of emerging countries.

Labor in the informal sector was measured indirectly through the method of residues, i.e. deducting the registered labor from the total labor in every sector to obtain the formal labor. This method is still valid in countries where no surveys of the labor force are available.

Whereas data about labor in the informal sector are available, data about informal labor are only available in a limited number of countries, and are almost absent in Arab countries, which shows again that these countries are unable to produce and provide general statistical data, and do not respect the ILO as a reference organization which measures labor through special surveys and research. Therefore, using approximate methods (Proxy) to estimate informal labor remains necessary to follow up on its evolution. These approximate estimation methods are the following:

- Lack of social protection approach;
- Independent labor approach;
- Approach of estimating the contribution of the informal sector to GDP through:
  - National accounts
  - Economic statistical models of hidden variables (Schneider Index)

### -1 OECD and Jack Charmes data

As for the Arab region, statistics about informal labor, published by Jack Charmes in his study entitled «Informality 40 years of debates» and his former study, which was the basis of a report entitled «Is Informal normal?» for J. P. Jütting & J. R. de Laiglesia, published by OECD, were only limited to North Africa countries and some Middle Eastern, non-GCC Arab countries.

2. Annex 2 of this report shows the most important elements of the standard methodology and definitions included in this guide.  
3. Key Indicators of the Labor Market – ILO  
4. Refer to the definition of the informal labor in this database in the annexes.

Table 6: Evolution of the shadow economy percentage<sup>7</sup> out of the total non-agricultural labor

Countries	Percentage of informal labor to the total non-agricultural labor					
	1975-1980	1980-1984	1985-1989	1990-1994	1995-1999	2000-2005
Algeria	21.8		25.0		42.7	43.3
Egypt	18.7		37.3		55.2	45.9
Tunisia	38.4	35.0	39.3		47.1	35.0
Morocco		56.9			44.8	37.1
Mauritania		69.4	80.0			
Lebanon						53.8
Syria				41.7	42.9	30.7
Palestine						43.6
Yemen					57.1	53.1
North Africa	39.6		34.1		47.5	53.0
Sub-Saharan Africa		67.3	72.5	76.0	81.9	63.3
Latin America				52.5	54.2	55.9
South and South East Asia			53.9	65.2	69.9	69.7
South Asia						43.2
Emerging countries						50.7

Source: «Is Informal normal?» – J. P. Jütting & J. R. de Laiglesia – OECD – Statistics by Charmes (2002) and Shang (2007), and Informality 40 years of debates» for Jack Charmes Statistics show that:

- The percentage of informal labor has continuously increased in North Africa countries since the mid1970-s, and went from %39.6 in 1979-1975 to %53 in 2010-2005;
- In 2010-2005, the percentage of informal labor reached %78.5 in Morocco and %51.2 in Egypt;
- As for non-African Arab countries, the latest available data are for 2004-2000 and show that Lebanon achieved the highest percentage, %51.8, followed by Yemen with %51.1.

Table 7: Components of informal non-agricultural labor in the informal economy<sup>7</sup>

Countries	Percentage of labor in the informal sector to the informal economy	Percentage of informal labor outside the informal sector	Percentage of women in the informal economy	Percentage of independent labor in the informal economy	Percentage of industry labor in the informal economy
MENA	58.7	41.3	36.4	39.9	41.4
Sub-Saharan Africa	66.4	33.6	35.1	36.9	34.2
Asia	79.4	20.6	35.9	33.3	41.7
Latin America	64.6	35.4	46.5	32.1	26.8
Emerging countries	58.5	41.5	39.2	39.7	38.8

Source: «Informality 40 years of debates» – Jack Charmes

Table 7 shows that the percentage of labor in the informal sector to the informal economy amounts to %58.7 in MENA countries, a percentage lower than those in the countries of Latin America and the Caribbean, Asia, and particularly countries of Sub-Saharan Africa, where it reaches %80.4. The high percentage of informal labor outside the informal sector in the MENA countries might be due to the fact that some enterprises in the formal sector employ people without respecting labor regulations and rules, in addition to the prevalence of family businesses. These data show that the percentage of informal labors outside the informal sector in MENA countries is %41.3. As for the Percentage of women in the informal economy, it only accounts for %16.4, whereas it reaches %51.1 in Sub-Saharan Africa and %46.5 in Latin America and the Caribbean. As for independent labor in the informal economy, it represents %39.9 in the MENA region, in comparison with %64.9 in Sub-Saharan Africa and %53.3 in Asian countries. The table also shows that industry labor in the informal sector reaches %41.4 in the MENA region, but only %24.2 in Sub-Saharan Africa and %26.8 in Latin America and the Caribbean. The following table (8) shows the breakdown of informal labor according to the status, highlighting the important percentage of independent workers out of the total informal labor in the countries included in the table, particularly Yemen and

Morocco, where these percentages were %88.6 and %67.8

Framework 1: Independent labor  
Independent labor = Renters + own-account workers + members of production cooperatives + family members contributing to the informal sector

Table 8: Percentage of informal labor depending on the situation at work

Countries	Percentage of informal labor depending on the situation at work			
	Percentage of waged workers to the informal labor		Percentage of independent workers to the informal labor	
	1990s	2000	1990s	2000
Algeria	35.4		66.9	
Egypt	30.3	44.1	49.7	35.1
Tunisia	48.9		31.6	
Morocco	18.7	52.2	41.9	67.8
Mauritania	22.2		72.8	
Lebanon		59.2		64.8
Syria	36.5		45.5	
Yemen	18.8	31.4	89.2	88.6

respectively in 2000. The same applies to Mauritania in the 1990s (%72.8).

Source: «Is Informal normal?» – J. P. Jütting & J. R. de Laiglesia – OECD

This table also shows the important evolution of waged employees who were part of informal labor between the 1990s and 2000 in Morocco and Egypt.

**- Breakdown by gender:**

Data taken from the same source show that women's participation share in informal labor is between %60 in Lebanon and %20.2 in Syria. It is worth noting that the

Table 9: Percentage of informal labor by gender

Countries	1990 - 1999		2000 - 2007		Other date	
	Males	Females	Males	Females	Males	Females
Algeria	43.1	40.6			43.1	40.6
Egypt	56.9	46.5	47.2	38.6	47.2	38.6
Tunisia	53.2	39.2			53.2	39.2
Morocco	44.0	46.8			44.0	46.8
Lebanon			44.4	60.0	44.4	60.0
Syria			42.8	34.6	42.8	34.6
Palestine			46.8	20.2	46.8	20.2
Yemen	52.2	39.7	52.8	29.3	52.8	29.3

percentage of women's informal labor looks usually lower than men's informal labor in most Arab countries included in the table, except for Morocco and Lebanon.

Source: «Is Informal normal?» – J. P. Jütting & J. R. de Laiglesia – OECD

In spite of the importance of informality among working women in Lebanon and Morocco, the following table shows the difference in the nature of women's informal labor between the two countries; independent labor constitutes %88.6 of informal labor in Morocco, whereas waged females only represent %11.4 of women's informal labor. As for Lebanon, waged females represent %74.9 of women's informal labor.

Table 10: Percentage of women informal labor depending on the situation at work

Countries	year	Percentage of informal labor in the non-agricultural sector	Percentage of independent labor out of the informal labor	Percentage of waged labor out of the informal labor	Percentage of women out of the total informal labor
Algeria	1997		80.9	59.1	16.8
Egypt	2005	38.6	46.7	53.9	34.0
Tunisia	1995	46.8	56.6	49.4	18.5
Morocco	1995	40.6	88.6	11.4	29.6
Syria	1994	54.3	54.6	43.4	18.6
Lebanon	2004	40.0	25.1	74.9	
Palestine	2004	30.2	63.4	36.6	

Source: «Is Informal normal?» – J. P. Jütting & J. R. de Laiglesia

- OECD

The table also shows that women represent %29.6 of the total informal labor in Morocco, %18.5 in Tunisia, and %16.8 in Algeria.

**- Regarding income:**

In terms of income, this table, which only concerns small renters, shows that the monthly income of this category in Tunisia dropped from 4 times the guaranteed minimum wage in 1997 to 3 times said wage in 2002. In contrast, the income of this category of renters in Morocco increased from 1.7 time of the minimum wage to 4.3 times said wage during the same period.

While the income of small renters exceeds the minimum wage in all countries included in the table, the wage paid to the employees of these enterprises varied in 2002 between 150 percent of the minimum wage in Mauritania, 110 percent of the minimum wage in Tunisia, and 0.2 percent of the minimum wage in Egypt and Lebanon. This shows the vulnerability level of workers in informal enterprises in these countries.

As for the difference between the women and men's income in the informal sector, the study shows that the income of small renters in small enterprises represents 53.3 percent of the income of male small renters in Morocco, in comparison with 82.6 percent in Tunisia in 2002. As for female waged employees, this percentage varies between 65.7 percent of male employees in Morocco and 67.7 percent in Tunisia. These data reflect women's vulnerability in the informal sector and the fact that they lack basic rights, even if they are the employers.

Table 11: Average monthly income and monthly wage paid by small renters in the informal sector (as a multiplier of the minimum wage)

Countries	Monthly income		Monthly salary	
	1997	2002	1997	2002
Tunisia	4.8	3.0	5.3	3.1
Morocco	1.7	4.3	1.8	3.8
Egypt (2004)		1.8		0.2
Mauritania (2009)		1.8		1.9
Lebanon (2006)		1.8		0.2

**-2 Lack of social protection approach**

This method was built on the fact that informal labor is the labor that does not provide social coverage to workers. It is measured by answering a question related to leveraging social security through labor force surveys, although these surveys only recently included questions about this issue. In the past, statisticians considered that workers registration meant necessarily that they were socially covered. Therefore, the residues method was adopted regularly by deducting registered labor in industrial sectors from the total workers to obtain an approximate estimate of informal labor. Then, the 17th conference of statisticians was held in 2003 and facilitated the collection and use of unified data through labor force surveys and answers related to the included benefits of social coverage. In the following table, and in order to highlight the lack of social protection, we counted on the latest available data in ILO database concerning social protection by choosing "the percentage of contributors to pension schemes for the labor force of 15 years old and above," for that we thought it was the best indicator that might show the extent of appropriate social coverage for working categories<sup>7</sup>. The table shows this weak percentage in most Arab countries for which data are available. It also shows that this percentage is weak in general in developing countries, indicating the importance of informal labor from a social protection perspective in different regions and countries.

Although this method reveals a general informality problematic in a given country, it might have a minor significance regarding the size of this work and its evolution, given the difference of systems and policies adopted by countries in terms of social protection and ensuring different working categories.

Table 12: Percentage of contributors to pension schemes (15 years old and above)

Countries and regions	Total	Males	Females	Year
Regions (weighted average according to the labor force)				
Africa	35.4	—	—	
Sub-Saharan Africa	8.5	—	—	
North Africa	47.8	—	—	
Africa East	37.1	—	—	
Latin America and the Caribbean	36.0	38.5	37.4	
Asia and the Pacific	34.0	—	—	
Central and Eastern Europe	65.7	—	—	
North America	59.5	—	—	
Western Europe	89.2	—	—	
World	41.4	—	—	
Developing economies	29.5	—	—	
Emerging economies	43.8	—	—	
Developed economies	52.9	—	—	
Arab countries				
Algeria	46.5	—	—	2001
Egypt	32.6	—	—	2003
Egypt	51.9	56.9	30.3	2006
Libya	59.6	32.9	30.9	2008
Mauritania	37.2	—	—	2005
Morocco	30.2	—	—	2001
Sudan	4.9	—	—	2008
Tunisia	79.0	—	—	2001
Saharan	35.1	34.1	39.0	2007
Iraq	45.2	—	—	2009
Jordan	51.5	47.4	30.1	2000
Kuwait	38.4	—	—	2000
Lebanon	0.3	—	—	2002
Palestine	32.0	—	—	2000
Qatar	33.7	33.4	35.4	2001
UAE	3.9	—	—	2008
Yemen	50.1	56.8	31.5	2000
Syria	28.4	—	—	2008
Yemen	5.3	6.4	1.8	2001

Source: ILO Social Protection Database

Table 13: Estimates of the effective coverage of pension schemes depending on the situation at work and labor patterns (according to the latest available data)

Categories		Middle East & North Africa	Sub-Saharan Africa	Latin America & the Caribbean	Developed countries & the European Union
Engagement according to the situation at work	Employees	41.8	40.9	44.9	50.8
	Own-account workers	4.4	0.1	18.8	14.1
	Unpaid family members	1.8	0.1	8.9	13.9
	Total labor	48.0	41.1	47.6	48.8
Engagement according to the contract nature	Public labor	85.1	69	91.7	88.3
	Seasonal labor	43.7	26	43.2	76.9
	Without contracts	9	12.7	28.2	55.9
Engagement according to full-time or part-time work	Employees	52.9	35	71.2	52.4
	Part-time	39.6	25.3	47.1	49.7
	Total labor	37	32.8	58.3	66.3
Engagement in the public or private sector	Employees	66.7	50.9	89.7	54.3
	Public sector	13.7	18.1	19.5	10.1
	Total labor	66.7	50.9	89.6	54.3
Engagement depending on the size of the enterprise	Public sector	13.6	4.6	43.1	46
	Less than 10 workers	18.8	5.9	18.7	79.4
	10 to 49 workers	62.3	42.3	61.4	66.4
	50 workers and above	63.9	51.6	74.6	47.3

Source: International Labor Organization - Data about the latest available statistics

The following table shows the important differences in social coverage and thus the vulnerability and informality of certain active categories according to their situation at work, the nature of their employment contracts, and the size of enterprises operated all over the world. It is worth noting that the percentage of social coverage

7. In the chapter devoted to interconnected approaches, we counted on the percentage of lacking social coverage in pension schemes by considering that it complements the percentage of contributors to pension schemes (i.e. 100 - the percentage of contributors to pension schemes out of the labor force)

relevant to pension schemes for total workers in the MENA region amounts to %32.3, in comparison with %88.3 in developed countries, %47.5 in Latin America and the Caribbean, and only %9.1 in Sub-Saharan Africa. As for the employees, coverage does not exceed %42.9 in the MENA region, which is considered the lowest percentage in comparison with the countries of Sub-Saharan Africa and Latin America and the Caribbean.

As for own-account workers, it barely reaches %5 in comparison with %64.4 in Europe and the European Union, and %18.8 in Latin America and the Caribbean. Moreover, only %1.8 of contributing family members benefit from social coverage in the MENA region, knowing that this category remains weak in terms of coverage, even in the developed countries, where coverage remains below 18 percent. Vulnerability is also reflected by the weak percentage of social coverage for those who work without a contract in the MENA region which does not exceed %9 in comparison with %43.7 for seasonal workers and %85.1 for civil servants respectively. As for the sectoral breakdown, the difference is clear between those who work in the public and private sectors in the MENA region; the coverage drops from %88.7 for those who work in the public sector to %19.7 for those who work in the private sector, whereas the difference between both sectors in developed countries does not exceed 4 points (%94.5 in comparison with %90.5).

On the other hand, this table shows the differences between the coverage according to the size of the enterprise; the percentage in the MENA region drops from %83.9 in enterprises that employ 50 workers and more, which are usually formal enterprises, to %18.9 in enterprises employing less than 10 workers, which are mostly informal ones. The difference between regions is also clear. In fact, only %3.3 of the enterprises in Sub-Saharan Africa employ less than 10 workers, in comparison with %79.4 in developed countries, and %19.2 in Latin America and the Caribbean. This clearly shows the importance of informality in small enterprises and in the private sector in developing countries, including Arab countries.

**-3 Independent labor approach:**

This method supposes that the informal labor can be estimated approximatively in terms of independent labor percentage which complements the waged labor percentage out of total workers. The independent labor is composed of:

- Own-account workers
- Renters (who recruit workers in their enterprises on an extension basis)
- Contributing family members
- Members of production cooperatives

Independent labor represents only an approximate indicator of the informal labor, given the fact that it includes the complete category of renters, although some of them are formal, such as own-account workers who benefit from social coverage systems and respect the different administrative legislations and measures. However, their weight in the labor force and in the number of workers in developing countries remains weak, and thus their impact on estimates is low.

We have included in the following table data about the percentages of independent labor out of total workers since 1970s published in a study issued by OECD<sup>8</sup>, to highlight evolution in this field, showing particularly that:

- The percentage of independent labor on the international level increased from 22.5 percent in the 1970s to 31.3 percent in the 1990s, and then dropped to 24.7 percent in mid-

2000. As for North Africa countries, they have witnessed a continuous increase, reaching 35.1 percent in 2000.

- This percentage depends in the Arab countries on the latest data available in ILO database and varies between 61 percent in Comoros and 2.6 percent in Qatar. The table shows the differences between high income GCC countries characterized by a weak percentage of independent labor and other Arab countries.
- Women's labor percentage is considered high in Egypt, Morocco, and Oman, where these percentages amount to 49.8 ,63.7, and 46.6 percent of female non-agricultural labor (knowing that these data are available on this level for 6 Arab countries only).
- The percentage of women out of the total independent labor outside agriculture and its related sectors remains in all Arab countries included in the table below the international average (%4.5). It seems that this depends on the participation of women in the work force in the Arab world in general. This percentage varies between %15.5 in Qatar and %25.9 in Tunisia.

**INDICATORS ESTIMATING THE CONTRIBUTION OF THE INFORMAL SECTOR TO THE GROSS DOMESTIC (GDP)**

Table 34: The evolution of the percentage of independent labor from non-agricultural labor

Countries	Independent labor percentage out of the non-agricultural labor					Independent labor percentage out of the female non-agricultural labor				Percentage of women out of the total independent non-agricultural labor			
	1970s	1980s	1990s	2000	Latest data*	1970s	1980s	1990s	2000	1970s	1980s	1990s	2000
Algeria	15.5	19.0	24.5	31.7	31.7	2.6	5.2	25.0	1.4	1.4	14.7		
Bahrain	17.7	10.1	5.0	5.0	4.8	2.2	1.1	1.6	2.4	1.7			
Comoros	36.2	61.0	61.0	61.0	59.8	76.6							
Djibouti													
Egypt	21.4	28.6	24.1	42.5	42.5	8.3	3.6	15.1	69.7	3.8	3.1	50.4	18.4
Iraq	17.8	14.5			14.5	24.7	10.8			11.0	8.1		
Jordan	19.5	24.2			24.2	4.0	6.1		2.0		3.4		
Kuwait	11.8	6.4			6.4	0.5	0.5			0.5	1.5		
Lebanon			34.0	35.3	35.3			15.5	14.9			30.0	24.3
Libya	16.5				16.5	7.9			2.4				
Mauritania													
Morocco	15.5	36.1	45.1	49.7	44.1	37.3	49.8		26.5	25.7	24.1		
Oman		4.2	30.0	30.0		2.4	66.5			7.4	17.9		
Qatar	1.9		2.6	2.6	0.1	4.0	0.6				15.5		
USA													
Somalia													
Sudan	33.3	40.7			40.7	46.1	22.3		11.3		12.5		
Syria	31.0	25.5	31.3		31.3	22.2	15.2		12.1	5.0	4.9	4.2	
Tunisia	23.2	20.9	29.7	17.0	28.8	46.0	40.9	9.9	49.0	42.6	31.4	25.9	
UAE	9.6	8.2			8.2	7.1	1.7		2.6	2.1			
Palestine													
Yemen		41.2			41.2		16.7				3.3		
North Africa	18.2	23.8	28.5	31.1		16.1	23.8	29.6	41.1	13.2	18.6	20.8	22.8
Africa	22.5	26.8	31.3	24.7		23.7	26.0	32.2	24.0	25.4	28.7	34.8	40.5

Source: "Is informality something normal?" - J. P. Gauteng & J. R. de la Cruz - OECD - 2009  
 \*ILO data as per the latest available statistics

**1. National accounts approach:**

The national accounts system devoted<sup>9</sup> a complete chapter to the informal aspect of the economy (chapter 25). The informal sector is defined as "a sub-sector of enterprises taking the form of companies in the enterprises sector and family business." Although it is possible to measure relatively easily its contribution to GDP, this is not easy for the category of informal labor outside the informal sector, broken down on all institutional sectors of the national accounts system composed of:

1. Informal workers in the formal sector;
2. Domestic workers;
3. Producers of consumption goods for their own families (in the first and second sectors)

Table 35 : The contribution of the informal sector to the Growth Domestic Product and the added value

Countries	Contribution of the informal sector (including the agricultural sector) to GDP	Contribution of the informal non-agricultural sector to the total added value	Contribution of the informal non-agricultural sector to GDP
North Africa	35.8	27.1	23.9
Algeria (2000)	37.9	30.4	27.1
Egypt (2008)	27.8	16.9	14.7
Tunisia (2004)	41.8	34.1	29.8
Africa Sub-Saharan Africa	63.6	50.2	31.3
Latin America	29.2	25.2	24
Emerging countries	19.5	13.9	10.7

Source: Informality 40 years of debates - J. Charms

The previous table, which only includes brief data about the Arab region, shows that the contribution of the informal sector, including the agricultural sector, amounts to 35.8 percent of GDP for North Africa, including Egypt, Tunisia, and Algeria. The percentage varies between 41.8 percent in Tunisia in 2004 and 27.8 percent in Egypt in 2008. For comparison purposes, this percentage reached 63.6 percent of the GDP for Sub-Saharan Africa, but did not exceed 29.2 percent in Latin America and the Caribbean.

On the production level, the table shows that average contribution of the informal non-agricultural sector to the total added value in North Africa countries amounts to 27.1 percent, in comparison with 50.2 percent in the countries of Sub-Saharan Africa and 25.2 percent in Latin America and the Caribbean. This contribution amounts to 34.1 percent of the total added value in Tunisia and 30.4 percent in Algeria, and only 16.9 percent in Egypt.

The contribution of the informal non-agricultural sector to GDP amounted to 23.9 percent in North Africa countries covered by the study. It varied between 29.8 percent in Tunisia, 14.7 percent in Egypt, and 27.1 percent in Algeria. As for Sub-Saharan Africa countries, their contribution reached 31.3 percent, in comparison with 24 percent in Latin America and the Caribbean, and 10.7 percent in emerging countries.

**2. Estimates according to the empirical methodology: Measuring the shadow economy: Schneider Index**

In regards to the Schneider Index<sup>10</sup>, the shadow economy is composed of all goods directed to the goods market and the legal services that are hidden from public authorities in order not to:

- Pay the taxes and other benefits;
- Pay social security contributions;
- Implement labor legislations such as the minimum wage, the

labor period, social coverage standards, ...

- Comply with certain administrative obligations.

This excludes illegal products, i.e. activities complying with normal crimes such as theft, drug trafficking, etc. The whole informal shadow economy, including the families producing goods and services, is also excluded.

The empirical methodology adopted by Schneider is based on the indirect measurement method, which is itself based on the theory of non-observable variables, which consider that there are many reasons to explain the existence and growth of the shadow economy, and that these can be estimated through considerable variables with available indicators<sup>11</sup>.

As for developing countries, the six following reasons were used:

- a. Weight of direct taxes (as percentage of GDP);
- b. Size of the public sector (public consumption percentage of GDP);
- c. Tax freedom (percentage of tax revenues to GDP);
- d. Administrative organizations density;
- e. Freedom of initiative;
- f. The status of the economy through the indicators of employment rates, GDP per capita, participation to the labor force, and the cash earnings outside banks.

The following table shows the evolution of the Shadow economy in Arab countries as per the Schneider Index:

Table 36: The Shadow economy in the Arab countries between 1999 and 2007

Country	Years									International ranking out of 162 countries	
	1999	2000	2001	2002	2003	2004	2005	2006	2007		
Bahrain	18.8	18.8	18.8	17.8	17.8	17.8				17.8	29
KSA	18.7	18.8	18.7	18.7	18.8	17.7	17.8	17.8	18.8	18.1	28
Oman	15.1	18.9	18.5	18.5	18.4	18.9	18	17.5		18.4	28
Jordan	18.8	18.8	18.8	18.7	18.8	18	17.5	17.2	18.2	18.2	29
Qatar		18	18.8	18	18.8	17.8	18			18.8	30
Syria	18.8	18.8	18.8	18.1	18.8	18.8	18	18.7	18.8	18.1	34
Egypt	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1	15.1	35
UAE	18.8	18.8	17	17.4	18.8	18.8	18.8	18.8	18.8	18.8	47

- « The Shadow economy » - Friedrich Shneider & Colin C. Williams - IEA - The institute of Economic Affairs - 2013.

- According to Jack Charmes, this method is appropriate to approximatively estimate the contribution of the shadow economy to GDP. Their comparison with the national accounts approach based on the current GDP remains difficult given the fact that national accounts include a part of the shadow economy.

Yemen	37.7	37.4	37.8	37.0	37	37	36.8	36.8	36.8	37.1	52
Algeria	34.2	34.1	33.8	33.3	33.3	33.7	33.1	33	33.2	34.3	76
Lebanon	34.1	34.1	34.7	34.5	34.1	34.4	34.4	34.8	34	34.1	79
Uganda	34.7	35.1	34.8	34.8	34.8	34.9	35.1	35	34.8	34.7	84
India	34.1									34.1	
Egypt	33.5	33.1	33.2	33.7	33.4	33	34.8	34.1	33.2	34.0	89
Morocco	33.5	33.4	33.7	33.5	33	34.2	34.9	35.1	33.3	34.9	90
Mauritania	33.3	33.1	33	33.8	33.8	33.1	34.4	33.7		33.1	
Tunisia	33.7	33.8	33.8	33.8	33.8	34.9	36.7	35.8	33.8	37.1	97
Comoros	33.0	33.0	33	32.7	33.0	33	33	33.0	33.0	33.1	102
Average	34.1	33.75	33.5	33.35	33.75	33.35	33.15	33.35	33.35	33.8	118
Arab countries average	37.8	38.8	37.8	37.7	37.8	36.9	37.2	37.3	38.8	37.8	
World average	34	33.7	33.6	33.6	33.3	33.9	33.3	33.3	33.3	33	131

Source: Study by Schneider, Bohan and Montenegro "The Shadow economy in the world" estimates for 162 countries between 1999 and 2007 - World Bank - 2012

The following conclusions can be taken from the study on Shadow economy for the 2007-1999 period:

1. The shadow economy represents an important part of the world economy; the unweighted average of 162 countries is %33.1, and this world average decreases to %17.2 of the GDP, if GDP per capita per country is taken into consideration. As for Arab countries, the sector's (unweighted) average size

8. "Is informality something normal?" - Gauteng and Do Leclazia - OECD - 2009  
 9. Refer to the fourth amendment of the 1993 national accounts system, and the fifth amendment of the 2008 national accounts system  
 10. « The Shadow economy » - Friedrich Shneider & Colin C. Williams - IEA - The institute of Economic Affairs - 2013.

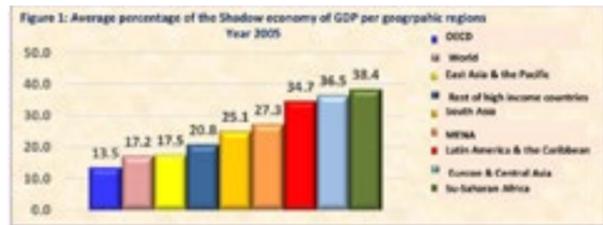
11. According to Jack Charmes, this method is appropriate to approximatively estimate the contribution of the shadow economy to GDP. Their comparison with the national accounts approach based on the current GDP remains difficult given the fact that national accounts include a part of the shadow economy.  
 12. If for instance the measurement for a given country was 1.07 degree with a margin of error between 0.73 and 1.42, it means that the indicator might be between those two edges. To compare between two specific dates, both margins should not coincide to indicate a negative or positive development.

amounts to %27.6. The study also reveals that the international average has decreased in 2007-1999. As for the average of Arab countries, it was almost stable due to the increase in 2007.

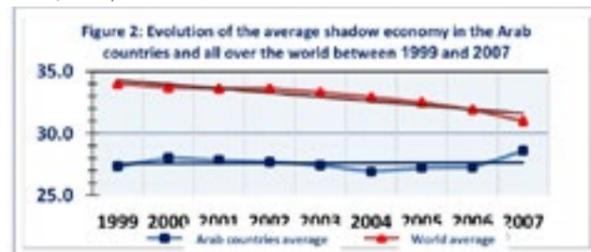
2. There are many different and interconnected reasons and factors determining the importance of this sector, depending on the specificities of countries and regions. However, these reveal in particular the governmental actions and measures, especially in the field of taxes, arrangements, and procedures.

3. In spite of the differences between countries in terms of the informal economy, there was a clear homogeneity on the level of major regional blocs: Sub-Saharan Africa countries have the highest informality percentages, whereas the lowest percentages are seen in OECD countries.

The following figure shows the percentages of the shadow economy in the MENA region. Although higher than the world average as well as that of developed and East Asia and Pacific countries, these percentages remain below the percentages of the countries of Latin America and the Caribbean, Europe, Central Asia, and Sub-Saharan Africa.



It is worth noting in this regard that we must be a bit cautious in explaining the relatively low percentages of the contribution of the shadow economy to the GDP, and the extent to which this shows decreasing informality percentages in oil countries, particularly in GCC countries, and to a lesser extent, in Algeria and Libya, given the important contribution of oil revenues to the GDP of said countries. Moreover, the indicators of these low percentages of informality must be deeply examined. This can be explained by the weak productivity of informal activities, the weak value of products exchange, and thus the weak income of workers and the lack of basic rights at work. As for the following figure, it shows that the average percentage of the shadow economy in the Arab countries went down between 2000 and 2004, and then increased between 2004 and 2007. On the other hand, the world average dropped almost continuously between 1999 and 2007, except in 2002.



## CORRELATION BETWEEN MEASUREMENTS

This chapter looks into the correlation between different approximate estimates. The following table shows the outcomes of comparing the results of the three approaches to estimate informal labor in different countries all over the

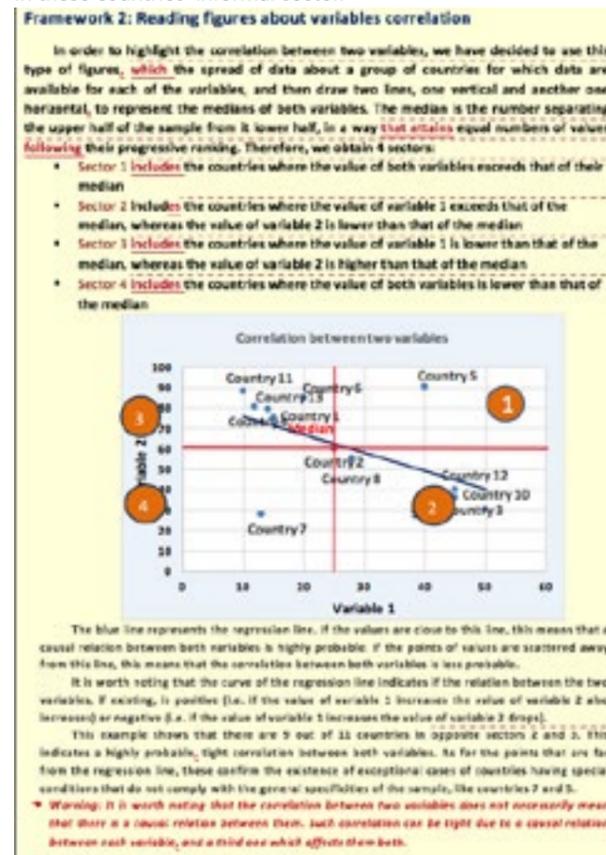
world. This was also covered by a study conducted by the World Bank on informal labor in MENA Countries.

Table E7: Percentage of own-account workers, workers who do not contribute to social security systems, and unauthorized production per region

Region	Percentage of own-account workers	Percentage of workers who do not contribute to social security systems (%)	Unauthorized production to GDP
<b>Middle East and North Africa</b>	<b>32.4</b>	<b>-</b>	<b>27.7</b>
Including GCC <sup>a</sup>	3.8	-	20.1
Remaining regional countries <sup>b</sup>	34.3	63	36.2
<b>Developed countries</b>	<b>13.4</b>	<b>9.3</b>	<b>16.4</b>
<b>Europe and Central Asia</b>	<b>23.7</b>	<b>19.2</b>	<b>18.9</b>
<b>Latin America and the Caribbean</b>	<b>33.1</b>	<b>33.6</b>	<b>43.9</b>
<b>Asia and the Pacific</b>	<b>14.3</b>	<b>7.1</b>	<b>12.8</b>
<b>South America</b>	<b>71.7</b>	<b>-</b>	<b>87</b>
<b>Africa Sub-Saharan Africa</b>	<b>60.8</b>	<b>19.2</b>	<b>42.2</b>

Source: "The fight for better jobs in MENA countries" – World Bank, 2014

As for MENA countries, the table shows compliance between informality through self-employment percentages and that of the shadow economy in regional countries out of the GCC, whereas the percentage of contributors to social security systems amounts to around two-thirds of the labor force in the same group of countries. As for Sub-Saharan Africa, the lack of social coverage and independent labor approaches show very high levels of informality, whereas this percentage decreases to almost the half in terms of the shadow economy. This can be explained by the severe weakness of productivity in these countries' informal sector.



The following table shows informality percentages in some Arab countries included in the aforementioned study, as per the three approximate estimates.

Table 18: Percentage of unauthorized production to Growth Domestic Product and the percentage of workers who do not benefit from social security

Countries	Percentage of unauthorized production (1999-2007)	Percentage of workers who do not benefit from social security (2000-2007)	Percentage of Independent labor
Libya	36.7	31.5	-
Egypt	35.3	44.5	37.8
Tunisia	39.6	52.4	34.2
Jordan	20.3	61.6	-
Algeria	35.7	63.3	67.1
Iraq	-	64.4	-
Lebanon	35.1	65.5	15.6
Syria	19.5	73.2	53.9
Morocco	37.9	76.2	37.3
Palestine	-	86	35.6
Yemen	27.7	89.6	32.4

Source: "The fight for better jobs in MENA countries" – World Bank, 2014

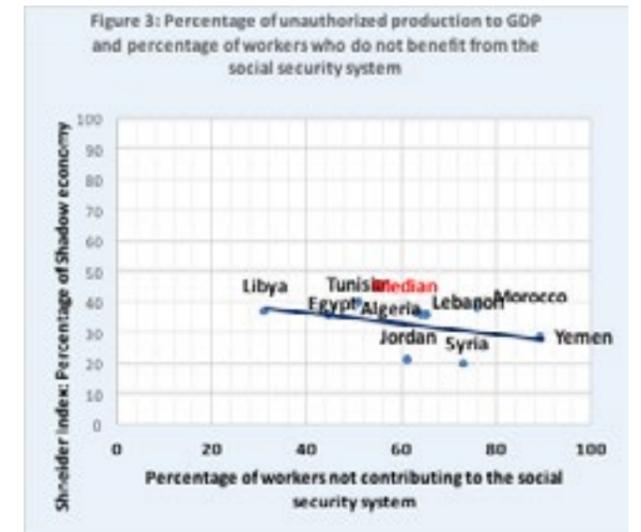
## - Shadow economy and lack of social coverage:

Data included in the aforementioned study show that the percentage of workers who do not benefit from social coverage is very high in Arab countries, indicating a soaring level of informality.

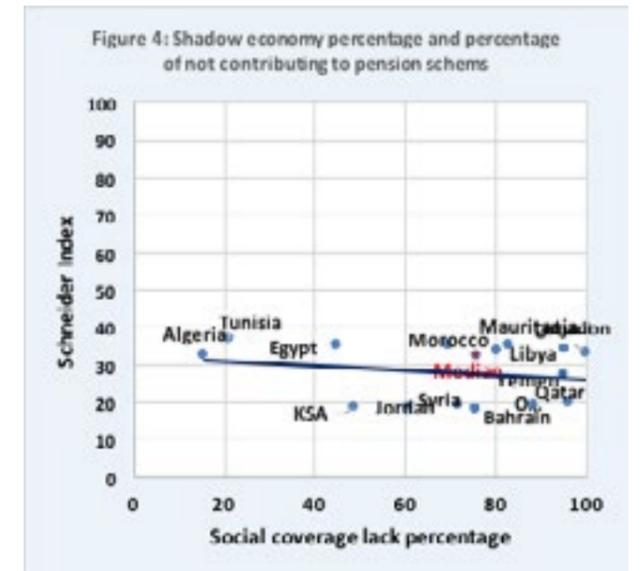
According to the aforementioned study conducted by the World Bank, the following figure shows that, by adopting median lines, there will be 6 countries out of 8 covered by the sample, i.e. 75 percent of the cases, in two opposite sectors out of four, indicating a correlation between both variables. This breakdown shows that:

- Algeria, Egypt, Tunisia, and Libya are in the sector seeing relatively weak social coverage, with relatively high levels of unauthorized production as per Schneider index. This would mean that a part of those who work in the informal sector might benefit from social coverage in these countries.
- On the other hand, Yemen and Syria are in the sector characterized by high levels of lack of social coverage with low levels of shadow economy. This would mean that the level of social coverage lack remains weak and that parts of those who work in the formal sector do not benefit from any social coverage. The weak percentage of shadow economy might also mean that the productivity of informal activities is weak.
- Morocco, on the one hand, and Jordan on the other, represent two exceptional cases. Both percentages are high in Morocco, meaning that formality percentages are high under both analyses approaches. As for Jordan, percentages are lower than the two medians, meaning that informality is relatively weak under both analyses approaches.

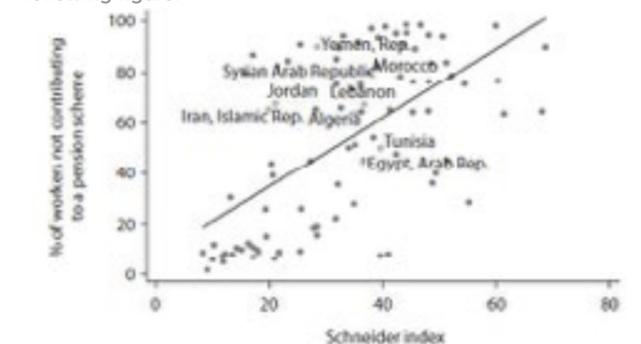
Although there are few sample countries, the breakdown of countries along the regression line show a possible correlation between the two approaches. As a matter of fact, countries are spread relatively close to the line, except for Jordan and Morocco. However, the line curve looks inconformant with the results of the study issued by the World Bank in 2014, entitled «The fight for better jobs in MENA countries,» and which shows a positive relation between the two variables, but only for a sample of around 100 countries.



We tried to examine deeply the nature of the relation between the two variables by counting on the statistics relevant to the indicator of not contributing to pension schemes by the labor force (15 years old and above) included in ILO database concerning social protection. Therefore, the figure will be as follows:



Although the period and data sources adopted to confirm the lack of social protection changed, the curve of the regression line did not change a lot and took a form that shows a slightly negative relation, whereas it is evident that the lack of social protection is related to the importance of informal economy, as shown in the aforementioned study which confirmed a positive relation between the two indicators as per the following figure.



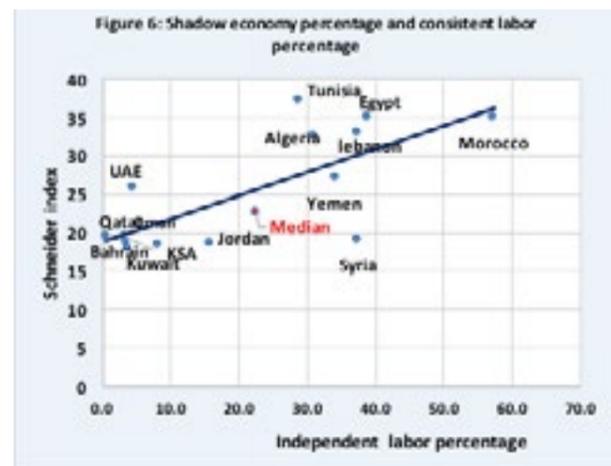
The different results of Arab countries, compared to most of the remaining countries included in the study conducted by the World Bank (where the low percentage of shadow economy does not go hand in hand with a low informality percentage. In contrast, it turns out sometimes that in some countries, the shadow economy is weak but the lack of social coverage is very high, like in most of the GCC countries), might be due to weak social protection systems and the fact that some categories of workers in formal sectors do not benefit from any social protection, even in high income countries. This might be due, as in the case of GCC countries, to the importance of migrant labor, especially in the construction sector, and of domestic workers in the labor markets of these countries. Moreover, the weak percentages of the shadow economy in these countries might be due to the importance of oil revenues in their economies and to the fact that oil activities are mostly performed in the formal sector.

**- Shadow economy and independent labor:**

The following figure shows that the relation between the shadow economy and independent labor looks closer, and that this relation is progressing. This means that when the independent labor percentage increases, the percentage of shadow economy increases as well.

Although the sample includes 14 countries, only 12 are broken down to two opposite sectors, i.e. 85 percent of the countries, which confirms that correlation between the two variables. The figure also indicates that:

- Yemen, Lebanon, Algeria, Egypt, Tunisia, and Morocco have relatively high levels in terms of variables;
- Jordan, KSA, Oman, Kuwait, Bahrain, and Qatar have relatively low levels in terms of variables;
- Syria is a special case; its shadow economy percentage is below the median, but the independent labor percentage is almost equal to that of Lebanon and Yemen;
- UAE is a different case; its shadow economy percentage is higher than the median, but the independent labor percentage looks very weak, just like in other GCC countries.



We can summarize this chapter according to the study conducted by the World Bank in 2014 entitled "The fight for better jobs in MENA countries" which considered that: «a standard MENA country is a country which produces informally one-third of its product and two-thirds of its labor force.»

**INDICATORS RELEVANT TO INFORMAL LABOR**

Many studies conducted by academics or issued by international organizations show a number of elements of different dimensions relevant to informal labor, affecting negatively or positively its size, contribution to the economy, and evolution. For instance, as long as the level of development measured as per GDP per capita is low, the larger informal labor would be. However, weak participation to the labor force might be due to increasing percentages of informality.

Therefore, we tried in this chapter to provide data and indicators which can be in causal relation with the informality phenomenon. These were divided into four main categories, which are:

- Demographic indicators;
- Indicators relevant to the labor force and percentages of participation, employment, and unemployment;
- Economic and financial indicators;
- Indicators relevant to institutional aspects and governance.

**-1 Demographic indicators**

Table 20 highlights the demographic pressure that the region will continue to face, and that will necessarily have important repercussions on many levels, such as labor markets, social protection, social development, and terrain and urban configuration in the coming years, taking particularly into consideration the high level of demographic growth (2.2 percent annually) in comparison with the current worldwide average (1.2 percent annually).

Although the percentage of active population (62.4 percent) is below the current worldwide average (65.5 percent), the very high percentage of youth, who represent one-third of the current population, reflects the high pressure that will aggravate on Arab labor markets in the future, when new generations of young people and children will reach the working age.

While the percentage of rural areas remains high in many Arab countries, especially countries of important demographic weight in the region, like for instance Egypt (56.9 percent), Sudan (66.4 percent), and Yemen (66 percent), this will mean continuous high levels of informality in said countries, given the importance of agricultural labor in rural areas, which is already informal in developing countries. However, most of the indicators relevant to informal labor do not highlight this fact because they exclude agricultural labor from informal labor.

Table 19: Demographic data

Country	Total population	Percentage of population between 0 and 14 years old	Percentage of population between 15 and 64 years old	Percentage of population above 65 years old	Demographic growth	2009	2010	2011 to the last year
Algeria	38 054 000	26,2	65,9	8,9	0,9	0,2	0,3	0,3
Bahrain	1 851 400	25,2	70,4	4,4	0,9	11,9	11,9	11,9
Comoros	769 000	40,1	56,7	3,2	2,8	19,2	19,2	19,2
Djibouti	874 174	36	60,8	3,2	2,0	23,3	23,3	23,3
Egypt	88 078 000	30,2	65,8	4,0	1,2	17	17	16,2
Iran	78 412 000	16,1	65,8	18,1	0	0,2	0,1	0,2
Jordan	6 827 000	26,8	66,4	6,8	1,0	18,8	17,8	18,8
Kuwait	3 701 000	22,2	70,8	7,0	0,0	1,8	1,7	1,7
Lebanon	4 240 774	26,1	67,8	6,1	1,2	13,8	13,8	13,8
Libya	6 238 000	26,7	65,8	8,5	0,8	20,1	20,1	20,1
Mauritania	3 888 000	40,4	54,0	5,6	2,4	20,4	20,4	20,4
Morocco	33 763 000	27,2	66,8	6,0	1,8	18,8	18,2	18,2
Oman	4 208 000	21,2	70,8	8,0	0,1	17,8	18,8	18,8
Qatar	2 179 000	13,2	63,8	23,0	1,0	1,8	1,8	1,8
KSA	30 080 000	28,8	66,8	4,4	1,0	18	17,8	17,8
Saudi Arabia	30 147 000	28,8	66,8	4,4	1,0	18,8	18,2	18,2
Sudan	38 800 000	40,2	53,8	6,0	2,1	17,2	16,8	16,8
Syria	22 147 000	24,8	63,8	11,4	1,7	16,2	16,4	16,8
Tunisia	10 088 000	23,2	69,2	7,8	1,8	18,8	18,1	18,1
UAE	5 088 000	13,8	65,2	19,0	1,8	17,2	18,8	18,2
Yemen	4 208 000	40,2	53,8	6,0	2,8	18,8	18,8	18

On the other hand, the demographic movement from rural areas to cities, confirmed by the continuous decrease of population in rural areas, leads necessarily to questions about the ability of cities and the formal sector in urban areas to absorb the demographic excess and the labor originating from rural areas, and the readiness to employ and accommodate it in decent conditions. This shows a potential large evolution of informal labor in cities where weak formal labor markets are unable to face the additional demand on labor resulting from this movement. This also results in random labor and more informality in terms of employment and urbanization, and in a kind of social discrimination in housing, limiting social mixing that used to characterize Arab cities, making them pillars social cohesion and solidarity.

**-2 Indicators about the labor force and employment**

Table 20: Data about the labor force and employment

Country	Labor force	Number of workers		Percentage of workers per sector		
Algeria	12 088 383	10 904 327	90,2	10,8	30,9	58,4
Bahrain	749 775	694 236	92,6	1,1	35,3	62,4
Comoros	294 908	240 439	81,6			
Djibouti	300 091	-	-			
Egypt	28 979 542	25 314 970	87,4	29,7	23,5	47,1
Iran	8 381 525	7 034 140	83,9	23,4	18,2	58,3
Jordan	1 717 180	1 498 405	87,3	2	17,5	80,5
Kuwait	1 898 673	1 840 580	96,9	2,7	20,6	76
Lebanon	1 627 526	1 518 113	93,3	6,3	21	72,6
Libya	2 341 149	1 881 673	80,4			
Mauritania	1 242 430	857 484	68,6			
Morocco	12 255 617	11 139 264	90,9	39,2	21,6	39,3
Oman	1 985 254	1 826 678	92,0	5,3	16,9	67,9
Qatar	1 510 928	1 541 983	99,4	1,4	51,9	46,8
KSA	11 750 920	11 087 388	94,4	4,7	24,7	70,7
Somalia	9 043 455	2 851 678	31,6			
Sudan	12 119 685	10 284 742	84,9			
Syria	6 024 928	5 375 452	89,2	14,3	32,7	53
Tunisia	9 978 063	9 431 555	94,6	16,2	33,5	49,8
UAE	6 232 093	5 998 097	96,2	3,8	23,1	73,1
Palestine	3 013 786	777 504	25,8	11,5	26,3	62,2
Yemen	7 348 186	6 064 148	82,6	24,7	18,8	56,2
Arab countries	126 875 097	112 142 882	88,6			

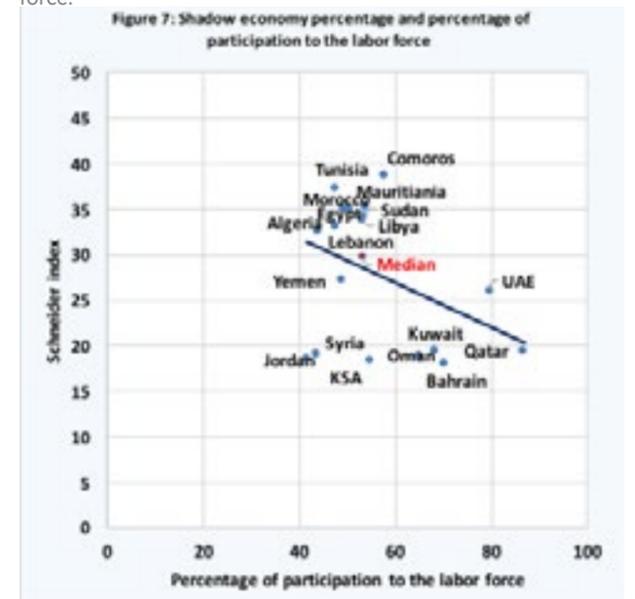
Source: World Bank database from ILO statistics - 2013 statistics or the last available year

Table 21: Percentage of participation by country

Country	Participation		
	Men	Women	Total
Algeria	72,2	15,2	43,9
Bahrain	86,9	39,2	70,2
Comoros	80,1	35,2	57,6
Djibouti	67,7	36,3	52,0
Egypt	74,8	23,7	49,1
Iran	69,8	14,9	42,3
Jordan	66,6	15,6	41,6
Kuwait	83,1	43,6	64,4
Lebanon	70,9	23,3	47,6
Libya	76,4	30,0	53,0
Mauritania	79,1	28,7	53,9
Morocco	75,8	26,5	50,5
Oman	82,6	29,0	65,1
Qatar	95,5	50,8	86,7
KSA	78,3	23,2	54,9
Somalia	75,5	37,2	56,1
Sudan	76,0	31,3	53,5
Syria	72,7	13,5	43,6
Tunisia	70,9	25,1	47,6
UAE	92,0	46,5	79,9
Palestine	66,4	15,4	41,2
Yemen	72,2	25,4	48,8
Arab countries	75,4	23,3	50,4

Source: ILO  
The last year for which data were available was considered

The table shows weak percentages of participation to the labor force in the Arab region, particularly for women. This might be due to the importance of informal labor. The following figure highlights a probable causal relation between the informal labor under the perspective of shadow economy and the percentage of participation to the labor force.



The curve of the regression line highlights the negative relation between the Schneider index, confirming the importance of the contribution of informal labor to GDP,

and the percentage of participation to the labor force. This means that whenever the participation percentage drops, the percentage of informal labor increases. The spread of countries in the figure shows that three quarters of the countries are in two opposite sectors, which means that there might be a strong causal relation between the weak participation percentages, especially for women, and the shadow economy. These countries are broken down as follows:

- Unlike Syria and Jordan and Yemen (up to a certain extent) on one hand, and Comoros and Mauritania (up to a certain extent) on the other, the other countries are broken down into two groups that are close to the regression line:
- A group composed of Tunisia, Morocco, Egypt, Lebanon, Algeria, and Libya and characterized by low participation levels and a high Schneider index.
- A group composed of GCC countries and characterized by relatively high participation percentages and levels that are below the median value for the Schneider index.

The table highlights the importance of unemployment percentages in non-GCC Arab countries in

Table 22: Unemployment percentage and youth unemployment

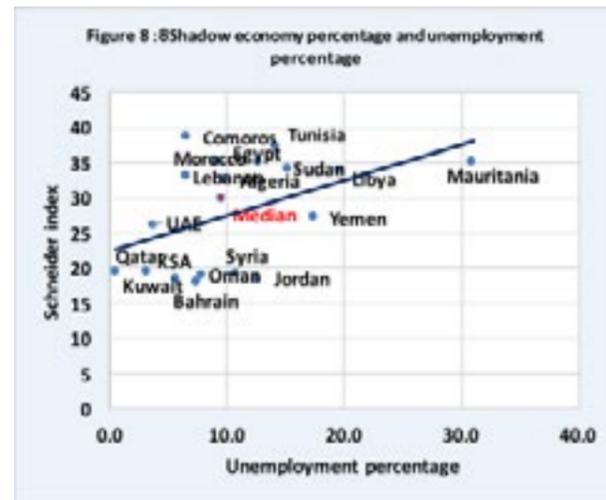
Countries	Year	Unemployment			Youth unemployment		
		Males	Females	Total	Males	Females	Total
Algeria	2013	8,4	16,8	9,8	21,0	38,7	24,0
Bahrain	2013	4,9	17,7	7,4	25,7	33,0	27,5
Comoros	2013	6,4	7,0	6,5	10,3	11,4	10,7
Djibouti	-	-	-	-	-	-	-
Egypt	2013	7,4	29,9	12,7	25,8	71,1	38,9
Iraq	2013	14,3	24,1	16,0	30,0	59,3	34,3
Jordan	2013	10,5	22,1	12,6	28,0	51,9	33,7
Kuwait	2013	3,3	2,4	3,3	22,8	32,7	19,6
Lebanon	2013	11,0	5,1	4,5	18,8	24,9	20,6
Libya	2013	15,3	30,2	19,6	38,5	77,2	57,2
Mauritania	2013	12,1	28,0	11,0	44,5	38,7	42,9
Morocco	2013	9,0	9,8	9,2	19,0	16,9	18,5
Oman	2013	6,7	15,9	7,8	17,9	32,1	20,5
Qatar	2013	0,2	3,4	0,5	0,5	8,7	1,5
KSA	2013	2,9	21,9	9,7	21,1	55,3	28,7
Somalia	2013	6,7	7,4	6,8	10,2	11,9	10,6
Sudan	2013	13,0	20,4	15,2	22,6	27,5	24,5
Syria	2013	7,7	28,4	19,8	23,2	65,9	28,8
Tunisia	2013	13,1	17,2	14,2	12,0	29,3	15,2
UAE	2013	2,8	8,8	3,8	8,1	17,0	9,9
Palestine	2013	23,8	21,9	23,4	34,6	56,4	38,3
Yemen	2013	9,9	38,8	17,4	20,3	51,7	29,8
Arab world	2014	8,5	21,5	11,4	23,3	48,2	29,3

Source: World Bank database taken from ILO

The table highlights the importance of unemployment percentages in non-GCC Arab countries in general. The average unemployment rate in the Arab region as a whole amounted to 11.4% in 2014, in comparison with a worldwide percentage of 8.54%. Youth unemployment (24-15 years old) constitutes a real problematic that endangers regional stability. In fact, unemployment for this particular category is very high, especially in Libya, Mauritania, Egypt, Palestine, Jordan, Iraq, and Tunisia, where it is above 30 percent. Taking into consideration the curve of the regression line, the following figure highlights the positive relation (in an arithmetical sense) between the percentage of informal labor according to the Schneider index and the percentage of unemployment. Whenever unemployment goes up, the shadow economy percentage increases through the Schneider index. This is confirmed by the spread of two-thirds of the sample countries in opposite sectors 1 and 4, with the exception on one hand of Comoros, Lebanon, and Morocco (up to a certain extent), where we see high percentages of shadow economy but an unemployment rate lower than the median, and Yemen, Jordan, and Syria (up to a certain extent) on the other, where we see high levels of unemployment in

spite of the low level of shadow economy. Most of the countries are broken down into two groups as follows:

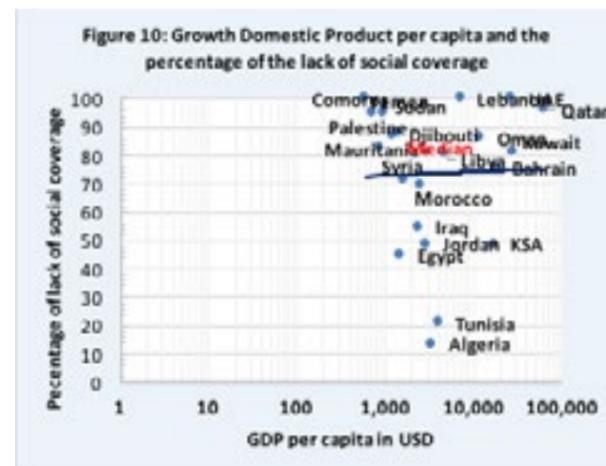
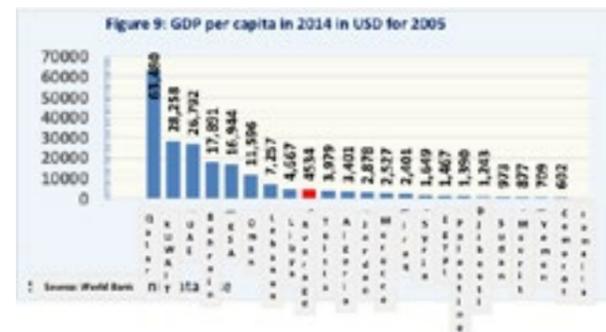
- Mauritania, Libya, Sudan, Tunisia, Algeria, and Egypt, where levels of shadow economy and unemployment are both high;
- All GCC countries, i.e. UAE, Oman, Bahrain, KSA, Kuwait, and Qatar, where levels of unemployment and shadow economy are both low.



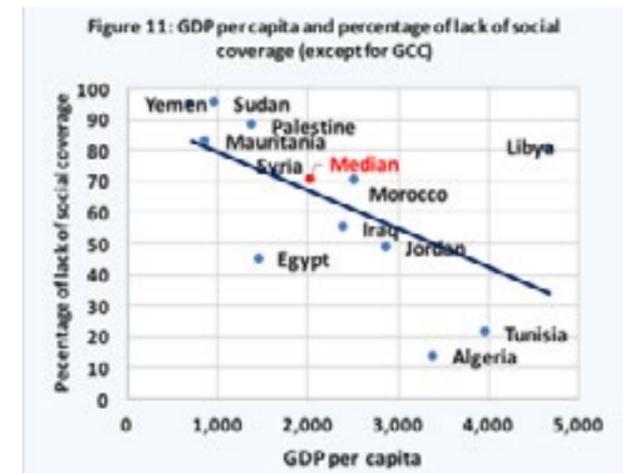
This correlation can be deeply examined based on unemployment percentages for youth, women, or people with disabilities, being the categories which face more employment difficulties, and are thus more exposed to informal labor and a lack of basic rights at work.

## -2 Economic, financial, and institutional indicators

### - Growth Domestic Product and growth stages:

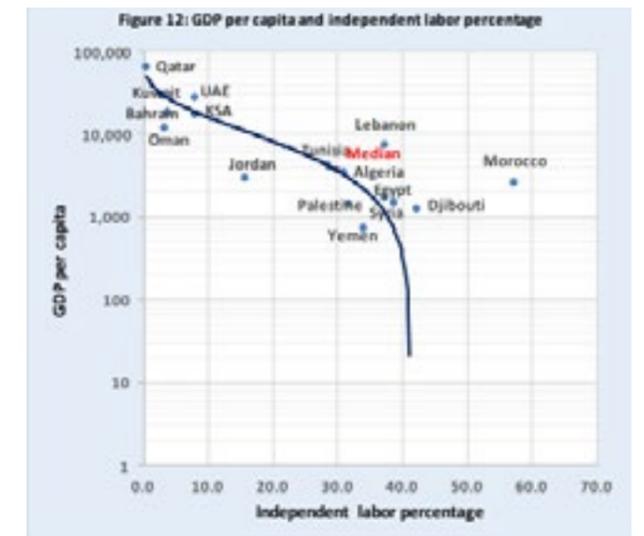


This figure shows that there is a close positive correlation between high income and the percentage of lack of social protection, which means that whenever the income increases, the percentage of lack of social protection also increases. However, when we look deeply into this matter, it seems that it is due to the special situation of GCC oil countries of high income per capita, and which had not developed contribution systems to cover the workers (particularly domestic workers and migrant workers, especially those who work in the construction sector as we already mentioned) in a way to benefit from pension schemes. It is worth also noting the special case of Lebanon where, according to the ILO database, there is no pension system but a system for civil servants. When these countries are excluded from the figure, it becomes clear that the relation between both variables is reciprocal, i.e. the income per capita results in a highly probable decrease in the lack of social coverage as shown in the following figure: The figure shows the following:



The spread of countries shows that four-fifths of the sample are in two opposite sectors, which means that there is an important correlation between both variables;

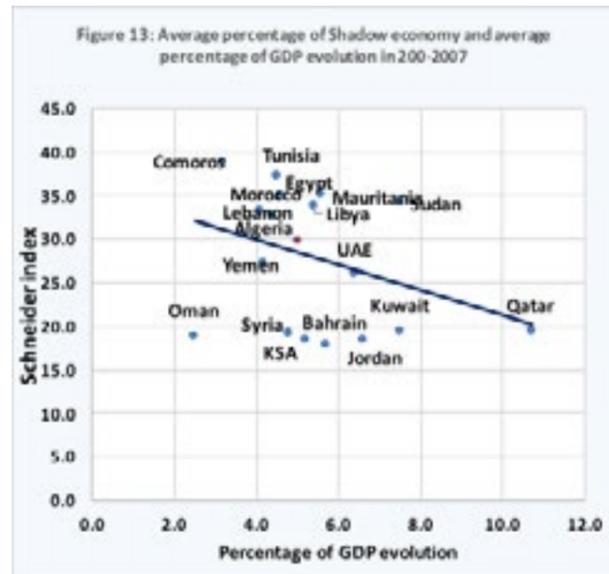
- Yemen, Sudan, Palestine, Mauritania, and Syria have low percentages of GDP per capita in parallel with high percentages of lack of social coverage;
- Morocco, Jordan, Iraq, Algeria, and Tunisia have relatively high percentages of GDP per capita and low percentages of lack of social coverage, particularly Algeria and Tunisia, due to their relative evolution in terms of covering pension systems for active categories;
- As for the different cases, these are seen in Libya where there is a high percentage of lack of social coverage in spite of the high GDP per capita - which can be explained by the importance of migrant labor that is not covered by pension systems - and in Egypt where there is a low percentage of lack of social coverage in spite of the low GDP per capita. This might be due to the importance of recruitment in the public sector, which provides a high percentage of social coverage



As for the correlation between the percentage of independent labor and GDP per capita, the figure above (based on an algorithmic scale for the product) clearly shows that most countries are close to the regression line. Its curve could mean that there might be a reciprocal relation linking the two variables. The percentage of independent labor increases when the GDP level decreases. The figure also shows that there are a number of high income countries in the sector characterized by a high GDP per capita and a low level of independent labor. The same applies to middle and weak income countries that are gathered in the opposite figure indicating a low level of GDP per capita and a high level of independent labor, except for Morocco, where a high percentage of independent labor is seen, although the GDP per capita is not that far from the median level. Unlike similar countries, Lebanon has a high level of independent labor despite the fact that its GDP per capita is considered relatively high. Source: World Bank database

Table 23: Evolution of growth percentage 2000-2014

Countries	Average 2006-2004	Average 2005-2009	Average 2010-2014
Algeria	4,8	2,9	3,3
Bahrain	4,9	6,1	4,0
Comoros	3,9	1,7	2,7
Djibouti	2,4	4,8	4,8
Egypt	3,7	6,0	2,7
Iraq	3,6	5,5	6,5
Jordan	5,6	7,4	2,7
Kuwait	7,8	3,8	2,7
Lebanon	3,5	6,6	3,0
Libya	3,7	5,3	2,0
Mauritania	2,8	6,1	3,4
Morocco	4,7	4,7	3,8
Oman	1,5	5,3	3,5
Qatar	6,8	15,3	9,3
KSA	4,5	5,8	5,2
Somalia	0,0	0,0	0,0
Sudan	6,2	8,0	5,1
Syria	4,3	3,4	0,0
Tunisia	4,2	4,5	2,3
UAE	6,6	3,7	4,5
Palestine	0,1	3,4	3,8
Yemen	4,3	4,0	-1,3
Arab countries	4,7	5,4	4,0
Middle East and North Africa	4,7	5,1	3,6
The whole world	3,0	2,2	2,8
East Asia and the Pacific	3,8	3,9	4,6
Latin America and the Caribbean	2,5	3,4	3,5
Europe and Central Asia	2,6	1,3	1,9
Africa Sub-Saharan Africa	4,9	4,8	4,4
European Union	2,3	0,9	1,0



The figure above shows that around %70 of the countries are in the two opposite sectors 2 and 3, which indicates a correlation between the percentage of GDP evolution and the shadow economy indicator regarding our sample of Arab countries. The curve of the regression line shows that the relation between the two variables seems negative, meaning that whenever the growth percentage increases, the percentage of the shadow economy to the GDP would be probably higher.

The spread of the sample on the sectors shows that:

- Qatar, Kuwait, UAE, Jordan, Bahrain, and KSA have seen an average growth percentage during 2007-2000 in parallel with a shadow economy percentage that is below the median level during the same period.

- Tunisia, Egypt, Morocco, Comoros, Lebanon, and Algeria have seen during the same period a high percentage of shadow economy and an average growth rate below the median level.

- As for Sudan, Mauritania, and Libya, these countries have seen high percentages of shadow economy in spite of growth rates that were above the median level. On the other hand, Yemen, Oman, and Syria (up to a certain extent) have seen low levels of variables.

**- Bank exclusion:**

This indicator was chosen given the importance of having access to financing institutions in order to enable production enterprises of entering the space of formality and registration, and getting out of the shadow economy.

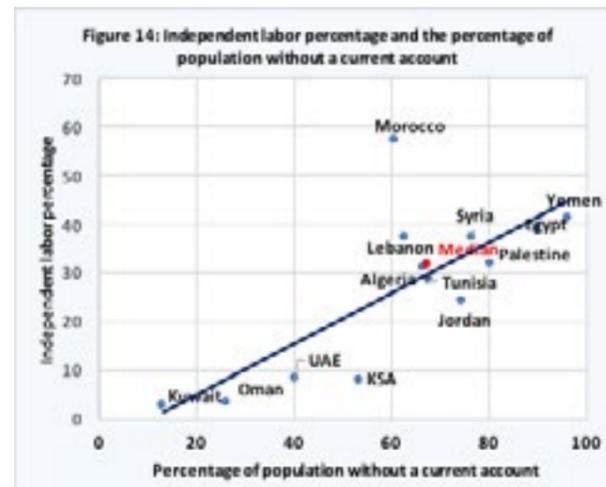
Table 34: Percentage of population related to banks

Countries	Percentage of people having a current account	Percentage of people who made savings in the previous year	Percentage of people who received a loan in the previous year
Kuwait	85.8	40.4	20.8
Oman	78.6	22.6	0.2
UAE	59.7	19.2	10.8
KSA	46.4	17.2	2.1
Morocco	39.3	12.2	4.8
Lebanon	37	17.1	11.3
Algeria	33.3	4.8	1.5
Tunisia	32.2	5	3.2
Jordan	25.5	8.3	4.5
Syria	23.3	5.1	18.3
Palestine	18.4	3.5	4.1
Iraq	18.6	5.4	8
Egypt	6.7	0.7	3.7
Yemen	3.7	1.1	0.9
Middle East and North Africa	38	5	5
Africa Sub-Saharan Africa	24	14	5
South Asia	38	11	9
Latin America and the Caribbean	39	10	8
South Asia and the Pacific	55	28	9
Developed economies	89	45	14

Source: Study on "Small enterprises in Tunisia - Arthur Bois" "About measuring financial exclusion" - International database, 2012

The figure shows that the MENA region has seen the lowest percentages of population who have a current account in financial institutions. The same applies to the population who made savings in banks in the previous year. As for the percentage of population who received loans in the previous year, they do not represent more than %5 in the MENA region and in Sub-Saharan Africa.

There is also a clear difference between GCC countries, which are in a situation similar to that of developed countries (except for KSA in terms of loans), and the rest of Arab countries. The relative importance of the indicator relevant to people who have a bank account in Morocco, Lebanon, Algeria, and Tunisia must also be highlighted. However, the last two countries see very weak borrowing percentages, which highlight the extent of bank exclusion and limit the ability to shift shadow economy and unregistered activities from the informal to the formal sector.



The figure in which we counted on the percentage of population sans current account shows that most of the countries are spread next to each other around the regression line, with a three-fourth rate in the opposite sectors 1 and 4, indicating a strong correlation and a highly probable relation between bank exclusion and the level of independent labor.

- Kuwait, Oman, UAE, KSA, and Algeria (to a lesser degree) see low percentages of independent labor, in parallel with low percentages of bank exclusion.

- Yemen, Egypt, and Syria see high levels of independent labor and of population sans current account.

- Jordan and Tunisia (up to a certain extent) see low percentages in comparison with the median in terms of the independent labor, in spite of the high percentage of bank exclusion. This means that there are other mechanisms to finance businesses.

- As for Morocco and Lebanon (up to a certain extent), they both see high levels of independent labor in spite of the low percentages of population sans current account in financial institutions.

While the figure shows a correlation between the two indicators, the direction alludes to a probable positive relation between both of them, i.e. when the percentage of population sans current account increases; the percentage of independent labor also increases. Therefore, the independent labor is an indicator of informality, and supposes that bank exclusion could be one of the determinants of informal labor. To promote initiatives that lead to a high level of population with a bank account is a must; encouraging the creation of projects and businesses in the formal economy, and supporting renters and own-account workers should also be engaged. However, it turns out that this situation contributes to the regression of independent labor percentages, which means that this type of independent labor is not related to loans and dealing

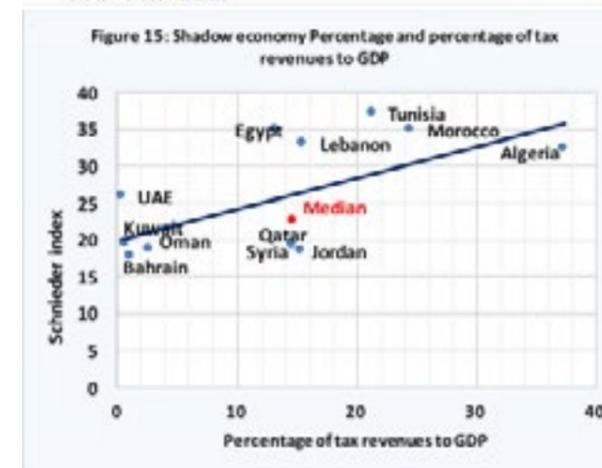
with financial institutions, thus making it a clear indicator of informality.

**- Tax pressure:**

Table 23: Percentage of tax revenues to GDP

Country	GDP per capita in USD in 2005	Population	GDP in USD in 2005*	Percentage of tax revenues to GDP
Algeria	3 431	38 534 334	132 456	37.4
Bahrain	12 891	1 363 930	24 236	1.2
Comoros	402	789 991	464	
Djibouti	1 243	876 174	1 089	
Egypt	1 467	89 529 670	131 453	33.2
Iraq	2 431	34 832 329	83 584	
Jordan	2 878	6 607 000	19 015	35.8
Kuwait	28 258	3 793 121	306 056	0.72
Lebanon	7 257	4 545 774	32 996	35.5
Libya	4 667	6 254 984	29 211	
Mauritania	872	3 961 625	3 481	
Morocco	2 527	33 921 203	85 719	24.5
Oman	13 586	4 230 057	46 125	2.51
Qatar	63 080	2 172 080	137 883	34.6
KSA	16 944	30 886 945	523 342	
Somalia		10 537 569	0	
Sudan	973	39 350 274	38 288	
Syria	1 645	22 157 800	36 538	34.7
Tunisia	3 929	10 956 609	43 755	21.3
UAE	16 792	9 086 186	243 436	0.39
Palestine	1 130	4 294 682	5 870	5.12
Yemen	709	26 183 076	18 564	
Arab region total	45.38	386 272 539	1 746 767	

Source: World Bank database



The figure shows that the percentage of tax revenues to GDP indicating the importance of tax pressure might have a positive relation with the shadow economy percentage. Unlike Egypt and Jordan, the remaining countries of the sample are in the two opposite sectors 1 and 4.

This figure shows homogeneity between GCC countries: Bahrain, Kuwait and Oman are characterized with very weak percentages of tax revenues to GDP, in addition to Qatar and Syria, with higher percentages sans median, in parallel with low percentages of the shadow economy. Moreover, Algeria, Morocco, Tunisia, and Lebanon are gathered in the sector, indicating an increase in the percentages of taxes and shadow economy going hand in hand with a relatively high level of tax revenues in Algeria.

As for Egypt and the UAE on one hand, and Jordan on the other, they represent special cases. Egypt and UAE are characterized by a level of tax revenues that is below the median level, but with a shadow economy indicator above it. As for Jordan, it is considered a unique case, with a weak percentage of shadow economy and a level of tax revenues close to the median level.

The curve of the regression line shows that the relation between the two variables is a positive one, and thus the shadow economy percentage might increase whenever the tax pressure percentage increases.

**1. Indicators relevant to institutional elements - Enterprises registration:**

Table 26: Enterprises and registration in the Arab countries

Countries	Percentage of enterprises that suffer from registration problems and informal enterprises	Percentage of enterprises that are registered upon their launching in the given country	Average number of years that the enterprise spends without registration	Reference year
Algeria	66.3	98.3	0	2007
Djibouti	22.2	98.5	0.1	2013
Egypt	47.9	91.6	0.3	2013
Iraq	49.3	62.4	0.9	2011
Jordan	20.6	94.8	0.3	2013
Lebanon	57.1	89	1.8	2013
Mauritania	78.5	85.7	1	2014
Morocco	47.3	96.9	0.2	2013
Sudan	90.5	97	0.3	2014
Syria	52.8			2009
Tunisia	45.2	96.4	0.1	2013
Palestine	50.8	80.7	1	2013
Yemen	43	68.8	1.1	2013

Source: Enterprises research database- World Bank  
The registration of enterprises along with the relevant measures, costs, and implications, especially when related to respecting social legislations and administrative arrangements, are among the most important determinants of informal labor. The table that counts on surveying the enterprises in the World Bank database shows that the percentage of informal enterprises and enterprises which owners face registration difficulties is between %90.5 in Sudan and %20.6 in Jordan. The percentage of enterprises that start operations without registration varies between %98.5 in Djibouti and %62.5 in Iraq. As for the average time during which the enterprise keeps operating without registration, it reaches 1.8 years in Lebanon.

It is worth noting that informal labor in developing countries is not an option but a life necessity imposed by the difficult circumstances faced by many categories to earn a living and a minimum sufficient income. These categories are unable to respect all social/ tax arrangements and legislations. Therefore, the appropriate mechanisms should be developed for the own-account workers, small renters, and small enterprises to integrate into the formality circle in the framework of motivating administrative arrangements and a just and transparent tax system, which reduces the tax evasions of enterprises that are supposed to be formal. In this context, it is worth reminding that tax evasion is not limited to informal sector enterprises that are, in their majority, objectively unable to respect all current arrangements; it also concerns many formal enterprises that evade from taxes to make more benefits or reinforce their competitive capabilities by illegal means and to the detriment of their legal and ethical commitments towards their employees, the State, or the society. This requires revisiting tax systems, as well as the measures and arrangements of revenues collection and social contributions with more fairness and transparency.



females, i.e. %28 of the total number of domestic workers in the world and %37.1 of migrant domestic workers. Migrant domestic workers are broken down as follows: 3.160 million in Eastern Arab countries, including 1.650 females, and 0.07 million workers in Arab countries in North Africa. Migrant domestic workers in Eastern Arab countries represent %17.9 of total residing migrant workers and %82.7 of domestic workers. As we already mentioned, the high percentages for this category in the GCC region, which is suffering in general from an important lack of social coverage for the categories working in an economy based on foreign labor, reflect the vulnerability of millions of workers. Therefore, they will probably adhere to the informal economy, which would require a special mechanism to protect them, especially since most Arab countries are not part to international conventions on the protection of these categories or do not apply national legislations ensuring their social and basic rights at work.

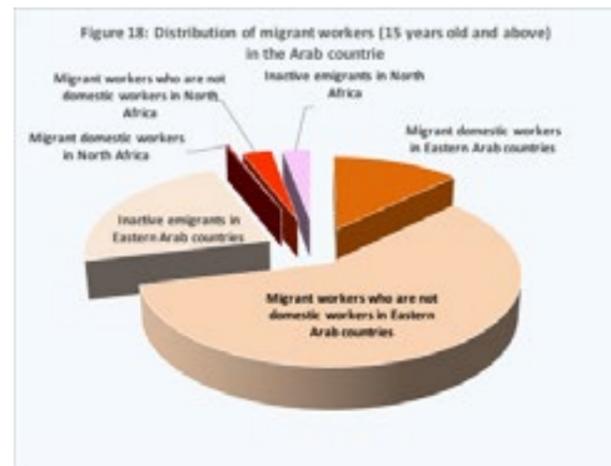


Table 12: The evolution of the number of refugees in the Arab countries

الدولة	Refugees on the soil of the given country			Refugees who flee the given country	
	2010	2011	2015	2010	2011
Algeria	94 244	94 230		6 689	3 642
Bahrain	165	294		87	275
Comoros				368	515
Djibouti	15 208	20 015		566	762
Egypt	95 356	230 044		6 923	12 834
Iraq	54 855	248 298		1 685 579	404 417
Jordan	402 915	641 915	965 400	2 254	1 682
Kuwait	184	635		588	577
Lebanon	8 068	856 546	1 846 250	15 869	3 824
Libya	7 028	25 561		2 106	3 322
Mauritania	28 717	83 787		37 783	54 257
Morocco	792	1 470		2 284	1 828
Oman	78	138		63	25
Qatar	51	133		112	57
S.A.	582	559		667	584
Somalia	1 937	2 425		770 134	1 129 738
Sudan	178 308	159 817		387 288	649 381
Syria	1 025 472	149 292	257690*	18 452	2 468 369
Tunisia	89	739		2 174	1 371
U.A.E.	538	609		424	90
Palestine				93 321	96 644
Yemen	190 052	241 288		2 078	2 428
Sub-Saharan				126 415	116 504
Arab region	2 120 865	2 764 739		3 130 787	4 924 297

Source: UNHCR database  
\*in addition to 650000 Syrian IDPs

This table includes the number of refugees who are being looked after by UNHCR, and highlights the importance of the number of refugees present in a number of Arab countries due to the current situation and events in the neighboring countries. The number of refugees in Arab countries reached 759,764,2 by the end of 2013, i.e. %23.6 of the total number of refugees all over the world. It is worth noting that Lebanon hosted in 2015 more than 1.846 million refugees due to the war in Syria, i.e. around %40 of the population. Jordan hosted in the same year 400,965 refugees, i.e. %14.6 of its population. In 2013, the total number of refugees from Arab countries amounted to 297,4,924 citizens, including around 2.5 million Syrians. This number increased largely in 2015 due to the aggravation of the situation and the huge influx of refugees from this country in the last months. The number of refugees from Somalia exceeds 1.122 million. As for Iraq, it is ranked third, with ,405 000refugees. These data reflect the important number of Arab refugees, whether or not on Arab soil, as well as their vulnerability in hosting countries in terms of living conditions, shelter, and work if available.

## ANALYTICAL SUMMARY AND CONCLUSIONS

The main conclusions that can be taken from the data included in this report are the following:

- The serious weakness of the Arab region in terms of the availability of data and statistics in general, and for informal labor in particular, which would impede all monitoring and foresight attempts and analytical measures to examine imbalances and develop constructive solutions based on an objective and accurate diagnosis. The same applies in this context to governmental institutions, economic agents, or civil society players. Therefore, this would require pushing the countries to commit to produce and publish statistical data according to international standards and to the right to access to information. This would give credibility and effectiveness to the interventions, solutions, and alternatives proposed by all these parties, particularly NGOs and CSOs, and would turn them into efficient proposal and change agents.
- In the absence of direct statistical measurements according to the three common indirect approximate standard methods, i.e. social protection, independent labor percentage (unwaged labor), or contribution to GDP, we can note the importance of informal work in the Arab world, in spite of the differences between the countries that compose it. In terms of social protection, and in spite of the fact that only partial data were available, the importance of informal labor is reflected by the increasing number of active labor not benefitting from any social coverage, which means clearly that important numbers of workers or unemployed do not benefit from any social coverage, which is actually their right, to safeguard their dignity and protect them against the risks of poverty and exclusion. Although percentages differ from one country to another, the average of those who benefit from pension schemes and contribute to the labor force does not exceed %47.4 in North Africa, and %37.1 in Middle Eastern Arab countries, in comparison with %63.8 in emerging countries, and %92.9 in advanced economies. As for independent labor (all types of unwaged labor) considered as an indication of the level of informal labor in developing countries, the percentages of own-account workers in Arab non-oil countries are increasing, with %36.5 in comparison with %33.1 in Latin America and %13.4 in developed countries. As for the contribution to GDP, studies based on national accounts (J. Charne) or on economic statistical models, which adopt a number of variables to estimate the indicators for which no data are available (F. Schneider), have shown that the contribution of the informal sector to GDP in the Arab world – which was possible to be included in the studies – resulted in an increase in informal labor, except for GCC countries. J. Charne estimated it in three North African countries (Tunisia, Algeria, and Egypt) by %23.9 if the agricultural sector is not taken into consideration and by %35.8 if the agricultural sector is taken into consideration. As for the Schneider index, it allows us to conclude that the contribution of the shadow economy in the Arab oil countries is between %17.9 in Bahrain and %25.9 in UAE, whereas it ranges between %19.1 (Syria before the war) and %38.7 (Comoros) in the rest of Arab countries. The average of Arab countries (unweighted by the size of the population) is estimated at %27.6, with a continuous increase since 2004. While the weak contribution of the informal sector to GDP is due to the importance of oil revenues in GCC countries GDP – considered within the contribution of the formal sector – the fact that part of the informal labor works in formal enterprises results in not counting its contribution within the informal sector. The weak productivity of informal activities and the limited incomes and wages weaken the contribution of the informal labor in comparison with the labor benefitting from social coverage or independent labor percentages. This leads

us to think about the problematic of incomes and wages in informal activities and their ability to ensure decent work and living conditions to citizens working in said activities.

- The benchmarking exercise to look for a correlation between the results of standard approaches showed that, according to available data, there is a strong link between the approaches of independent labor and contribution to GDP to the extent of quasi-convergence in the aforementioned study entitled «The fight for better jobs in MENA countries», for Arab countries outside GCC, where the average of own-account workers amounted to %36.5 and the average of unauthorized production out of the total GDP amounted to %36.2. Unlike the outcomes of the World Bank study conducted on the level of 100 countries, which highlighted a positive relation between the lack of social protection and contribution to GDP, commonalities between Arab countries revealed a negative relation between these two approaches, i.e. whenever the contribution of informal labor to GDP increases, the lack of social coverage decreases. This opposite result and approach is due to the great shortcomings of social protection, particularly in the countries that have high revenues and financial resources, which enables them to establish comprehensive and modern social coverage systems that are compliant with international standards. The aforementioned data can be summarized, according to the study entitled «The fight for better jobs in MENA countries» conducted by the World Bank in 2014, as follows: «a standard MENA country is a country which produces informally one-third of its product and two-thirds of its labor force.»
- Because the importance and growth of informal labor in the region is the result of wrong options and policies, this trend must be changed. And in the face of a serious lack in social and economic rights for a large category of citizens, the role of social actors and the civil society becomes very important to reconsider options and development patterns and to make them more comprehensive (adaptive) and equitable between categories and generations.
- The serious lack of social protection for most of the workers in Arab countries requires that governments develop comprehensive protection systems for all based on a rights driven approach, and which respects pertinent international standards, like social protection floors as per the ILO's recommendation 204. Then, it would be possible to cover the different social categories, limit the negative effects of informal labor, ensure the basic rights of these categories, keep their dignity, and protect them against poverty and exclusion. More pressure needs to be made on governments to be keen on implementing labor regulations and the principles of decent work (right to social protection and the basic rights at work) with more determination and effectiveness. Therefore, we must confirm the important role of the State, who has the obligation to protect and enforce rights, in addition to seeking more pressure on governmental parties to play their role in this direction, particularly in light of the clear regression on this level due to the prevalence of neoliberal policies.
- Moreover, it is necessary to reconsider the principle of wage being by itself a basic right at work that must be equitable, and an incentive for internal demand and growth. The current labor relations also need to be developed in the framework of a real and equal social dialogue, in order to bring more work-related rights and reduce informality.
- As for external factors, the focus was on correlations between informal labor and a number of demographic, economic, social, and institutional indicators that have resulted in the following:
- The demographic growth remains relatively high in a number of Arab countries and youth percentages is also high(almost one-third of the population). This reflects the huge pressure

on Arab labor markets, knowing that it will aggravate in the future, which would lead to higher informality coinciding usually with higher unemployment, and knowing that it amounted to an average of %11.4 for Arab countries in 2014. As for the youth, average unemployment reached %23.3) %29.3 for males and %48.3 or females). Such data reflect the positive relation between informal labor and unemployment rates.

- Agricultural labor remains high in many Arab countries. This is originally an informal labor in spite the fact that statistics about informal labor do not highlight it because such statistics only take into consideration non-agricultural labor. Furthermore, Arab countries see continuously regressing percentages of population in rural areas, which results in a demographic pressure on the cities, knowing that the latter are not always capable or ready to face such pressure, neither in terms of terrain configuration or collective services nor on the level of the economic activity, which results in random labor and more informality in terms of employment and urbanization, and in a kind of social discrimination in housing, but also the limiting social mixing which used to characterize Arab cities as pillars of social cohesion and solidarity. However, the report did not tackle in more details this question, which needs deeper examination.

- The benchmarking exercise showed a close correlation between the weak percentage of participation in the labor force and the informal labor percentage, especially that the Arab region sees the lowest rates of participation, particularly for women. The high percentage of informal labor might be one of the underlying causes for not encouraging a number of women to enter the labor market, for that they do not accept to work in enterprises that do not ensure the minimum conditions of decent work. This would explain the weak percentages of informality for women in many Arab countries. However, confirming this statistically requires more scrutinous research.

- On another level, the correlation was clear between GDP per capita and informality as a result of the lack of social coverage (if GCC countries are not taken into consideration) or independent labor percentage. Whenever GDP per capita increases, informality percentages decrease. Under the same perspective, whenever the growth format is high, formality percentage will be low.

- On the institutional level, the benchmarking exercise showed a close correlation between bank exclusion and informality percentage under the perspective of independent labor. Therefore, independent labor highlights the importance of informal labor in developing countries, for that it does not represent an indicator of the importance of entrepreneurship and innovation, as in the case of developed economies.

- The importance of tax pressure as a way to impact shadow economy percentages was also highlighted, thus confirming the positive and evident relation between the two variables, knowing that tax evasion is not limited to informal activities that are usually unable to face and respect social or tax legislations, but also concerns many formal enterprises that violate these legislations and arrangements on purpose.

- In the same direction, the relation between economic governance measurements (i.e. the effectiveness of public authorities, the quality of arrangements and organizations, and corruption monitoring) looked negative. Wherever these measurements improved, informality percentages decreased.

- As for the ease of business, the study confirmed the strong reciprocal relation between the relevant indicators and informality percentages under the perspective of independent labor.

- Therefore, and as an acknowledgement that informal labor in developing countries is not an option but a life necessity imposed by the difficult circumstances faced by many categories to earn a living and a minimum sufficient income, the appropriate mechanisms should be developed for own-account workers, small renters, and small enterprises to integrate into the formality circle in the framework

of motivating administrative arrangements and a just and transparent tax system reducing the tax evasions of enterprises that are supposed to be formal.

- Given the fact that there are many forms of formal labor in formal sectors, multinationals, handling enterprises, and international production chains, this issue must be tackled in more details, away from impressions and generalities, by taking into consideration the new labor trends and patterns made available by modern media and their impact on labor laws enforcement and the wide circle of informality, even for skilled labor and highly qualified and educated people.

- In the last chapter, we tackled data about emigrants and refugees who represent the categories that are the most exposed to labor in informal sectors. The number of emigrants who are fit to work (15 years old and above) in the Arab world reached 24.7 million people in 2013, i.e. %11.9 of the number of emigrants who are fit to work of the same age category in the world, including 23.2 million emigrants in Eastern Arab countries. While migrant domestic workers are considered the most vulnerable categories, their number in the Arab world reached 3.23 million, including 1.65 million females – 1.6 million in Eastern Arab countries. They are exposed to different forms of violations of their rights to work and social protection and all the elements of decent labor and living conditions, especially in the absence of the ratification of the different international conventions on social protection, or ILO Convention No. 189 concerning the protection of domestic workers.

As for refugees in Arab countries, they represent %23.6 of the total number of refugees all over the world, as per UNHCR's estimates. This high percentage highlights the important challenges of this category and the necessity to ensure its basic rights and minimum living and working conditions in host countries, like Lebanon and Jordan, where refugees represent respectively %40 and %14.6 of the population.

- People with disabilities are considered among the categories that are exposed the most to informal labor and to violations of their economic and social rights, given their specificity on one hand, and the impeding surrounding on the other. Although it was impossible to look into this issue in the present report, the situation of this category in the Arab world must be further diagnosed, as well as the extent to which it exercises its rights and proposes legislations and mechanisms leading to better conditions and integration in all fields.

- The social and solidarity economy, along with CSOs, are currently considered among the main sectors that promote development and labor elements. However, these sectors in Arab countries are still suffering from infrastructure and capability weaknesses, which impede their potential as actors in decent and equitable labor (such as cooperatives which are classified in the formal sector in developed countries and in the informal sector in developing countries). Therefore, studying this sector, its horizons, and the situation of its workers deserve more attention and scrutiny.

- Abiding by the international definition of informal labor, and limiting it to legal activities that are not prohibited by law, should not hide the overlap between concepts and phenomena, and in certain cases, the correlation between a part of informal activities, parallel trade, smuggling, organized crime, or even terrorism, especially in the countries of the so-called Arab Spring, given the weakness of the State after uprisings, or its complete absence in some countries due to civil wars. This requires examining deeply this issue along with its implications and risks that would undermine the security of these countries and destabilize their economies.

- Abiding by Sustainable Development Goals 2030 gives an opportunity to the civil society and progressive parties to make more pressure in order to proceed with the desired revision of policies and plans, in the framework of developing programs and action plans ensuring the achievement of these goals according to the participatory approach adopted for this purpose.

## ANNEXES

Annex 1: International Labor Organization recommendation 204 concerning informal labor:

In article 2 of the chapter entitled «Objectives and scope,» the term «informal economy» is defined as follows:

- Refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements; and
- Does not cover illicit activities, in particular the provision of services or the production, sale, possession or use of goods forbidden by law, including the illicit production and trafficking of drugs, the illicit manufacturing of and trafficking in firearms, trafficking in persons, and money laundering, as defined in the relevant international treaties.»

«Economic units in the informal economy» include:

- Units that employ hired labour;
- Units that are owned by individuals working on their own account, either alone or with the help of contributing family workers; and
- Cooperatives and social and solidarity economy units.

Recommendation 204 applies to all workers and economic units – including enterprises, entrepreneurs, and households – in the informal economy, in particular:

- Those in the informal economy who own and operate economic units, including:
  - own-account workers;
  - employers; and
  - members of cooperatives and of social and solidarity economy units;
- Contributing family workers, irrespective of whether they work in economic units in the formal or informal economy;
- Employees holding informal jobs in or for formal enterprises, or in or for economic units in the informal economy, including but not limited to those in subcontracting and in supply chains, or as paid domestic workers employed by households; and
- Workers in unrecognized or unregulated employment relationships.

## Annex 2: International Labor Organization standard methodology

ILO has developed a guide entitled “Statistical manual on the informal sector and informal employment” in order to help countries measure informality. This guide included the different phases needed develop statistical concepts and definitions relevant to the different components of informality, and its measurement, estimation methods, and methodologies as per the instructions of international conferences of labor statisticians. The decisions of the 15th conference of labor statisticians are considered the main international statistical standard in this regard. According to this conference, the informal sector was defined as follows:

“The informal sector can be described in general as the different units that produce goods or services with the intention to create jobs and incomes to the concerned people. These units have a weak level of organization and work in a narrow context especially without separation or with a weak separation between labor and capital as production elements. When labor relations exist, these are particularly based on occasional labor, kinship relations, or personal and social relations instead of contractual agreements including effective guarantees in terms of the form and content.”

This definition was used and adopted by the UN System of National Accounts in 1993 in a bid to estimate the contribution of this sector to national economies.

As a result of the developments in terms of concepts and terms, the 17th conference adopted a wider concept of

informal labor linking the concept of labor in the informal sector based on the nature of the enterprise to a wider concept of informal labor based on the function. The table of conceptual framework adopted by the conference shows the following two dimensions: nature of the production enterprise and nature of the function. On the horizontal level, the quality of the production unit is tackled in terms of its legal nature, organization methods, and a number of its other specificities. Production enterprises are broken down into 3 groups, which are: formal sector enterprises, informal sector enterprises, and families. But on the vertical level, the nature of labor is determined by the functional status and other relevant characteristics turning it into either formal or informal functions. This table, which highlights the correlation between the concept of labor in the informal sector, based on the situation of the enterprise, and the wider concept of informal labor, based on the very nature of labor, includes the different categories that can be considered in the framework of informal labor as per the classification of the 17th conference of labor statisticians in 2003. The conceptual framework of informal labor. According to this conceptual framework, the production units are broken down into 3 main branches: formal sector enterprises, informal sector enterprises, and families.

Type of enterprise	Employment according to the labor situation									
	Own-account workers		Members		Contributing family workers		Waged workers		Members of production cooperatives	
	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal
Formal sector					1	2				
Informal sector	3		4		5	6	7	8		
Family sector	9					10				

1. The category of formal sector enterprises includes the production units established under the form of companies (including sub-companies), non-profit enterprises, enterprises managed by public structures and which do not take the form of companies, private enterprises producing goods and services for sale or exchange, and enterprises that do not belong to the informal sector.

2. As for the informal sector enterprises, these are composed of:

- Informal enterprises of own-account workers; according to national definitions, all these enterprises as well as the non-registered enterprises or enterprises that do not have accounting registers as informal sector ones. No specific level of labor was specified for this category given the fact that all its enterprises are small.

- Informal renters enterprises defined as per the following:

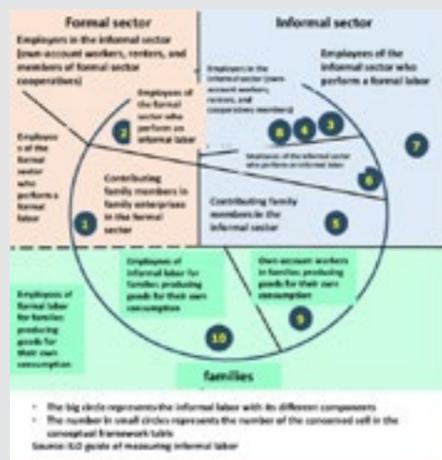
- The small size of the enterprise in terms of workers,
- The non-registration of the enterprise according to the same standards applied on own-account workers,
- The non-registration of workers, i.e. the existence of differences in labor conditions in comparison with the formal sector. These differences can take the form of in-existent employment or training contracts obliging the enterprise to pay taxes or social contributions, or abiding by national social legislations. According to this standard, the enterprise is considered informal if it does not register any of its workers, which this is a useful measure especially in the countries where enterprises must register workers and the enterprises themselves.

• The number of workers in the enterprise on an extension basis or the total number of workers, including seasonal workers, or the total number of workers in a certain period (including the owner, his partners, and contributing family members); as for enterprises with many branches, these are considered informal due to their size, if no branch exceeds the highest allowed number of workers.

3. Families as production units which include the families producing goods for self-consumption only, and the families using waged domestic workers. As for the families that produce unpaid domestic services for their consumption (such as looking after its members or domestic affairs, ...), they are not considered within the informal sector, given the fact that these activities are neither considered as production activities in the framework of national accounts systems, nor as labor. It is worth noting that the production of families which is exclusively focused on the own consumption of families is excluded from the definition of the informal sector. However, if these activities result into a labor, the latter can be considered within the informal labor, like domestic workers if their work meets the requirements of informal labor definition. The categories included in the conceptual framework table represent the following groups:

- Contributing family members: without employment contracts, social security, or legal protection relevant to this type of labor (whereas contributing family members with employment contracts, salary, and social security are considered as formal workers) (Cells 1 and 5 in the table)
  - Informal workers: (Cells 2 and 6 in the table)
  - Own-account workers and employers who own their informal enterprises: the nature of their informal labor depend on the characteristics of their enterprises (Cells 3 and 4)
  - Formal workers in informal enterprises: this might happen when the unregistered enterprise is considered informal due to its small size only (Cell 7)
  - Production cooperatives members: the nature of their informal labor is directly based on the characteristics of the cooperative they belong to (Cell 8)
  - Producers of private consumption goods within families: if they are considered as workers as per the international definition (Cell 9)
  - Waged domestic workers recruited by families in informal labor (Cell 10)
- Therefore:
- Informal labor is represented in cells 10 ,9 ,8 ,6 ,5 ,4 ,3 ,2 ,1
  - Labor in the informal sector is represented in cells ,6 ,5 ,4 ,3 ,8 ,7
  - Informal labor outside the informal sector is represented in cells 10 ,9 ,2 ,1

The following figure included in the ILO guide represents the main components of informal labor according to these concepts.



Type of enterprise	Employment according to the labor situation									
	Own-account workers		Renters		Contributing family workers		Waged workers		Members of production cooperatives	
	informal	formal	informal	formal	informal	formal	informal	formal	informal	formal
Formal sector					1	2				
Informal sector	3	4	5	6	7	8	9	10		
Family sector										

According to this methodology and classification, the ILO created a database in the framework of the database relevant to Key Indicators of the Labor Market (KILM 08) including data about informal labor in 65 countries, including only two Arab countries, Palestine and Egypt. As per this database, informal labor reflects the estimates of people in the informal sector out of the number of workers in the non-agricultural sector, according to the principles adopted by the 15th and 17th conferences of labor statisticians, and by adopting a standard approach which measures at the same time the labor in the informal sector and informal labor outside the informal sector. Labor estimates in the informal sector are based on enterprises as per the principles of the 15th conference, knowing that the principles of both conferences allow differences between countries in defining the informal sector, in a way which requires confirming national definitions when comparisons between countries are conducted.

The standards determining whether or not an enterprise belongs to the informal sector are included in the following table:

Standard	Objective
1- Legal organization: Enterprise that is not considered a legal personality different from that of its owner	Learn about enterprises that are not established as companies
2- Ownership: the enterprise is owned and controlled by one or some family members	Learn about individual enterprises that are not established as companies
3- Accounting type: Lack of a complete set of accounts, including the public budget	Exclude sub-companies from individual enterprises that are not established as companies
4- Product destination: at least a part of it is addressed to the market	Exclude individual enterprises producing goods that are exclusively made for family consumption
5- Type of economic activity:	Exclude the families using waged domestic workers and when necessary enterprises exercising agricultural activities
6-1 Number of people who perform a waged labor / workers recruited on an extension basis without a specific number, and/or 6-2 The non-registration of the enterprise, and/or 6-3 The non-registration of workers	Learn about informal sector enterprises as a branch of individual enterprises that are not established as companies and which address at least a part of its products to the market

### Annex 3: Not using the term “Informal economy” as a statistical term

The 17th conference of labor statisticians opposed using the term “labor in the informal sector,” already used by the International Labor Bureau in its report about “Decent work and informal economy” in 2002 as the total labor in the informal sector and the informal labor outside the informal sector (Cells 1 to 10 of the conceptual framework). The 17th conference preferred, for statistical purposes, to provide detailed data about the informal sector and informal

labor. However, it was necessary to keep the definition of the informal sector according to the decision of the 15th conference, so that it were included in the national accounts system, and since an important number of countries collected their data on this basis.

Therefore, we had to choose between using the terms “informal sector” and “informal labor” and not using the term “informal economy.”

### Annex 4: WIEGO approach

The conceptual framework adopted by WIEGO is summarized as follows:

Production units	Informal labor	Formal labor
Informal enterprises	A	B
Other production units	C	D

This shows that:

- Informal sector labor is composed of the total of cells A and B (A+B)
  - Informal labor outside the informal sector is composed of cell C, and includes workers of informal labor in formal enterprises, waged domestic workers recruited by families, and contributing family members working in formal enterprises, knowing that some countries consider own-account workers to produce goods for the own consumption of their families as informal workers outside the informal sector.
  - The total informal labor is composed of cells (A+C), i.e. it does not include formal workers inside informal enterprises.
- The informal labor is defined in this study according to the international definition adopted by the international conference of labor statisticians. Therefore, the content of the following components was defined:
1. Own-account workers, and renters in informal enterprises;
  2. Members of informal production cooperatives;
  3. Own-account workers who produce goods for the own consumption of their families (if considered as workers and if their production contributes to the total consumption of their families);
  4. Family members contributing to formal and informal enterprises;
  5. Workers in informal functions in formal enterprises (including public enterprises, non-profit enterprises), informal enterprises, and waged domestic workers recruited by families.

Employees performing informal functions are employees who do not benefit from any social coverage, and workers and employees who do not receive any other labor-related benefit, such as paid annual leaves or sick leaves.

Independent labor covers renters, own-account workers, members of production cooperatives if any, and contributing family members.

People who performed two functions during the research period were considered based on their original function.

### Annex 5: Relation between the concepts of informal sector, informal labor, and Shadow economy:

The guide developed by OECD puts informal labor within a more comprehensive framework consisting of the shadow economy; it's related to four concepts that are sometimes mixed up: secret production, illegal production, self-consumption production of families, and hidden production due to a lack in main statistical data.

Illegal production consists of the following:

- o Goods and services whose sale, distribution, or possession is prohibited by law, such as drugs.
- o Production activities that are not usually prohibited by law but become illegal when performed by unauthorized

producers. These remain legal activities as long as they respect relevant conditions or arrangements, but are hidden from public authorities to avoid paying income taxes, VAT, other taxes, or social security contributions, or for the sake of not respecting legal standards such as the minimum wage, working hours, professional health and safety conditions, or administrative arrangements.

Whereas it is clear that it is not easy to distinguish between secret production and illegal production, the provided definition makes this distinction possible:

- Activities are legal and not secret;
- legal activities performed in a secret or hidden way;
- Illegal activities

According to the following table, all types of enterprises (formal sector enterprises, informal sector enterprises, and families) can perform legal and non-confidential activities, legal and secret activities, or illegal activities. It is worth noting that, according to the ILO guide, most of the informal sector activities in developing or emerging countries are neither secret, nor illegal, but constitute survival strategies for their practitioners and family members.

Production units	Production activities		
	Non-confidential	Secret	Illegal
Formal sector enterprises			
Informal sector enterprises (A)			
Families (B)			

(A): without taking into consideration the families recruiting waged domestic workers

(B): Families producing goods for their own consumption and families recruiting waged domestic workers

The ILO guide in this regard shows that most of informal sector activities provide goods and services which production and distribution are considered legal, unlike illegal production. There is a clear difference between the informal sector and family production. The activities of the informal sector do not necessarily aim at avoiding the payment of taxes or social contributions or violating labor regulations and administrative arrangements on purpose. Moreover, some informal sector enterprises choose to continue their operations with no registration or licenses to avoid abiding by all or some arrangements, and to reduce production costs. However, enterprises whose income can bear the burden of arrangements must be distinguished from those that cannot respect these arrangements due to economic lack or irregularity of income. In these enterprises, the current situation either does not comply with the needs, or suffers from an absence of the State, who has no capabilities to implement its arrangements. In some countries at least, an important percentage of informal sector enterprises are registered and pay their taxes, but are unable to abide by all legal and administrative rules and regulations.

Furthermore, important parts of the family production come from formal sector enterprises. The same applies to the production of goods and services that are not included in the accounts, unauthorized financial and real estate transactions, the exaggerated expenses exempted from taxes, recruitment of unauthorized labor, or the lack of declaring the effective workers' salaries and overtime for registered workers. In conclusion, even if the informal sector and secret activities might overlap, it would be necessary to clearly distinguish between the informal sector and secret production.