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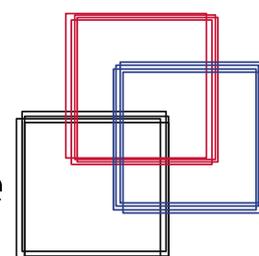
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Informal employment among youth: Evidence from 20 school-to-work transition surveys

Erin Shehu and Björn Nilsson

February 2014

Youth Employment Programme
Employment Policy Department



Work4Youth Publication Series No. 8

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Preface

Youth is a crucial time of life when young people start realizing their aspirations, assuming their economic independence and finding their place in society. The global jobs crisis has exacerbated the vulnerability of young people in terms of: i) higher unemployment, ii) lower quality of jobs for those who find work, iii) greater labour market inequalities among different groups of young people, iv) longer and more insecure school-to-work transitions, and v) increased detachment from the labour market.

In June 2012, the International Labour Conference of the ILO resolved to take urgent action to tackle the unprecedented youth employment crisis through a multi-pronged approach geared towards pro-employment growth and decent job creation. The resolution “The youth employment crisis: A call for action” contains a set of conclusions that constitute a blueprint for shaping national strategies for youth employment.¹ It calls for increased coherence of policies and action on youth employment across the multilateral system. In parallel, the UN Secretary-General highlighted youth as one of the five generational imperatives to be addressed through the mobilization of all the human, financial and political resources available to the United Nations. As part of this agenda, the United Nations has developed a System-wide Action Plan on Youth, with youth employment as one of the main priorities, to strengthen youth programmes across the UN system.

The ILO supports governments and social partners in designing and implementing integrated employment policy responses. As part of this work, the ILO seeks to enhance the capacity of national and local level institutions to undertake evidence-based analysis that feeds social dialogue and the policy-making process. To assist member States in building a knowledge base on youth employment, the ILO has designed the “school-to-work transition survey” (SWTS) and the “labour demand enterprise survey” (LDES). The current report, which examines the topic of informal employment among youth, is a product of a partnership between the ILO and The MasterCard Foundation. The “Work4Youth” Project entails collaboration with statistical partners and policy-makers of 28 low- and middle-income countries to undertake the SWTS and assist governments and the social partners in the use of the data for effective policy design and implementation.

It is not an easy time to be a young person in the labour market today. The hope is that with leadership from the UN system, with the commitment of governments, trade unions and employers’ organization and through the active participation of donors such as The MasterCard Foundation, the international community can provide the effective assistance needed to help young women and men make a good start in the world of work. If we can get this right, it will positively affect young people’s professional and personal success in all future stages of life.

Azita Berar Awad
Director
Employment Policy Department

¹ The full text of the 2012 resolution “The youth employment crisis: A call for action” can be found on the ILO website at: http://www.ilo.org/ilc/ILCSessions/101stSession/texts-adopted/WCMS_185950/lang--en/index.htm.

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1. Introduction and main findings

1.1 Overview

This report explores a recently created data set on youth employment with a specific focusing on the topic of informal employment. Recent evidence shows that informal labour markets are growing and occupying an increasingly large share of gross domestic product in many countries. Does the recent data set confirm the prevalence of informal employment? And why does informality matter? Is it simply foregone tax revenue? Many aspects of informality have been studied, such as job satisfaction (are people with informal jobs less satisfied?), remuneration and quality of employment. An essential question that still requires examination is that of the impact of past labour market experience. How does an individual's labour market experience affect the person's chances of obtaining a formal job in the future? How is informal employment experience valued by the market (how does holding an informal job affect one's future remuneration)? How do these measures vary across countries, and across, for example, education levels, sex, family composition and migratory status? Is negative past employment experience a hindrance for formal employment?

To answer these and other questions, this report proposes a detailed description of the labour market experience of today's youth, illustrated by statistics drawn from recent survey data from 20 countries. Informality matters not only for the loss of income for the State and the limitations to its regulatory power. Understanding the path to formal employment, in particular for the youth, is above all a key condition for generating inclusive growth, considering the constraints faced by the informally employed and their inferior working conditions.

1.2 Main findings

This report provides empirical evidence to confirm that informal employment, a category considered as "non-standard" in traditional literature, is in fact "standard" among young workers in developing economies. If development implies an increase of formal employment options for young labour market entrants, we can safely say we are not there yet in the bulk of the 20 countries examined. Based on the school-to-work transitions surveys run in 2012-2013, the report finds that three-quarters of young workers aged 15-29 (at the aggregate level) are currently engaged in informal employment.

Young workers have the greatest chance to find formal employment opportunities in Eastern Europe and, to a certain degree, the Middle East and Latin America and the Caribbean, although still only two countries of those examined gave a majority to formal youth employment over informal youth employment. Evidence also shows that the composition of informal employment evolves across the spectrum of economic development: in contrast to low-income countries in Asia and sub-Saharan Africa, the upper-middle income countries within the sample show higher shares of the informally employed in the category of young workers in "informal jobs in the formal sector" than "employed in the informal sector". Policy implications will logically be contingent on the composition of informal employment in each country.

Given the prevalence of informal employment, backed up with evidence on the motivation of youth (for taking up self-employment and reasons for wanting to change their job, for example), the report supports the premise that high shares of informality

among young workers do not represent a choice on their part. In other words, informal employment is an only option for the majority of young workers. There are some who manage to “escape” informality, with advantages held by young men over young women, married youth, those with no health issues, and certainly the young person who manages to stay longer in education.

The report also gives support to the notion that informality is past dependent. Previous labour market experience is shown to influence the risk of ending up in informality, implying that early-life inequalities, as well as those of the previous generation, are likely to follow youth throughout their journey in the labour market.

There is a tendency for shares of informal employment to decline with age. Additionally, the average age of youth in formal employment exceeds that of youth in informal employment. Both statistics support the premise that aging offers some means out of informality with causality linked in part to completion of education. In fact, the report finds clear evidence that investing in education offers the greatest chance to escape the informal sector (although it offers less chance to escape an informal job in the formal sector). All countries examined show increasing shares in formal employment as the level of education increases. The youth with a tertiary education has at least a 51 per cent chance of finding formal employment (and even higher in the countries with comparatively lower shares of informal employment), compared to 14 per cent for the young person with less than primary level education.

Not surprisingly, the report shows that there are consequences to informality with the informally employed youth penalized in terms of wages, job satisfaction and underemployment. The negative wage premium of being informally employed was found for both for young wage earners and self-employed youth. In 19 of the 20 countries, the informally employed are less satisfied with their jobs. Underemployment (both time-related and pecuniary-based) as well as skills mismatch (measured according to the level of education of the young person and the level required for the occupation) also hit the informally employed harder than the formally employed.

The datasets analysed in the report offer a unique opportunity to look at the path of labour market activities and the influence this may have on the probability of informal employment. The evidence points to an influence of unemployment history – both number of unemployment spells and length of unemployment – on the probability of being informally employed. As such, informal employment seems to be, at least for some people, a way out of unemployment. This supports the idea of the informal sector as an absorbent of excess formal labour.

To summarize, the report adds to the available literature on informality with evidence on the features related to informal employment among youth that appear with reasonable regularity across developing economies. In particular, young women seem to be more vulnerable to informality and are less prone to transit into stable and satisfactory jobs. Vulnerability in general is a prerequisite for informality; vulnerable populations such as women, the youngest, the least educated and the least healthy are more often informally employed than their male, older, more educated and healthier counterparts. The vulnerability is also manifest in labour market trajectories: youth with long spells of unemployment are at higher risk for informality and dissatisfaction, suggesting that the unemployed end up being pushed into informal jobs that procure low satisfaction.

Policy responses to informality are of necessity as complex and diverse as is the topic itself, as section 7 will demonstrate. Regardless, there is value added in building policies and implementation strategies from labour market information which identify the most vulnerable to informality while also reflecting the disadvantages of informality. The SWTS should serve as a welcome tool for policy makers in this regards.

1.3 Structure of the report

The second section of the report conducts a brief review of literature on informal employment, with respect to the issues at hand. Section 3 describes the datasets and the definition of informal employment used in the analysis. Section 4 begins the data analysis with the identification of the characteristics of the informally employed youth (by age, sex, area of residence, education level and health status). Section 5 studies the implications of being informally employed, with an emphasis on indicators of job quality and job satisfaction. Finally, section 6 looks at the dynamics of employment, focusing on transition patterns as determinants of present employment outcomes such as satisfaction, discouragement or informality, and section 7 offers some conclusions and policy responses, as well as a summation of recent ILO work toward promotion of transitioning to formality. Additional statistical tables are provided in the Annex.

2. Literature review

Since the concept of an informal sector was introduced by Hart (1973), a large and growing literature has tried to pinpoint the nature, origins and causes of informal employment. Long considered as a marginal phenomenon (Gërkhani, 2004), the size, dynamics and shape of the informal sector have since become apparent and the subsequent need to thoroughly analyse it has mobilized a growing number of researchers.

A sizeable portion of the early work looked at the definition of the informal sector. Confusion has long prevailed on the concept as well as its operational definition, and the term has sometimes been improperly used as a synonym for tax evasion or illegality. The concept has since been clarified and harmonized (OECD et al., 2002; European Communities, et al., 2008), referring to production units operating on a small scale at a low level of organization, with little or no division between labour and capital. The operational definition, aiming at improving the data collection and hence comparability, originates in the 14th and 15th International Conferences of Labour Statisticians (ICLS). The Resolution of the 15th ICLS established the distinctive criteria of size and/or non-registration that define a production unit (self-employed or employer) belonging to the informal sector (ICLS, 1993).

The complementary concept of *informal employment*, as defined in the 17th ICLS, takes jobs as the observation units and comprises two main components: employment in the informal sector and unprotected jobs in the formal sector. Different characteristics of the job can be considered for the latter, such as social protection, health insurance, existence of a written contract, pay slip and paid leave. The two aspects of informal sector and informal employment taken together form the *informal economy*. The flexibility built into the concepts of informal sector and informal employment brings advantages in adapting to country situations and needs but has drawbacks in limiting the comparability across countries (Tonin, 2013).

Numerous definitions have indeed been suggested, ranging from self-employed workers to unprotected employees or small business owners. Indeed, the flexibility of operational definitions, although necessary for tailoring to local contexts, is in itself a guarantee of the heterogeneity of the informal sector. Henley, Arabsheibani and Carneiro (2006) discussed the importance of an appropriate definition of informality by comparing informal workers with three different definitions of informality, using evidence from Brazil. They showed that the determinants of the probability of being in the informal sector vary considerably depending on the definition of informality used. Their data further show increasing heterogeneity over time within the informal sector, suggesting a need to go beyond the view of the informal sector as a residual sector.

2.1 What drives workers and businesses into informality? Past and present considerations over segmentation

The heterogeneity of motives surrounding the concept of informality has brought about a long-standing debate on its determinants, divided between three main schools of thought. Following the seminal work of Hart, and coherently with Lewis' (1954) model of the labour market, the original school of thought (Dualist school) saw informal businesses as inferior subsistence activities. A second (Legalist) school, following De Soto (1989), considered by contrast informality to be a rational decision of constrained entrepreneurs looking to escape the bureaucratic burden and the high costs of formality. Finally, the Structuralist school (Moser, 1978; Portes, Castells and Benton, 1989) viewed informality as resulting from the strategy of cost-optimizing multinational firms willing to outsource their production using unprotected local workers. Despite these three schools being at odds, progress has been made in recognizing that all conceptions can be simultaneously true. A segmented labour market can give rise to a highly heterogeneous informal sector, made of distinct strata (Jütting and de Laiglesia, 2009).

Worker-level data have been used by numerous authors to address the issue of segmentation, often through the question of whether informality is chosen or undergone. This area is of key interest for this report as one of the aims is to look at the determinants of informality at the individual level (and thus the type of incentives). Indeed, evidence emerged that some individuals were better off choosing to work in the informal sector (Maloney, 2004) while for some it was clearly involuntary (Günther and Launov, 2012).

As the informal sector is made up of household businesses, the argument of flexibility of work arrangements is often used to support the view of chosen informality. This brings forth the issue of gender differentiation. In general, women are more likely to work in the informal sector (Marcouiller, Ruiz de Castilla and Woodruff, 1997; Saavedra and Chong, 1999; Maloney, 2004) than men, although this discrepancy may have been reduced over time (Funkhouser, 1996). Marcouiller, Ruiz de Castilla and Woodruff (1997) looked at the determinants of formal employment in three Latin American countries. Estimating probabilities for men and women separately, they found that family composition plays a different role for men than for women. For men, heading a household and having many children increases the probability of formal sector employment while, for women, the inverse is true. It is likely that this reflects increasing household responsibilities for women who, as heads of households or care-givers for several children, need flexible work arrangements and perhaps the possibility to work from home (Cunningham, 2001; Freije, 2001). Funkhouser (1996) also supported the idea of informality increasing with the number of children for women in Guatemala, El Salvador and Honduras. Another factor to consider is education. It has been shown that low or minimum levels of education often lead to informal employment and that younger workers are more often informally employed than older ones (Saavedra and Chong, 1999; Packard, 2007).

Own-account work in informal enterprises remains the dominant means of seeking income among young men and women in low-income economies. Looking at why young people take up self-employment can therefore provide hints as to the push or pull nature of informality. Koné and Elder (2014) found that involuntary reasons, such as an inability to find paid employment or as requirement of the family, for taking up self-employment among young workers aged 15-29 exceeded voluntary reasons (to gain higher income, greater independence, etc.) in six of eight sub-Saharan African countries. In a higher income developing economy such as the former Yugoslav Republic of Macedonia, where self-employed are the minority among young workers, the involuntary nature of self-employment (as imperfect approximation of informal sector) is even stronger. Nearly two-thirds of the young self-employed Macedonians cited an inability to

find paid employment as the main reason for turning to self-employment (Elder, Novkowska and Krsteva, 2013).

Another approach to the same question is to look at job satisfaction. In a study on Viet Nam, Razafindrakoto, Roubaud and Wachsberger (2012) found that, compared to other sectors, working in the informal sector procures the lowest subjective job-satisfaction level, whether looking at wage earners or self-employed workers. They thus concluded that working in the informal sector seems to be a second-best option, although it does permit workers to escape the agricultural sector. Considering subjective welfare, Beuran and Kalugina (2005) found evidence of an impact of informal employment on the probability of feeling poor in the Russian Federation. Maloney, Rijkers and Sarrias (2012) looked at the determinants of subjective well-being in Ghana and found no evidence of a well-being premium of holding a formal job. Causal links, however, are hard to establish between job satisfaction and employment conditions and outcomes, mainly since job satisfaction is closely linked to aspirations (De Vreyer and Roubaud, 2013; ILO, 2013b). For instance, educated workers are likely to hold better jobs than uneducated ones, but may not necessarily be more satisfied since their aspirations are also likely to be higher.

Finally, despite the importance of the question, few articles have emphasized the temporal dimension of informality at the individual level. How do individuals' past experiences, as well as those of their families, affect their labour market outcomes? Although not focusing on informal employment *per se*, Pasquier-Doumer (2013) looked at the profits of the self-employed in seven West African capital cities and found no significant impact on profit from having a self-employed father, except when an individual self-employment choice is based on family tradition.

2.2 The correlates of informality: Workers' conditions and businesses' performances

Even if the heterogeneous nature of the phenomenon makes the exercise difficult, correlates of informality have been highlighted at both the worker and the enterprise level. The main feature of informal jobs is a lack of protection from social (unemployment, old age) and health risks. Even if several attempts have been made to extend existing insurance schemes, notably in South America and South-East Asia, their efficiency remains a concern (Acharya et al., 2012; Wagstaff, 2010). In addition to the inherent lack of protection, one of the larger strands of literature at the workers' level is measuring earnings gaps between informal and formal sector workers. Estimating earnings functions for the informally versus formally employed has also been used to test for labour market segmentation. Indeed, if the earnings function is structurally different between sectors, productive capacity is not valued in the same way in the two sub-sets of the labour market (Freije, 2001). However, earnings differentials might very well reflect non-pecuniary differences in job contents.

Empirical studies have shown that informal workers are systematically underpaid when compared to their formal counterparts. However, composition effects often explain the majority of the gap, in particular differences in firm size, workforce characteristics and location. Besides, the important unobserved heterogeneity of workers (simply stated, market ability) needs to be taken into account. The job status and the relative position on the earnings distribution, once accounted for, draw a more contrasted picture, in which penalties may in some cases turn into premiums. Recent studies have analysed and deconstructed the gap in this fashion for a number of countries including Brazil, Mexico and South Africa (Bargain and Kwenda, 2011), Ghana and the United Republic of Tanzania (Falco, Maloney and Rijkers, 2011), Madagascar (Nordman, Rakotomanana and Roubaud, 2012), Viet Nam (Rand and Torm, 2012a; Nguyen, Nordman and

Roubaud, 2013) and Turkey (Tansel and Kan, 2012). Although the earnings gap appears to be a continuum depending on each country's specificities, results are overall convergent: the informality penalty decreases with the earning level and often turns into a premium for the self-employed at the top of the distribution (which includes the more able entrepreneurs self-selecting into informality).

At the enterprise level, informality is generally associated with low productivity and poor operating conditions. Part of the literature on micro-firms in developing countries has investigated why the vast majority remains at a very small scale of operation, with low levels of capital, inputs and earnings, linking this fact with the idea of a “poverty trap” (Banerjee and Newman, 1993; Galor and Zeira, 1993). The main hypothesis has long been the existence of entry barriers to high-return activities. However, converging results in the context of Africa, India and South America, by McKenzie and Woodruff (2006), Banerjee and Duflo (2004), Udry and Anagol (2006), de Mel, McKenzie and Woodruff (2008), Kremer, Lee and Robinson (2008), and later Grimm, Kruger and Lay (2011) and Göbel, Grimm and Lay (2012), show high returns for very low levels of capital and find little evidence of entry costs except for more technologically intensive activities.

Another key approach to the question is to look at the dynamics of informal household businesses, and more especially at their potential to leave the informal sector and thus be released from the constraints associated with their legal status. Many of the policy recommendations with regard to informality concern household business formalization (Jütting and Laiglesia, 2009; Bacchetta, Ernst and Bustamante, 2009; World Bank, 2008). Fajnzylber, Maloney and Montes-Rojas (2011) argued that formalization is not relevant for all types of businesses: the intrinsic characteristics of many informal units make them unlikely to grow large enough to need institutions and formal operations. At least for a segment though, the choice of becoming formal is relevant, and the measure of the consequences has received recent attention in the literature despite the largely documented endogeneity of the legal status (Maloney, 2004; De Paula and Scheinkman, 2007). Panel data has been used in Viet Nam by Rand and Torm (2012b) and Demenet, Razafindrakoto and Roubaud (2013), who documented a significant effect of registration on the profits and investment of informal firms, and additionally put forward the channels through which it occurs: access to better conditions of operation, increased size and intensified competition.

3. Data, concepts and measurement

The data used in the present analysis originate from surveys carried out in 2012 or 2013 across 20 countries, covering the main regions of the developing world. The surveys are based on a standardized ILO survey, the “school-to-work transition survey” (SWTS), which allows for meaningful cross-country comparisons. Funding for the surveys came from the Work4Youth partnership between the ILO Youth Employment Programme and The MasterCard Foundation (see box 1). The partnership supports the SWTS in 28 target countries,² with data from the first round made available throughout 2013. A second round of SWTS will take place in each of the 28 countries in 2014–15.

² Data from only 20 countries were available at the time this report was drafted.

Box 1. Work4Youth: An ILO project in partnership with The MasterCard Foundation

The Work4Youth (W4Y) Project is a partnership between the ILO Youth Employment Programme and The MasterCard Foundation. The project has a budget of US\$14.6 million and will run for 5 years to mid-2016. Its aim is to “promot[e] decent work opportunities for young men and women through knowledge and action”. The immediate objective of the partnership is to produce more and better labour market information specific to youth in developing countries, focusing in particular on transition paths to the labour market. The assumption is that governments and social partners in the project’s 28 target countries will be better prepared to design effective policy and programme initiatives once armed with detailed information on:

- what young people expect in terms of transition paths and quality of work;
- what employers expect in terms of young applicants;
- what issues prevent the two sides – supply and demand – from matching; and
- what policies and programmes can have a *real* impact.

Work4Youth target countries:

- **Asia and the Pacific:** Bangladesh, Cambodia, Nepal, Samoa, Viet Nam
- **Eastern Europe and Central Asia:** Armenia, Kyrgyzstan, the former Yugoslav Republic of Macedonia, the Republic of Moldova, the Russian Federation, Ukraine
- **Latin America and the Caribbean:** Brazil, Colombia, El Salvador, Jamaica, Peru
- **Middle East and North Africa:** Egypt, Jordan, Occupied Palestinian Territory, Tunisia
- **Sub-Saharan Africa:** Benin, Liberia, Madagascar, Malawi, Togo, Uganda, United Republic of Tanzania, Zambia

For more information, see the W4Y website www.ilo.org/w4y

In some cases, the surveys have been adapted by the local entities, namely the national statistical offices in charge of carrying them out, which entails some information and comparability loss. Special attention should be given to the Russian Federation and Peru, which are not nationally-representative. The Russian data set covers 11 regions and the Peruvian survey was carried out in urban areas only. In total, the data contain 67,315 observations on 15–29 year-olds, collected between July 2012 and February 2013. Sample sizes range from 1,504 in Liberia to 6,917 in Benin (see table 1). Sample sizes being relatively homogenous while populations are radically different means that the average weight of an observation differs significantly across countries (from 14.1 in Samoa to 15,615 in Brazil).

Problems arising from country-specific survey constructions can be classified in two broad categories: those related to missing questions or missing survey sections, and those related to heterogeneous construction of variable categories. In the first case, not much can be done to overcome missing information. In the second case, as much relevant information as possible was recovered, often through aggregation and redefinition of categories. One particular example is education, where the relevant variables show important heterogeneity across countries. By reasoning in terms of education levels – primary, secondary and tertiary – it is possible to present at least some cross-country comparable measure of educational backgrounds of interviewees and their caregivers.³

The issue of comparability, however, should be considered bearing in mind the country-specific contexts likely to orient youth labour market outcomes. In presenting a snapshot of the informal workers in 20 countries where the ILO survey has been undertaken, the aim was not to unearth characteristics common to informal workers in all countries. Therefore, the aggregated indicators presented in the following sections will be complemented with national and regional indicators, where variable categorization is not an issue.

³ The term *caregivers* is used because in the Jamaican survey, primary caregivers need not be parents.

Table 1 SWTS sample sizes and survey coverage, by country

Country	Sample size	Coverage	Reference period
Armenia	3 216	National	October – November 2012
Benin	6 917	National	November – December 2012
Brazil	3 288	National	June 2013
Cambodia	3 552	National	August – September 2012
Egypt	5 198	National	November – December 2012
El Salvador	3 451	National	November – December 2012
Jamaica	2 584	National	February – April 2013
Jordan	5 405	National	December 2012 – January 2013
Liberia	1 504	National	August – September 2012
Macedonia, the former Yugoslav Rep. of	2 544	National	July – September 2012
Malawi	3 102	National	August – September 2012
Peru	2 464	Urban	December 2012 – February 2013
Russian Federation	3 890	11 regions	July 2012
Samoa	2 914	National	November – December 2012
Tanzania, United Rep. of	1 988	National	February – March 2013
Togo	2 033	National	July – August 2012
Uganda	3 811	National	February – April 2013
Ukraine	3 526	National	February 2013
Viet Nam	2 722	National	December 2012 – January 2013
Zambia	3 206	National	December 2012 – January 2013
Total	67 315		

The definition of informal employment used in this report follows the one recommended by the International Conference of Labour Statisticians (ICLS).⁴ Thus, informal workers belong to any of the following categories:

1. unpaid family workers in registered or unregistered businesses with more than five employees;
2. employees in registered firms (or firms with more than five employees) without access to at least one of the three key benefits;
3. own-account workers with unregistered activities;
4. employers in unregistered businesses with less than five workers;
5. unpaid family workers in unregistered businesses with less than five employees;

⁴ The definition was established in the 15th International Conference of Labour Statisticians (ICLS) and expanded to cover informal jobs in the formal sector in the 17th ICLS. For more information on the definition, its evolution and measurement guidelines, see ILO (2013a).

6. employees in unregistered firms with less than five workers and without access to at least one of the three key benefits;
7. employees in unregistered firms with less than five workers with access to all three key benefits;
8. members of unregistered producers' cooperatives with less than five workers;
9. workers not classifiable by status in other unregistered businesses with less than five workers.

As discussed in Section 2, numerous other definitions of informality have been proposed in the literature, of which most are rather crude and specific to the dimension of informality that is being investigated. Firm size, registration, access to social security for workers and written contracts have all been suggested as measures of informality. The 17th ICLS guidelines on the measurement of informal employment offer a combination of all these elements (ICLS, 2003).

In the above classification, categories 1 and 2 regroup the informally employed in the formal sector. They concern workers in registered firms who are either family workers or lack key benefits. The three key employment benefits in question are annual paid leave, paid sick leave and social security contributions. The two sub-categories are a sub-set of the informally employed: the *informally employed outside the informal sector*. This distinction is relevant as it permits establishing whether informality considered at the individual level differs from informality at the firm level in terms of outcomes and determinants.

4. Informal youth employment in 20 developing economies

This section tries to unveil some common characteristics of the informally employed youth by comparing them to the formally employed, unemployed and inactive non-students. Cross-country comparisons and aggregate indicators are presented to paint a complete picture of the origin of informality. The question to be answered here is who constitutes the informally employed. Dimensions investigated appear in the following order: gender, urban/rural geography, marital status, educational background and parental education, age, migratory status and health.

The following paragraphs do not attempt to address any questions of causality, which is why the analysis is kept rather prudent. The statistics provided describe the informally employed but do not indicate, for example, whether it is because one is informally employed that one is in a large household, in relatively bad health or poor, or whether it is because one is in relatively bad health, in a large household or poor that one is in the informal sector. Any policy recommendations elaborated based on the present findings should subsequently take this into account.

4.1 Snapshot of informal employment in 20 countries

Table 2 shows that at the aggregate level three-fourths (75.4 per cent) of young workers aged 15-29 are engaged in informal employment. There are, however, important variations across countries and regions. Young workers have the greatest chance to work formally in Eastern Europe and, to a certain degree, the Middle East (Jordan only) and Latin America and the Caribbean (with exceptions of El Salvador and Peru). In the sub-Saharan African countries, in contrast, from eight to 9.5 in ten young workers are in informal employment. Shares of informality seem to be closely linked to the economic

wealth of the country; the aggregate youth informal employment share among low-income countries is well above that of upper-middle income countries (90. and 62.0 per cent, respectively).

The composition of informal employment also shows a dramatic shift as national income levels increase. Informal employment among youth in low-income countries is strongly focused around employment in the informal sector, while shares in informal jobs in the formal sector are low. In the upper-middle income countries except Jamaica and the Russian Federation, in contrast, higher shares of informally employed youth are engaged in the formal sector than the informal sector.

Table 2 Share of informal and formal employment in youth employment and breakdown of youth informal employment, 20 countries (%)

		Share in youth employment		Share in informal employment	
		Informal employment	Formal employment	Employed in informal sector	Informal job in formal sector
Asia & the Pacific	Cambodia	98.3	1.7	68.8	31.2
	Samoa	67.7	32.3	100.0	0.0
	Viet Nam	76.4	23.6	54.6	45.4
Eastern Europe	Armenia	64.2	35.8	37.1	62.9
	Macedonia, the former Yugoslav Republic of	48.4	51.6	43.7	56.3
	Russian Federation - 11 regions	50.9	49.1	52.8	47.2
	Ukraine	57.1	42.9	19.8	80.2
Latin America & the Caribbean	Brazil	61.6	38.4	47.6	52.4
	El Salvador	91.8	8.2	64.0	36.0
	Jamaica	75.3	24.7	55.8	44.2
	Peru	83.5	16.5	37.3	62.7
Middle East & North Africa	Egypt	91.1	8.9	36.5	63.5
	Jordan	46.8	53.2	21.6	78.4
Sub-Saharan Africa	Benin	89.7	10.3	89.9	10.1
	Liberia	82.5	17.5	77.0	23.0
	Malawi	96.3	3.7	93.9	6.1
	Tanzania, United Republic of	87.5	12.5	66.2	33.8
	Togo	89.1	10.9	85.9	14.1
	Uganda	92.1	7.9	86.3	13.7
	Zambia	94.7	5.3	83.1	16.9
Aggregate, 20 countries		75.4	24.6	55.1	44.9
Aggregate, 7 low-income countries		90.8	9.2	81.2	18.8
Aggregate, 6 lower-middle income countries		81.0	19.0	62.5	37.5
Aggregate, 7 upper-middle income countries		62.0	38.0	43.7	56.3

Note: Income groupings are based on the World Bank classification.

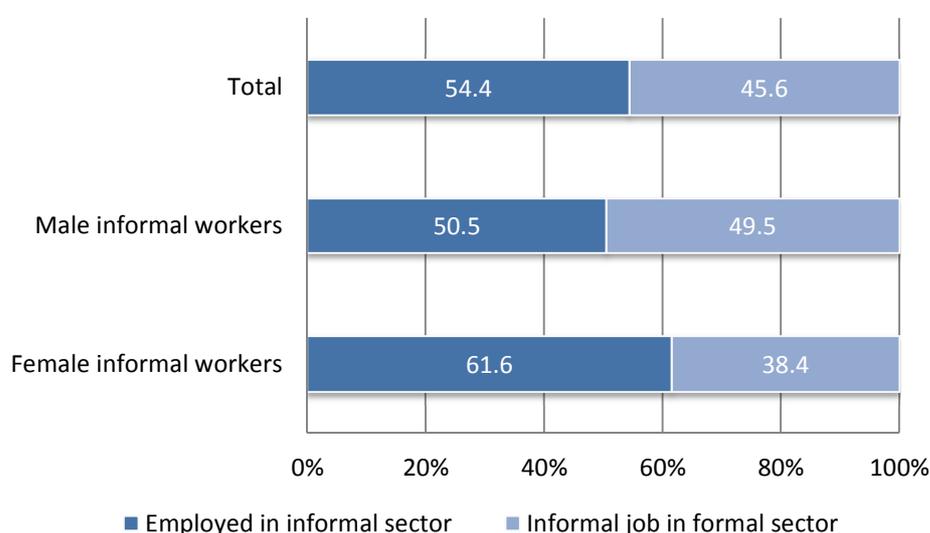
Source: Authors' calculations using SWTS data from 20 countries.

4.2 Gender and youth informality

Since women often have higher household responsibilities, have a greater need for flexible working arrangements and face additional barriers to labour market participation including discrimination, one could expect women to be drawn to informal employment to a greater extent than men. Table A1 (see Annex) shows the percentage of male and female workers who are informally employed. At the aggregate level, the share of young female workers who are informally employed (75.6 per cent) is only the slightest bit higher than that of young male workers (75.3 per cent).

With regard to the two components of informal employment, a majority of informally employed women work in the informal sector, meaning that they carry out activities within the context of unregistered entities, whether they be in own-account work or engaged in a producers' cooperatives or firm. Young men, in contrast, are nearly equally split between the informal sector and informal jobs in the formal sector. Figure 1 illustrates this difference.

Figure 1 Breakdown of youth informal employment by sex



Source: Authors' calculations using SWTS data from 20 countries.

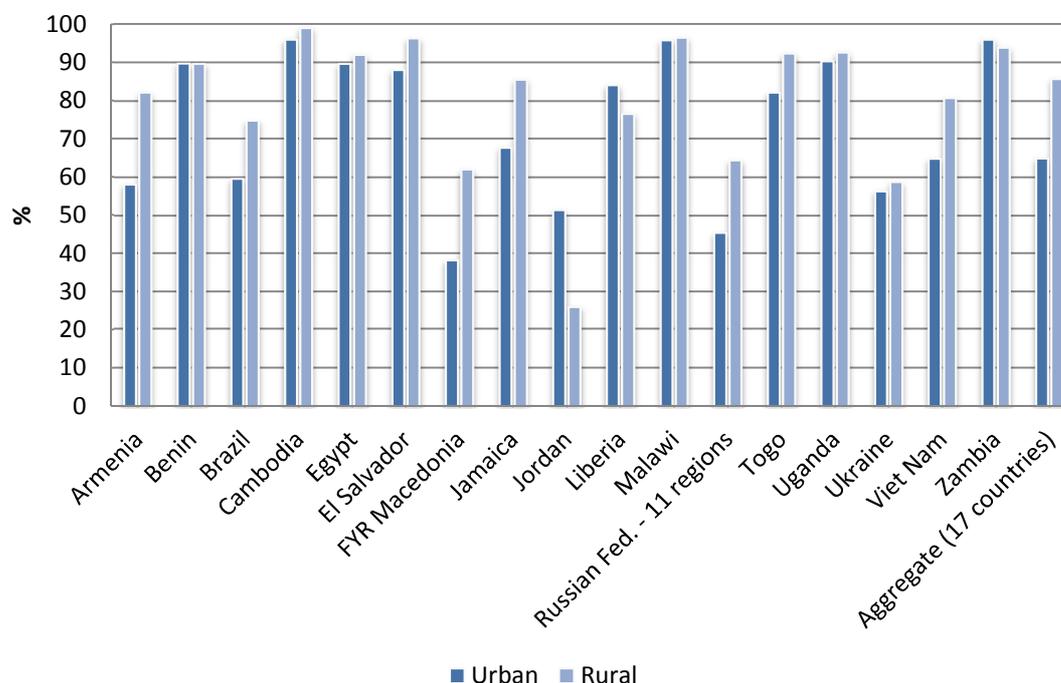
At the country level, a high level of variation is apparent. Among the 20 countries, 11 (principally in Eastern Europe and the Middle East and North Africa) had higher informal employment shares for young males than young females while nine countries (mostly in sub-Saharan Africa and Latin America) showed the contrary. The male-female gap in informal employment rates was greater than 8 percentage points in five countries (Armenia, Jordan, FYR Macedonia, Samoa and Viet Nam). The same could be said for the female-male gap in only one country (United Republic of Tanzania).

4.3 The urban/rural dimension of informal employment

Table A2 shows the weight of the informally employed among rural and urban workers in the 17 countries for which comparable data are available. At the aggregate level, the informally employed represent 85.8 per cent of young workers residing in rural areas. By contrast, only 65.0 per cent of urban workers are informally employed. A closer look at the informally employed reveals that in rural areas a majority of the informally employed work in the informal sector (66.0 per cent), whereas in urban areas a majority of those working informally are employed in the formal sector (56.2 per cent).

Figure 2 presents some country-level results. It should be noted that, in most countries, youth informality tends to be higher in rural areas. Only in Benin, Jordan, Liberia and Zambia is it more widespread in urban areas

Figure 2 Informally employed as a percentage of urban and rural young workers



Source: Authors' calculations using SWTS data from 17 countries (where information on rural and urban households was available).

4.4 Marital status and youth informality

Table A3 analyses the relationship between youth informal employment and marital status. At the aggregate level, informality is less common among married young workers and more widespread among young workers who are single, divorced or widowed. There is not much variation at the country level. In 13 of 15 countries for which comparable data were available, informal employment is more common among young unmarried workers, with Benin and the United Republic of Tanzania the only exceptions.

Figure 3 looks at the two main components of informal employment. Married workers who are informally employed are more likely than unmarried ones to work in the informal sector compared to holding an informal job in the formal sector.

Figure 3 Breakdown of youth informal employment by marital status



Source: Authors' calculations using SWTS data from 15 countries (where standardized information on marital status was available).

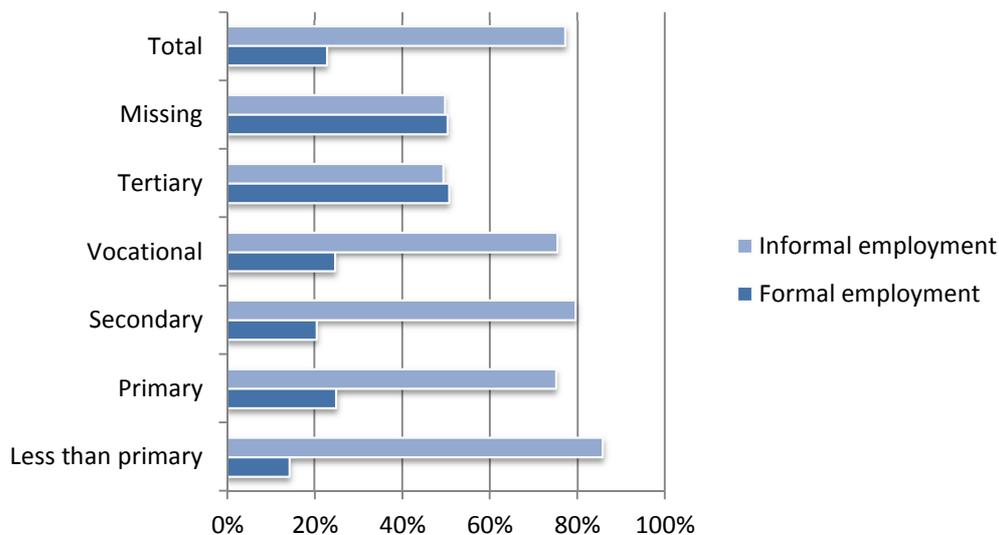
4.5 Educational background and youth informality

An individual's educational background intuitively has an impact on the types of jobs available to the person. The vast literature on returns to education has shown that investment in education yields a positive wage return (for example, Psacharopoulos and Patrinos, 2002). The assumption is further confirmed in initial national analyses of SWTS results (Mussa, 2013; Chigunta, Chisup and Elder, 2013; de Mel, Elder and Vansteenkiste, 2013). One can only assume that education in general renders people more productive and therefore more attractive on the labour market. Furthermore, education may act as a signal to employers, considering it as a proxy for imperfectly observable characteristics such as morale, cognitive skills or family background. Employers might prefer educated over uneducated individuals even in cases where formal training is irrelevant for the job considered.⁵ Thus, if formal jobs are preferred to informal ones, the share of informally employed should decrease when moving up the education ladder. Figure 4 appears to confirm this at an aggregate level. The vertical axis shows the individual's highest completed level of education. The share of informal employment decreases as the level of education of individuals increases.

Looking at this from another angle, the educational composition of the formally and informally employed is presented in figure 5. It shows that the informally employed are less likely than the formally employed to be tertiary educated or vocationally trained, and more likely to have finished education at the primary level or less. A country-specific analysis, however, is necessary, since structural differences in education and informality might account for the observed pattern. Thus, rather than there being a link between the education level and informality at the individual level, there would be a correlation across countries, where those with a higher educated workforce are also those with a lower share of informal employment (for example, FYR Macedonia and the Russian Federation).

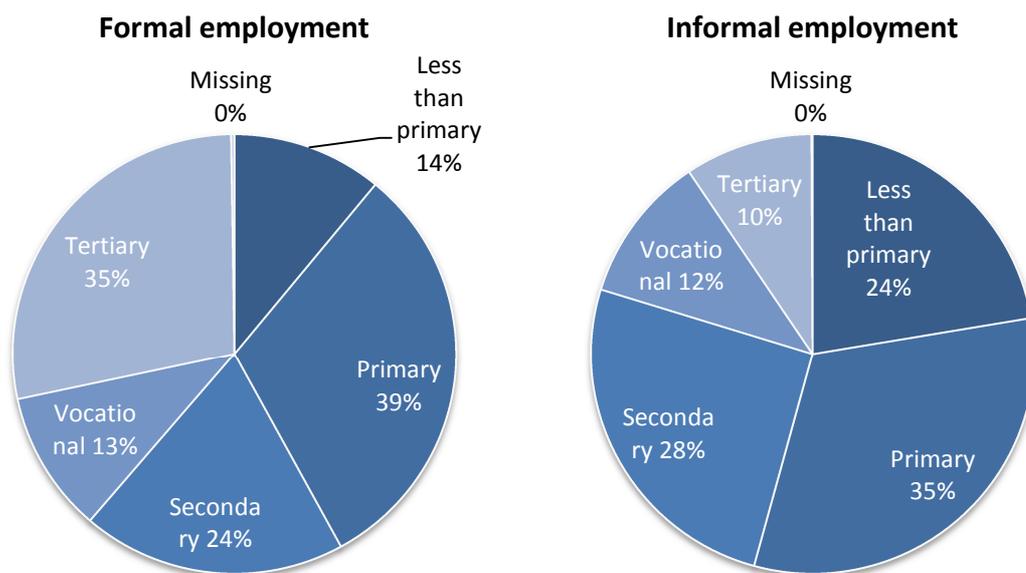
⁵ Confirmed by the Labour Demand Enterprise Surveys that were run simultaneously to the SWTS in some of the Work4Youth countries. See for example, de Mel, Elder and Vansteenkiste (2013), Chapter 5.

Figure 4 Shares of youth informal and formal employment by levels of completed education



Source: Authors' calculation using SWTS data on employment and educational attainment from 20 countries.

Figure 5 Educational composition of formally (left) and informally (right) employed

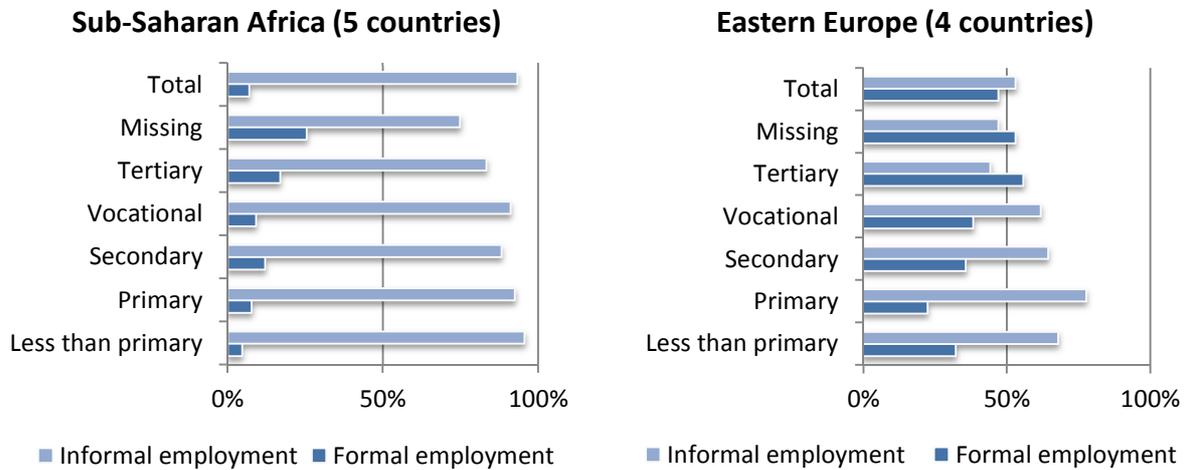


Source: Authors' calculation using SWTS data on employment and educational attainment from 20 countries.

To unearth a plausible macro effect, a regional analysis was carried out where countries with similar education results were grouped together. Two groups of countries were compared: firstly, five African countries (Benin, Liberia, Malawi, Togo and Uganda), which all have a distribution of youth employment with more than 50 per cent of workers with only a primary education or less; and secondly, four Eastern European countries (Armenia, FYR Macedonia, the Russian Federation and Ukraine), which all have relatively well-educated youth populations (more than 50 per cent of employed youth has a university diploma, including post-secondary vocational diplomas for the Russian Federation). Figure 6 shows the percentage of formally and informally employed youth, by level of completed education. Higher levels of education are again associated with lower levels of informal employment. In sub-Saharan African countries,

the share of formally employed young workers is lower than the share in Eastern Europe at all education levels. Both regions, however, present increasing shares in formal employment as the level of education increases.

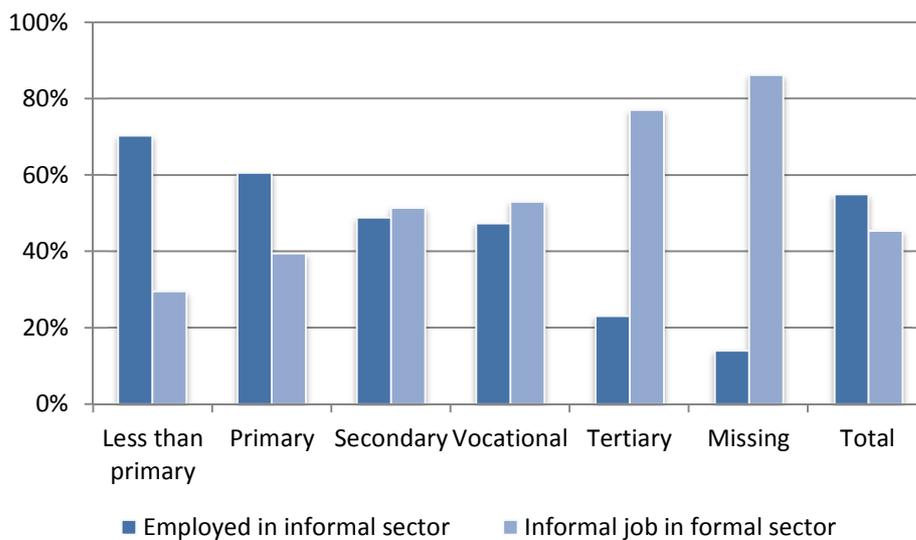
Figure 6 Shares of youth informal and formal employment by levels of completed education for sub-Saharan Africa (left) and Eastern Europe (right)



Source: Authors' calculations based on SWTS in Benin, Liberia, Malawi, Togo and Uganda (sub-Saharan Africa) and Armenia, FYR Macedonia, the Russian Federation and Ukraine (Eastern Europe).

Figure 7 shows quite strikingly how the composition of informal employment changes with levels of educational attainment. At low levels of education, a majority of informal workers work in the informal sector. At higher levels of educational attainment, however, and particularly among tertiary graduates, the share of informally employed who work in the formal sector far outweighs that of informal workers in the informal sector.

Figure 7 Components of youth informal employment by level of completed educational attainment



Source: Authors' calculations using SWTS data from 20 countries.

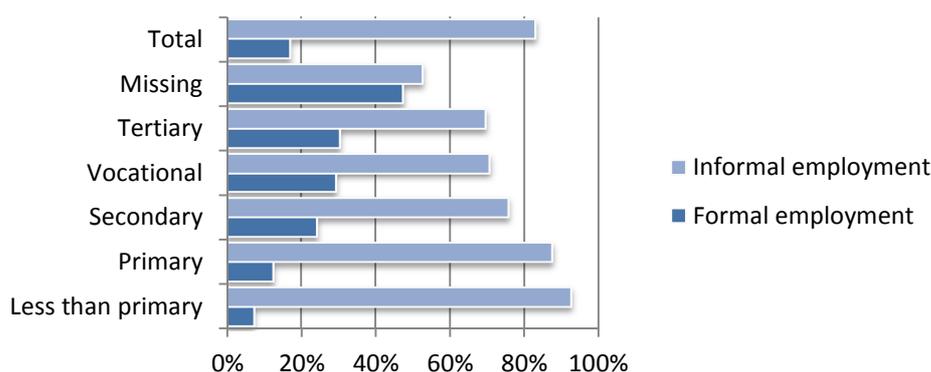
Again, it could be argued that a country effect could influence the distribution of components of informal employment. Countries with high average educational attainment could also be those with higher levels of informal employment in the formal sector. However, when the breakdown is shown for the two regional clusters, sub-Saharan Africa and Eastern Europe, the positive correlation between educational attainment and informal employment in the formal sector remains (figures A1 and A2). It thus seems that investing in education offers youth a way out of the informal sector in all societies although it does not necessarily guarantee paid employment with sufficient benefits to define the job as formal (see section 4.1).

4.6 Parental education: Does it matter?

Does parental education matter for the job prospects of youth? If so, why? While, again, there is a strong intuition that having highly-educated parents is associated with a lower probability of holding an informal job, the reason why must be explained. Most importantly, is there a direct or even a semi-direct effect of parental education on job opportunities for the youth? It seems highly plausible that one's own education level and that of one's parents are correlated (see, for example, de Mel, Elder and Vansteenkiste, 2013), so a simple two-way tabulation would not shed much light on any direct effects. It would be somewhat more informative to describe the influence of parental education levels on informality at given levels of variables that are plausibly correlated with parental education. Before considering this issue, some potential links could be suggested. The first one is a network effect: parents who have undergone training at higher levels have socialized with individuals who are more likely to provide formal job opportunities for their offspring. Secondly, educated parents may be more informed on job opportunities and more capable of ensuring a quick transition for their children.

Figure 8 confirms the intuition that parental education is a good predictor of formal versus informal employment among youth. The figure looks strikingly similar to figure 4. It thus seems that the more educated an employed youth's father is, the higher the probability that the person's employment will be formal rather than informal. The relationship is very similar when the mother's education level is compared to employment status (figure A3).

Figure 8 Father's education level and informal employment outcome of youth



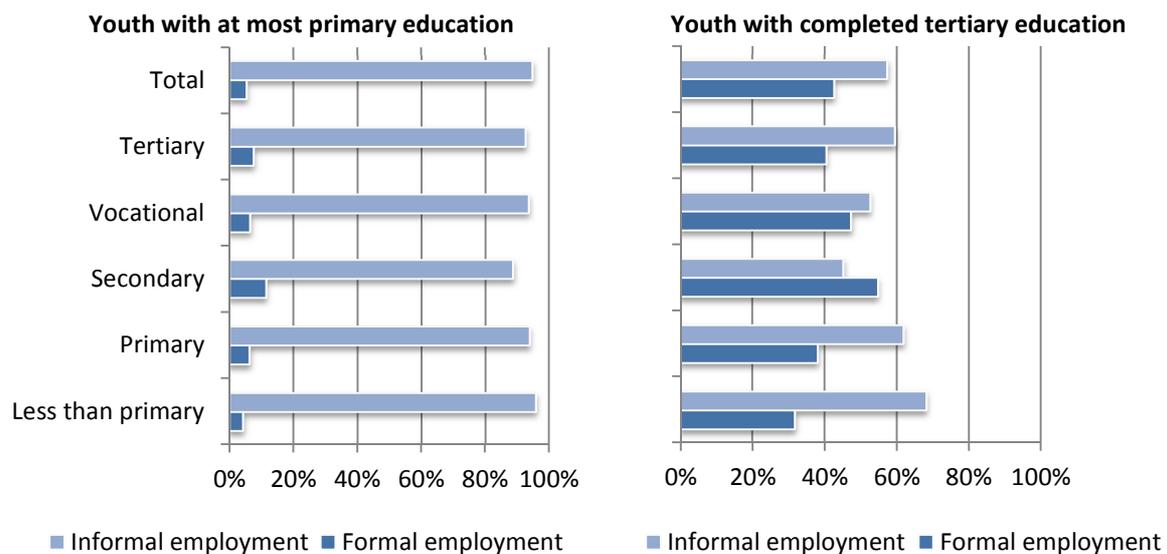
Note: The level of parents' education is based on the assessment of young respondents in the SWTS.

Source: Authors' calculations using SWTS data on employed from 17 countries (where information on parents' educational attainment was available).

Figure 9 compares fathers' educational attainment to informal employment status for young workers with similar education levels. The left-hand side of the figure shows young workers who have at most completed primary education, while the right-hand side

shows young workers with a tertiary education. The relationship between fathers' education and informality status is less clear when focusing on a group of workers with a particular level of education. In both cases (i.e. for young workers with at most primary education and for young workers with tertiary education), the share of the formally employed increases as the fathers' educational attainment increases, but only up until the secondary level. Unlike the aggregate result, having a father with a tertiary education is not consistently associated with a higher probability of being formally employed within a set of workers with the same educational attainment. This suggests that the previous result was driven at least partially by a correlation between parental education and individual educational attainment.

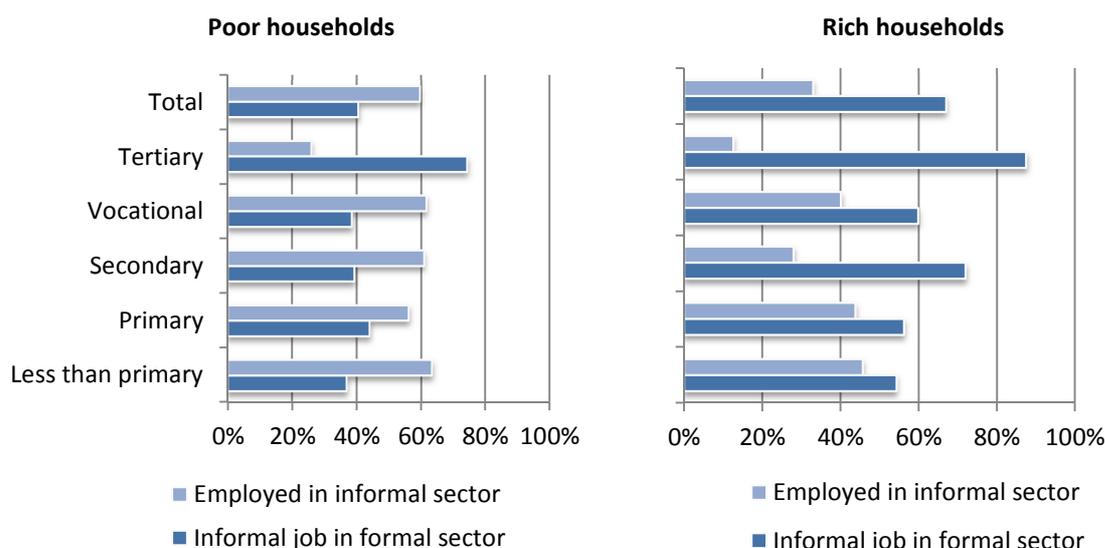
Figure 9 Father's education level and informal employment outcome of youth at fixed education level (primary and tertiary)



Source: Authors' calculation using SWTS data on employed workers from 15 countries (where information on young workers' and parents' educational attainment was available).

Another potential channel for transmitting job opportunities is household income, which is likely to be strongly correlated with parental education. Figure 10 looks at those individuals who are the son or daughter of the head of household and who have declared living in a fairly poor or poor household (the contrary is fairly rich or rich) with respect to the national average. The correlation is strongest for rich households, where the share of informal jobs in the formal sector clearly increases with fathers' educational attainment. For poorer households, it seems that a father with a tertiary education is a good predictor of holding an informal job in the formal sector.

Figure 10 Father's education level and breakdown of youth informal employment in poor (left) and rich (right) households where respondent is the son or daughter of the head of household

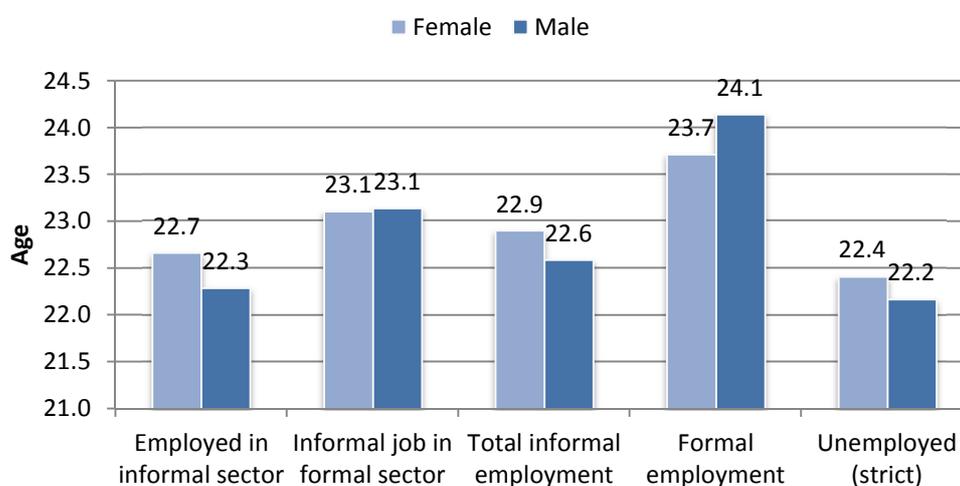


Source: Authors' calculations using SWTS data from 13 countries.

4.7 Age and youth informality

This sub-section presents data related to age and employment outcomes. The first question to ask is simple, and is linked to section 3 of this report: Are informal workers younger than formal ones? Does one grow out of informal employment? Figure 11 shows the average age of economically active youth by category of employment for the 20 countries. The formal employment share in the youth population is the one with the highest average age, 23.7 and 24.1 years for females and males respectively, while the unemployed have the lowest average age, at 22.4 and 22.2 years for females and males, respectively. Focusing on the informally employed, it appears that young males in the formal sector are on average older than their counterparts in the informal sector. The same holds for young women, although the difference is less pronounced.

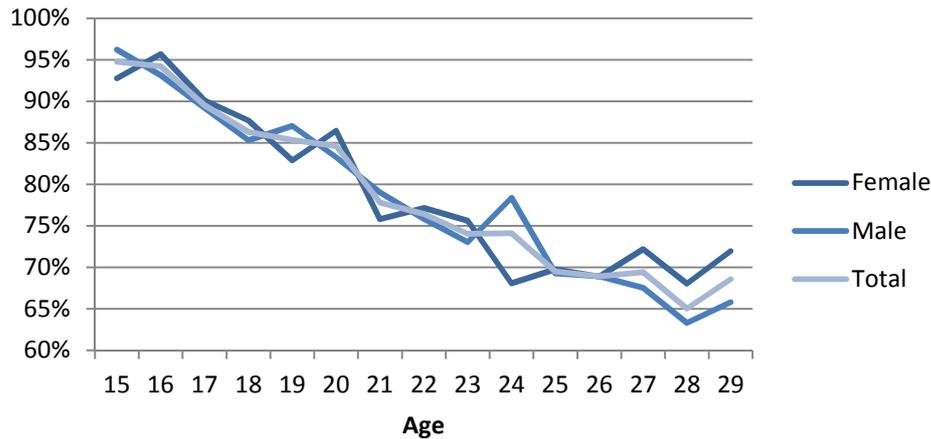
Figure 11 Average age of economically active youth by category of activity status and sex



Source: Authors' calculations using SWTS data from 20 countries.

Breaking down these numbers by country shows certain disparities. In sub-Saharan Africa, in particular, the relationship between age and informality seems to diverge from the aggregate. Both young males and females formally employed in Benin and Uganda are younger than their informally employed counterparts. The same holds true when looking at only young women in Liberia, Togo and the United Republic of Tanzania. In all other countries surveyed (except for Ukrainian females and males), the formally employed are on average older than the informally employed (table A4). Furthermore, data show that the probability of being informally employed decreases with age, and that the decrease is continuous across the whole age distribution (figure 12).

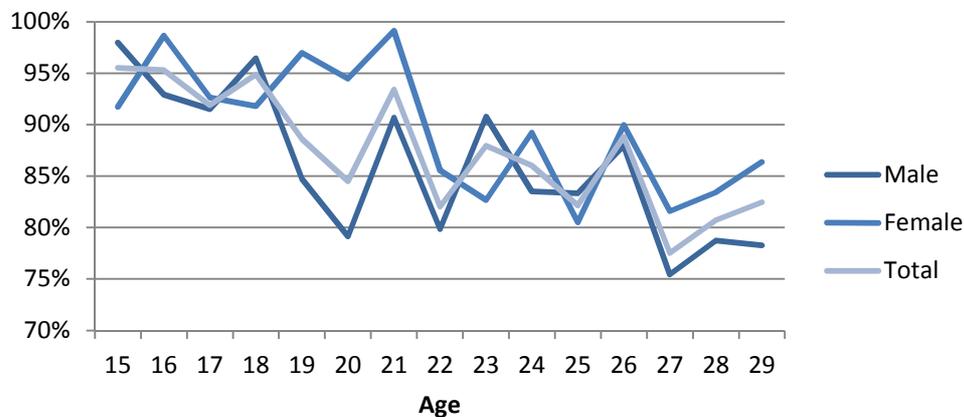
Figure 12 Share of informally employed in youth employment, by age



Source: Authors' calculations using SWTS data from 20 countries.

The previous sub-section showed that the share of formal employment increases with educational attainment. If formal employment requires better-educated workers, it seems natural to find a higher age average among this category of workers, since acquiring education generally means that one enters the labour force at a later age. So what happens when the analysis is limited to individuals with little or no education? As can be seen from figure 13, much of the effect disappears; there is no clear association between informality and age, at least not between the ages of 15 and 25 (typical years for involvement in education). This, again, suggests that education plays an important role in escaping informality.

Figure 13 Share of informally employed in youth employment for those with at most primary education, by age

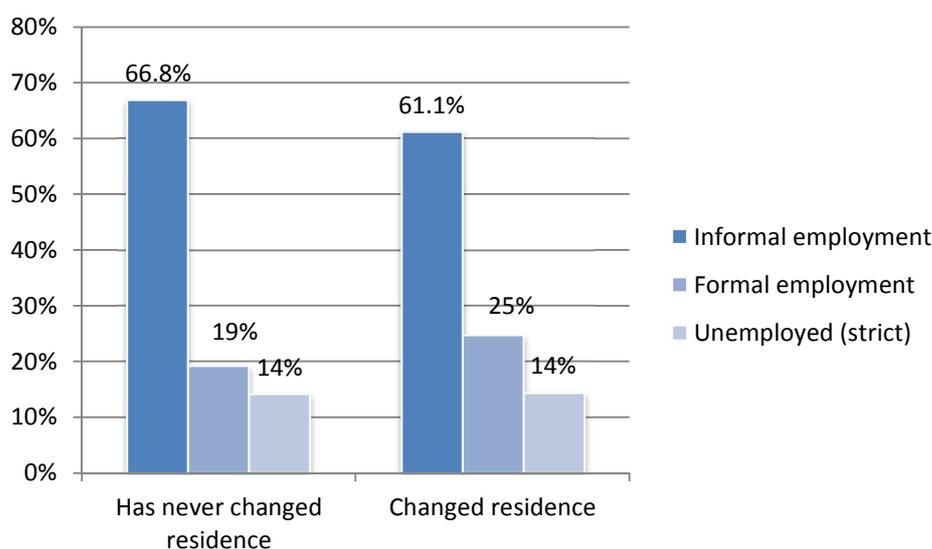


Source: Authors' calculations using SWTS data from 20 countries (where information on educational attainment was available).

4.8 Migratory status and youth informality

Urbanization is a widespread phenomenon throughout the world and particularly in developing countries. As technical progress slowly decreases the need for labour in the agricultural sector, and climate shocks render the income of farmers highly volatile, young people are pushed into cities in search of job opportunities. In Malawi, for example, 59.0 per cent of youth living in urban areas had moved from their original residence and one-quarter did so to pursue employment (Mussa, 2013). It has been suggested that when the formal sector cannot expand sufficiently or quickly enough to absorb this labour, the informal sector acts as a refuge, taking in those workers who do not find opportunities in the formal sector. Since the SWTS does not focus particularly on migration, looking at migration is difficult as only crude measures of migratory status are available. Unknown variables include how long a person has lived in the current residence, whether the person has moved several times or just once, or how the migration decision was made. Nevertheless, figure 14 breaks down all the economically active youth by activity status according to their migratory status. It shows that among the youth who have changed residence, the share of individuals in formal employment is higher than among those who have never changed residence, while the contrary is true for youth in informal employment.

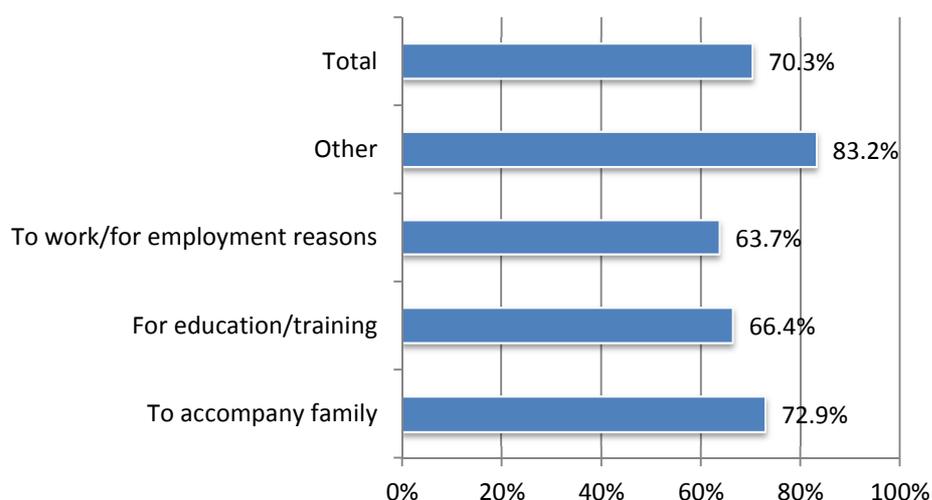
Figure 14 Economic activity status and migratory status of youth



Source: Authors' calculations using SWTS data from 17 countries (where information on migratory status exists).

Figure 15 shows that the share of informally employed migrants is highest for those who have migrated for other reasons. Of the three reasons specified in the survey, those who have moved for family reasons are the most likely to be informally employed. The figure also shows that those migrants who moved for employment reasons are those who are least likely to be informally employed, hinting that a proportion of them moved to gain formal employment. However, the difficulty of interpreting the migration variable should be stressed: migrants who declared moving for employment-related reasons include those who moved because of a job offer as well as those who moved in search of a job but who had no concrete proposal.

Figure 15 Share of informal employment among young migrants by reason for moving

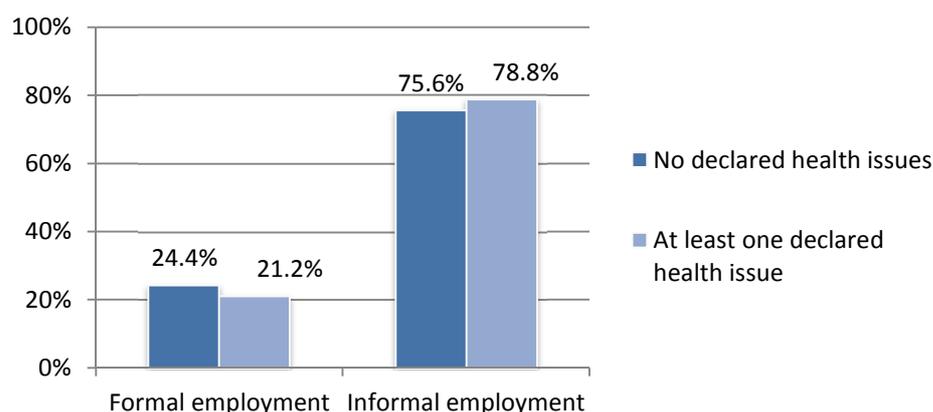


Source: Authors' calculations using SWTS data from 16 countries (where information on migration status and reason for moving exists).

4.9 Health issues or disability and youth informality

The survey data contain six questions related to health issues. Respondents indicated the degree of difficulty they had seeing, hearing, walking, concentrating, taking care of themselves and communicating in the following terms: “no difficulty”, “some difficulty”, “much difficulty” and “inability”. The answers have been converted to binary variables, with respondents experiencing either “no difficulty” or “at least some difficulty”. Results show that in the aggregate, workers who declared suffering from difficulties in any of the six dimensions are more likely to be informally employed than formally employed (figure 16).

Figure 16 Health issues of young people by formal and informal employment



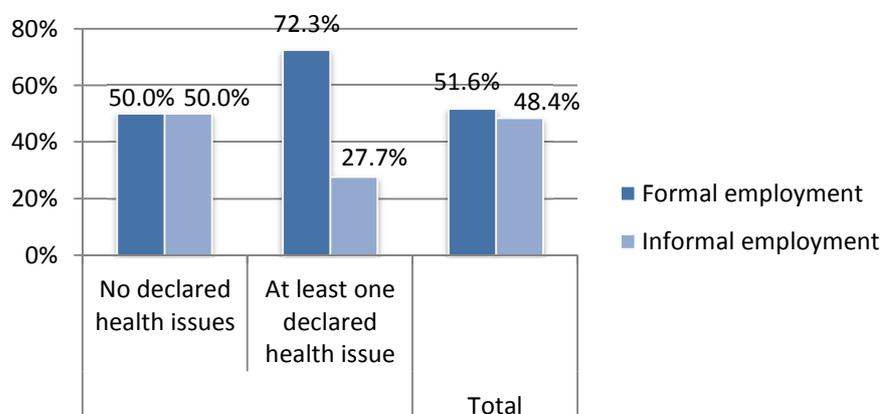
Pearson's χ^2 : 20.0320.

Source: Authors' calculations using SWTS data on employed workers from 15 countries (where information on health exists).

The aggregate results, however, hide important disparities between countries and between health dimensions. For example, in Armenia and FYR Macedonia (figure 17), workers with at least one declared health issue are more likely to be in formal employment (however, the difference is not significant at 10 per cent in the case of Armenia), possibly stemming from stronger social protection systems in the countries. Other countries, such as Brazil and Viet Nam (figure 18), show workers with health

issues are considerably more prevalent in the informal sector (the difference in both cases is significant). In a number of countries, having a declared health issue does not seem to matter for formality outcomes.

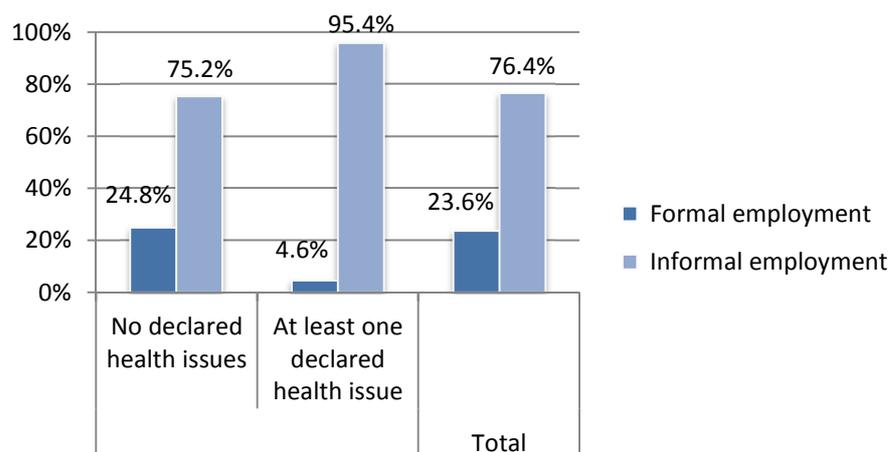
Figure 17 Health issues of young people by formal and informal employment, the former Yugoslav Republic of Macedonia



Pearson's χ^2 : 3.1668.

Source: Authors' calculation using SWTS data on employed workers in FYR Macedonia (where information on health exists).

Figure 18 Health issues of young people by formal and informal employment, Viet Nam



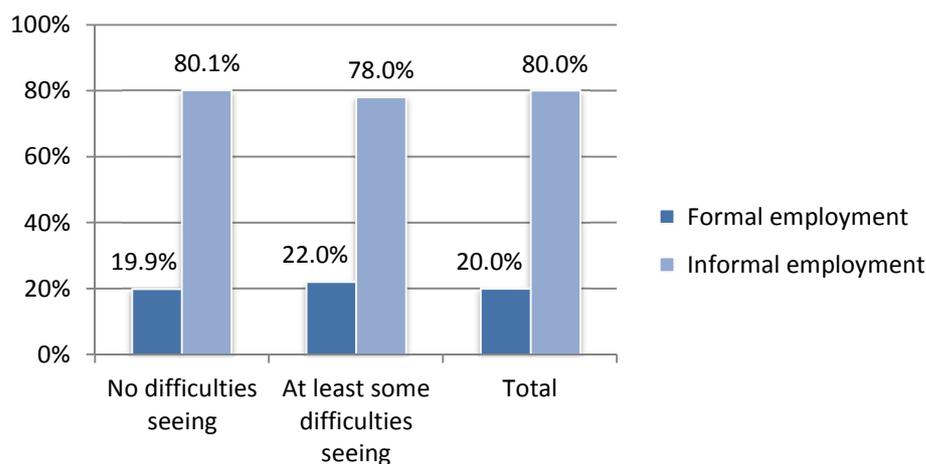
Pearson's χ^2 : 29.4017.

Source: Authors' calculation using SWTS data on employed workers in Viet Nam (where information on health exists).

As such, no significant correlation exists between workers in the informal sector and workers declaring at least one health issue in Benin, Cambodia, Egypt, Jamaica, Liberia, Malawi, Peru, the Russian Federation, Uganda or Zambia. The aggregate result thus seems to be driven mostly by a few countries including Brazil, Viet Nam, Jordan and the United Republic of Tanzania. It should be noted, however, that some of these countries are among the most populous countries in the survey, implying that if a significant link between health issues and informality exists in those countries, it concerns large numbers of workers.

It is unlikely that the same associations between health issues and employment outcomes hold in all six dimensions investigated, and this is confirmed by the data. Still, while all declared health issues are significantly associated with employment outcomes, the bias is not always the same. The case of individuals' eyesight merits particular attention. Using weighted observations, there is no significant correlation between eyesight deficiency and informal employment. However, looking at unweighted observations, it seems that workers with eyesight deficiencies are significantly more likely to be in formal employment (figure 19). The relationship between eyesight and informal employment is thus unclear, and aggregate data show no straightforward correlation between bad eyesight and informal employment.

Figure 19 Difficulties seeing by formal and informal employment, unweighted



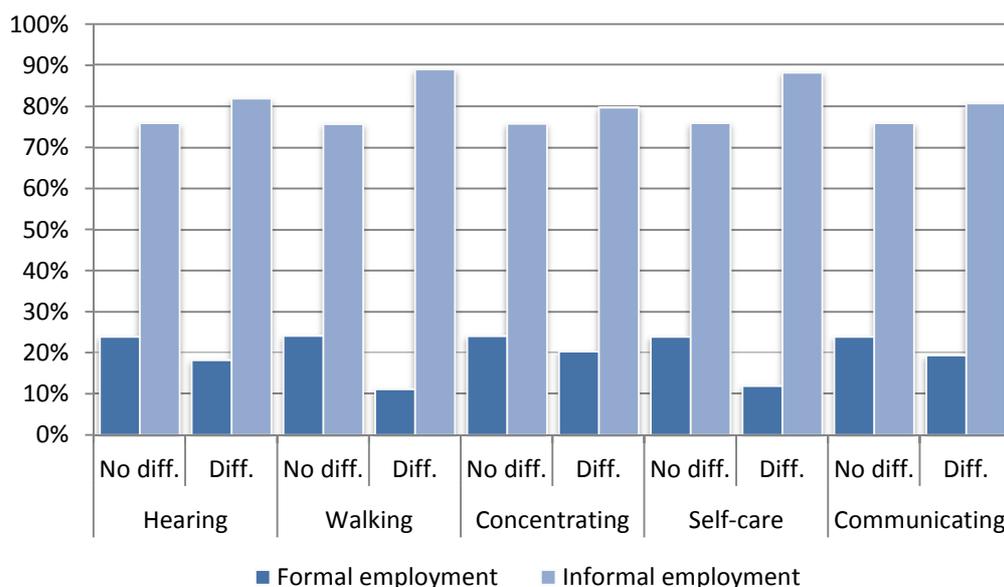
Pearson's χ^2 : 3.0757

Source: Authors' calculations using SWTS data on employed workers in 15 countries where information on seeing difficulties was available.

Workers having difficulties in the remaining five activities are more frequently informally employed. As can be seen in figure 20, the share of informally employed young workers who declared difficulties in any of the five aforementioned activities is systematically higher than the share of informally employed young workers who declared no difficulties. For each activity, the aggregate difference is significant at the 5 per cent level. The two activities most associated with informality are walking and climbing steps, and taking care of oneself. Even in those categories, however, a look at the country level confirms important disparities (some of which may be due to small sample sizes). Indeed, in FYR Macedonia, Liberia, Togo and Uganda, informal employment is not over-represented among workers having declared self-care difficulties. Similarly, in Benin, FYR Macedonia, Liberia, Togo and Uganda, no apparent correlation exists between informal workers and workers having difficulties walking or climbing steps.

A cross-tabulation displayed in table 3 shows that while unhealthy workers are on average more often informally employed than healthy workers, this does not concern all categories of informal employment (see definition used in section 3). A first glance at the table shows that healthy informal workers are more often employed in the formal sector than unhealthy ones. It also appears that unhealthy workers to a larger extent employed in the informal sector. When observations are weighted (table A6), however, they paint a slightly different picture. Own-account workers are no longer over-represented among the unhealthy. The over-representation remains, however, for employees in the informal sector.

Figure 20 Health issues of young people by formal and informal employment, five dimensions



The values of Pearson's χ^2 for single-dimension, two-way tabulations are from left to right: 22.5331, 26.3548, 40.9128, 18.5139 and 4.2256. Source: Authors' calculations using SWTS data on employed workers in 15 countries where information on health exist.

Table 3 Distribution of youth employment by detailed categorization of formal and informal employment, by health issues, unweighted (%)

Category of employment	No declared health issue	At least one declared health issue	Total
Formally employed	20.5	17.1	20.0
Informally employed, of which:			
Unpaid family workers in the formal sector	3.7	3.0	3.6
Informal employees in the formal sector	26.2	21.9	25.6
Own-account workers in the informal sector	20.3	25.2	20.9
Employers in the informal sector	1.2	1.7	1.2
Unpaid family workers in the informal sector	14.7	15.0	14.7
Employees in the informal sector	10.9	13.1	11.1
Employees in the informal sector with full benefits	0.5	0.9	0.6
Members of unregistered producers' cooperatives	1.7	1.3	1.6
Workers in other informal businesses	0.4	1.0	0.5
Total	100.0	100.0	100.0

Source: Authors' calculations using SWTS data on employed workers from 16 countries (where information on health exists).

5. What are the implications of informality?

This section looks at the socio-economic outcomes associated with informal employment among youth. The analysis starts by investigating the relationship between informality and remuneration, to answer the question of whether informality is associated with lower pay. The question of whether informal jobs are associated with lower satisfaction among employed youth is also investigated and the reasons behind this lack of satisfaction are discussed. Another dimension taken into consideration is that of access to financial services for informally employed youth. Lastly, the question of whether informality is associated with lower job quality is posed. In other words, are those who hold informal jobs also those who are underemployed (either in terms of hours of work – visible underemployment – or in terms of remuneration – hidden underemployment) or those who are in occupations that are not well-matched to their skills?

5.1 Informality and remuneration

Two indicators are used to measure income from employment. For wage and salaried employees, an hourly wage is calculated, after deductions for taxes and social security contributions. For self-employed youth (own-account workers plus employers), a measure of monthly earnings that takes into account the net profit from the main activity and the value of products used for self-consumption is applied.

Young employees and hourly wage

Table A8 compares the average hourly wages of the formally and informally wage and salaried worker (employee) broken down by broad activity sector (agriculture, industry or services). For 15 of the 16 countries analysed, the average wage of the informally employed youth is lower than that of the formally employed youth. Ukraine is the only country where the average wage is higher for the informally employed and the difference is negligible. The result for this country is mainly due to higher wages for the informally employed in the industry and services sectors. When controlled for the sector of activity, some exceptions to the general rule appear for other countries, too. In Benin, FYR Macedonia and Zambia, employees who work informally in the industry sector are on average paid more than employees who work formally in the same sector. In Samoa, Uganda and the United Republic of Tanzania, those who work in the agriculture sector are better paid when informally employed. Lastly, in Malawi, the average wage is about 9 per cent higher for those who are informally employed in the services sector, compared to the formally employed in the same sector.

Regarding the components of informal employment, for a majority of countries in table A7, the average hourly wage for jobs in the informal sector is lower than the average wage for informal jobs in the formal sector. The only exception is Brazil, where there is no pay difference between these two sub-categories.

To explore a different dimension of the data, table A9 breaks down the average hourly wages of employees according to their level of completed education. In general, employees with less education (primary or secondary level) tend to be better paid when informally employed, whereas those with more education (vocational or tertiary level) are paid less when working informally. There are of course exceptions to this rule. In Malawi, Ukraine and Zambia, paid workers with tertiary education appear to be better paid when working informally, while in Cambodia those with a vocational education are better off working informally.

To control simultaneously for several worker characteristics that could be correlated with hourly wages, OLS regressions were run on 15 countries (table A10). The dependent variable in these regressions is the log of the hourly wage. In addition to a dummy for informal employment, several other explanatory variables that capture age, the urban or rural setting, education, sex and the aggregate sector of employment were included. Not surprisingly, the results indicate that young women are paid less than young men and that the wages of workers tend to rise with age and education. Regarding the variable of interest, working informally is negatively correlated with the hourly wage. This result is statistically significant for nine out of 15 countries.

Young self-employed and monthly earnings

Having analysed the differences in pay for employees, what about the self-employed? Table A11 compares the monthly earnings of the self-employed in the formal and informal sectors, while controlling for the sector of employment (agriculture, industry or services). As expected, the self-employed operating in the informal sector, on average, earn less than those operating formally. This is true for all countries listed in the table, except for El Salvador. When comparing earnings for the same sector of employment, the results show more variation. For example, in Benin, Brazil, Jamaica, Liberia, Togo and Viet Nam, the self-employed youth working informally in the agricultural sector earn more than the self-employed youth working formally in the same sector. In Benin, Cambodia, El Salvador and the United Republic of Tanzania, the same relationship is true for the self-employed working informally in the industrial sector. Likewise, in Malawi and Togo, the self-employed in the services sector earn more in the informal sector.

Table A11 also shows how the earnings of the self-employed differ across employment statuses. In most countries, employers have higher earnings than own-account workers. However, there are exceptions to this rule, especially for sub-Saharan African countries.

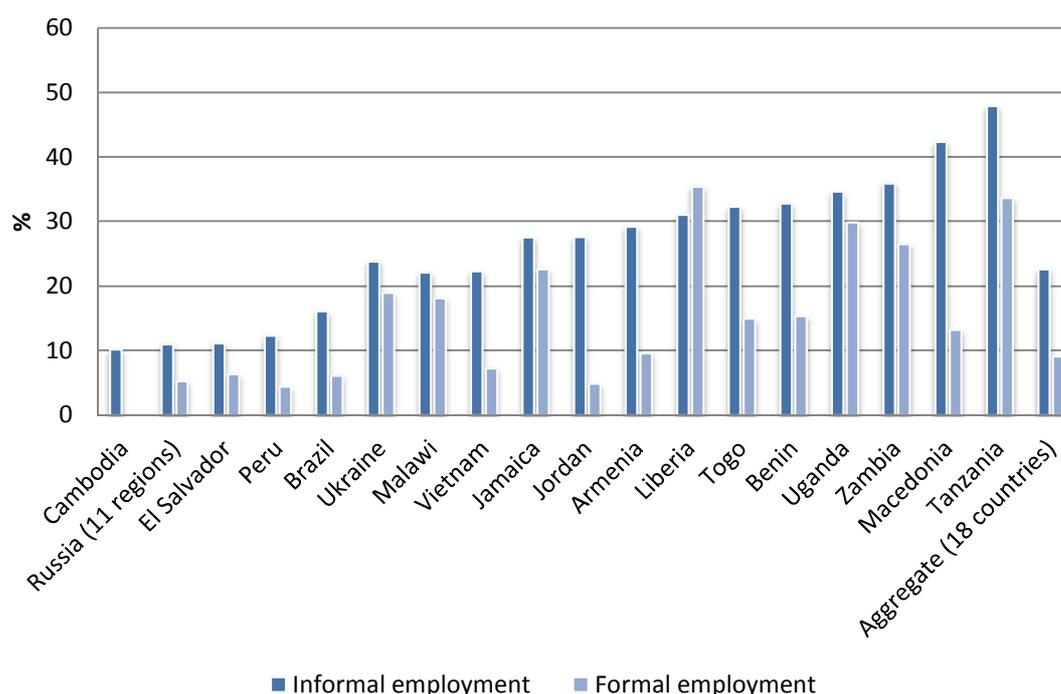
5.2 Informality and job satisfaction

The investigation of the relationship between informality and job satisfaction relies on the answers given by respondents to the survey questions on job satisfaction. Young workers are asked to identify the extent to which they are satisfied with their main job by choosing one of the following answers: “very satisfied”, “somewhat satisfied”, “somewhat unsatisfied” or “very unsatisfied”.

Table A12 shows the distribution of answers according to the employment situation (formal or informal). At the aggregate level, the informally employed youth are less satisfied with their jobs than the formally employed youth. The share of the informally employed who declare being “somewhat unsatisfied” or “very unsatisfied” with their main job is 22.6 per cent, compared to only 9.1 per cent for the formally employed. Among the informally employed, those working in the informal sector are less satisfied than those with informal jobs in the formal sector.

Figure 21 shows some country-level results. It should be noted that Liberia is the only countries where the formally employed are more dissatisfied with their jobs than the informally employed. Generally, informal young workers are the least satisfied with their jobs in sub-Saharan African countries and in the former Yugoslav Republic of Macedonia.

Figure 21 Share of young workers who are “somewhat or very unsatisfied” with their main job by formal and informal employment



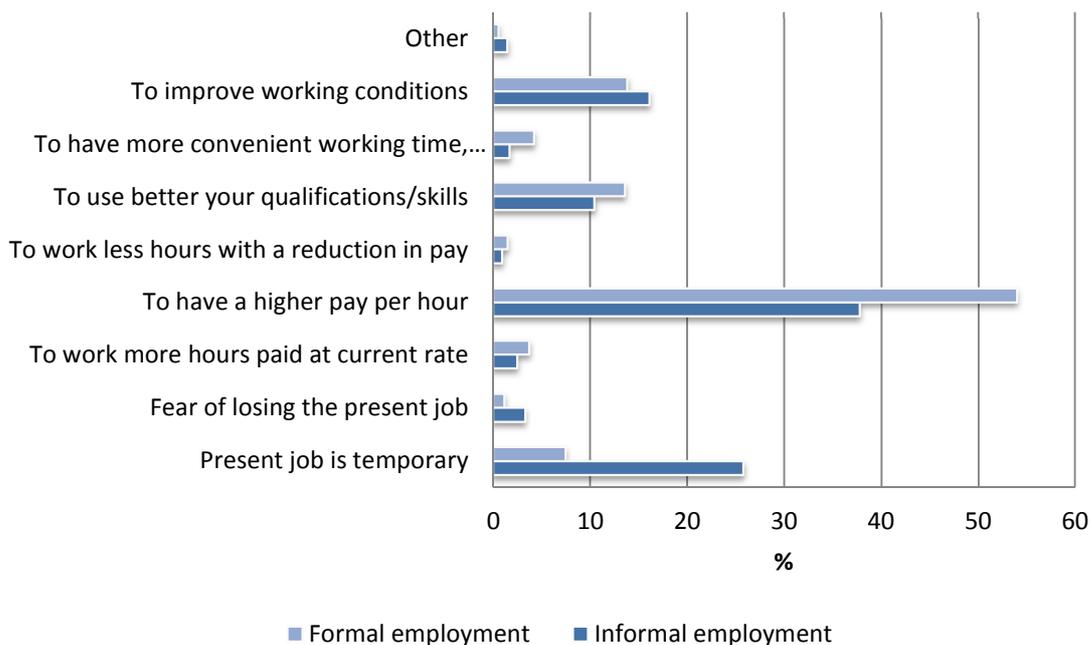
Source: Authors' calculations using SWTS data from 18 countries.

Table A13 shows the distribution of answers to the question: “Would you like to change your employment situation?” At the aggregate level, more than half of the informally employed youth stated they would like to change their employment situation. In contrast, only 28.1 per cent of the formally employed express such a desire. Among the informally employed, satisfaction with the current employment situation is lower for those working in the informal sector (56.7 per cent would like to change employment situation, compared to 46.1 per cent of those with informal jobs in the formal sector). These relationships, observed at the aggregate level, hold true for most countries, however, some exceptions exist. In Liberia, Malawi and Uganda, the share of formally employed youth who would like to change their employment situation is higher than the share of informally employed youth.

Table A14 shows the details regarding reasons given by those who would like to change their employment situation. At the aggregate level, as illustrated in figure 22, the most often cited reason given for both the formally and informally employed is: “to have a higher pay per hour”. However, reasons related to the temporary nature of the present job, the improvement of working conditions and the desire to better use qualifications and skills are most often cited by the informally employed. The formally employed mention reasons such as better use of qualifications and to improve working conditions.

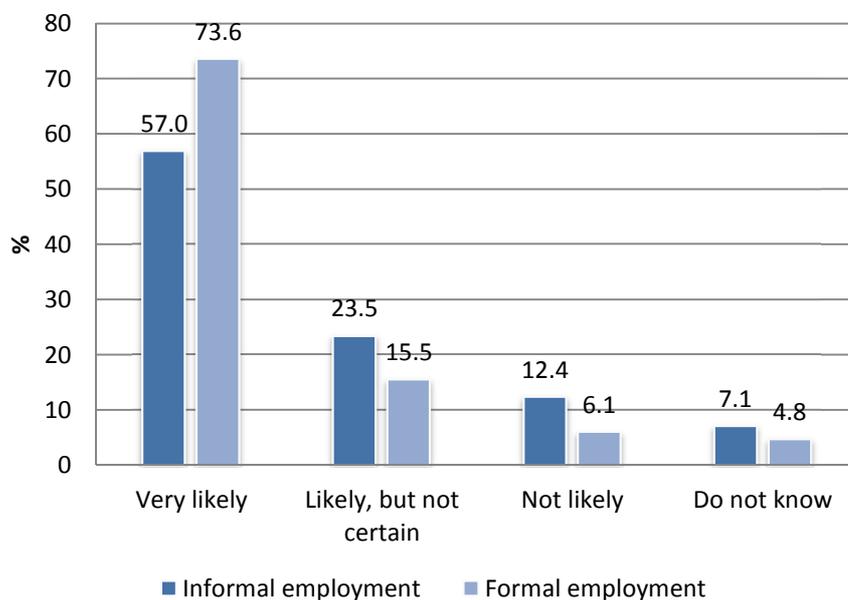
Table A15 analyses the answers given to a question that tries to measure workers' perceived job security. Young workers were asked to assess the likelihood of being able to keep their main job over the next 12 months. As illustrated in figure 23 at the aggregate level, 12.4 per cent of the informally employed thought they were “not likely” to keep their main job over the next 12 months, compared to only 6.1 per cent of the formally employed. In addition, only 57.0 per cent of the informally employed thought they were “very likely” to keep their main job, compared to 73.6 per cent of the formally employed. In other words, informally employed youth tend to perceive their jobs as less secure.

Figure 22 Reason for wanting to change employment situation by formal and informal employment



Source: Authors' calculations using SWTS data from 20 countries.

Figure 23 Perceived likelihood of being able to keep main job over the next 12 months by formal and informal employment



Source: Authors' calculations using SWTS data from 19 countries.

5.3 Informality and access to financial services

The informally employed would normally be expected to have less access to financial services provided by formal financial institutions, such as banks and insurance companies, since the informally employed do not usually represent their target customer group. Catering to the informally employed would entail higher operational costs for financial institutions and, in the case of lending services, would increase information asymmetries regarding the earnings of the potential borrower.

The findings agree with the above reasoning. Table A16 shows the main providers of financial services for informally employed, formally employed and the unemployed youth. Respondents could list several providers. At the aggregate level, the most often cited providers of financial services for the informally employed are “friends and relatives” (9.5 per cent of the informally employed declare that friends and relatives provided them with financial services). By contrast, the formally employed most often cite banks as a financial services provider. The share of the informally employed youth who declare a bank as a provider of financial services (7.6 per cent) is much smaller than the share of the formally employed (28.1 per cent). Among the informally employed, those with an informal job in the formal sector are more likely than those in the informal sector to have access to a bank.

5.4 Informality and job quality

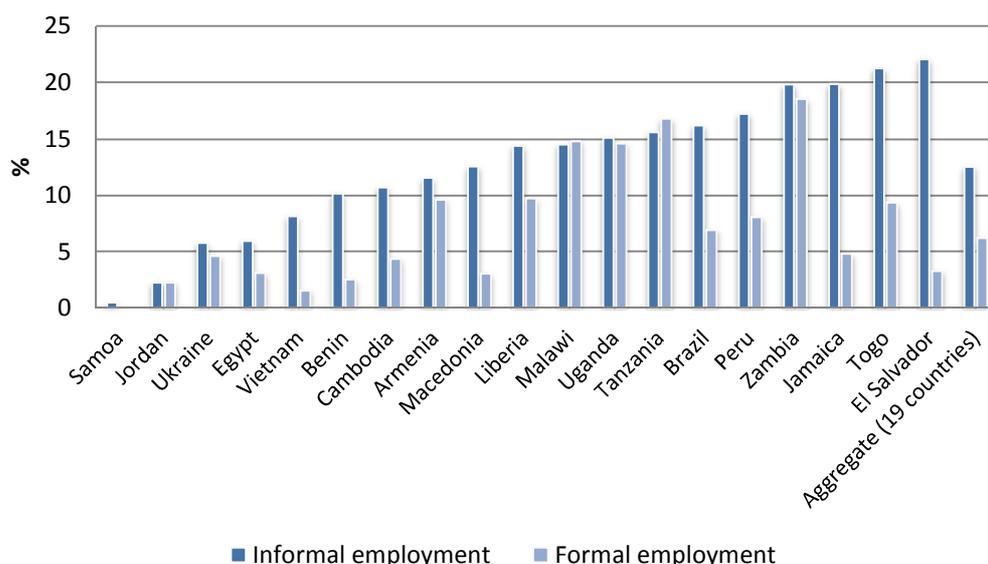
The analysis of the relationship between youth informality and underemployment begins with a look at visible underemployment (or time-related underemployment). Employed persons who during the previous week worked less than 35 hours are classified as underemployed, provided they were both willing and available to work additional hours.

Table A17 shows the rate of time-related underemployment for the formally and informally employed youth. At the aggregate level, underemployment is higher among the informally employed. The underemployed represent 12.5 per cent of the informally employed youth and only 6.2 per cent of the formally employed youth. Looking at the components of informal employment, underemployment is more widespread among those who work in the informal sector and less common among those working informally in the formal sector.

Figure 24 provides a cross-country comparison. Underemployment is higher among the formally employed in only two countries: Malawi and the United Republic of Tanzania. El Salvador (followed by Jamaica) is the country where the difference in underemployment between the formally employed and the informally employed is the highest. A regional perspective indicates that time-related underemployment is more pronounced among the informally employed in Latin America and sub-Saharan Africa, and less pronounced in Eastern Europe and the MENA region.

Having examined time-related underemployment, the analysis next uses a definition of underemployment that relies on remuneration. Income-related underemployment is considered for young workers who earn less than the average hourly wage for their age group (15–29 year-olds) in their country. Table A18 shows the young workers in income-related underemployment as a percentage of both the formally and informally employed. At the aggregate level, 78.3 per cent of the informally employed are in income-related underemployment, whereas only 69.2 per cent of the formally employed belong to this category. Therefore, even when using this alternative measure for underemployment, the main result does not change. Working informally is again associated with a higher likelihood of being underemployed.

Figure 24 Rate of time-related underemployment in youth employment by formal and informal employment



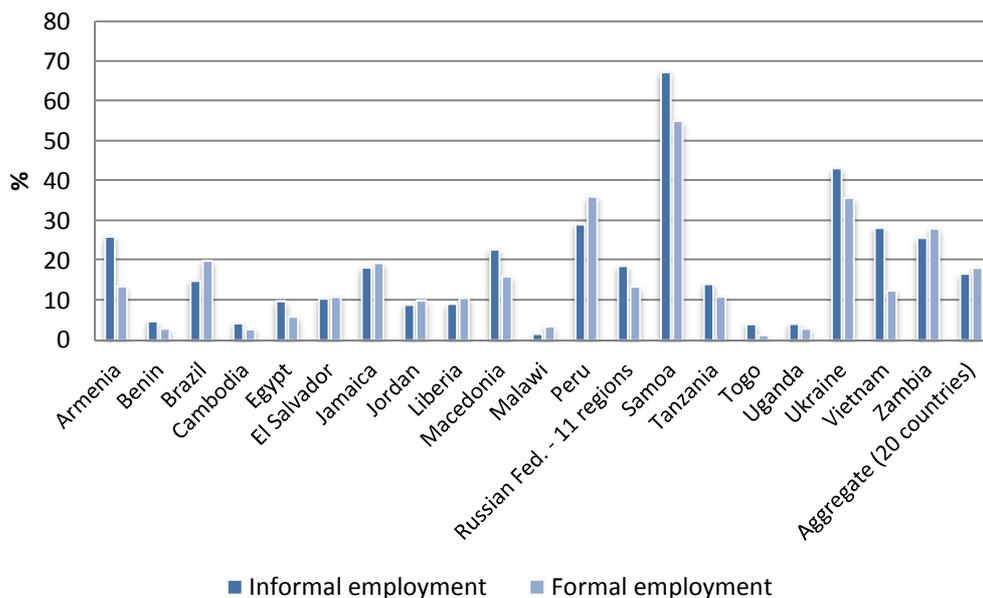
Source: Authors' calculations using SWTS data from 19 countries.

This section concludes by analysing the issue of skills mismatch. An objective measure of skills mismatch is used, which is constructed by comparing young workers' occupation to their educational attainment. Using the International Standard Classification of Occupations (ISCO), each young worker is assigned to one of four broad occupational groups. The International Standard Classification of Education (ISCED) is used to capture the level of educational attainment. Young workers in high-skilled, non-manual occupations (first-digit ISCO levels: 1–3) are considered to have a job that is well-matched to their skills if they have tertiary education (ISCED: 5–6). Workers in low-skilled non-manual occupations (ISCO: 4–5) and those in skilled manual occupations (ISCO: 6–8) are considered well-matched if they have secondary education (ISCED: 3–4). Lastly, the assumption is made that elementary occupations (ISCO: 9) are best suited to young workers with primary education (ISCED: 1–2). Workers in occupations that are best suited to a lower (higher) education level than that which they hold are considered overeducated (undereducated).

Table A18 shows the percentage of overeducated and undereducated youth according to their employment situation (formal or informal). At the aggregate level, overeducation is more widespread among the formally employed (18.0 per cent are overeducated), whereas undereducation is more common among the informally employed youth (33.8 per cent are undereducated). Overall, only 49.7 per cent of the informally employed have a job that is well-matched to their skills, compared to 61.0 per cent for the formally employed.

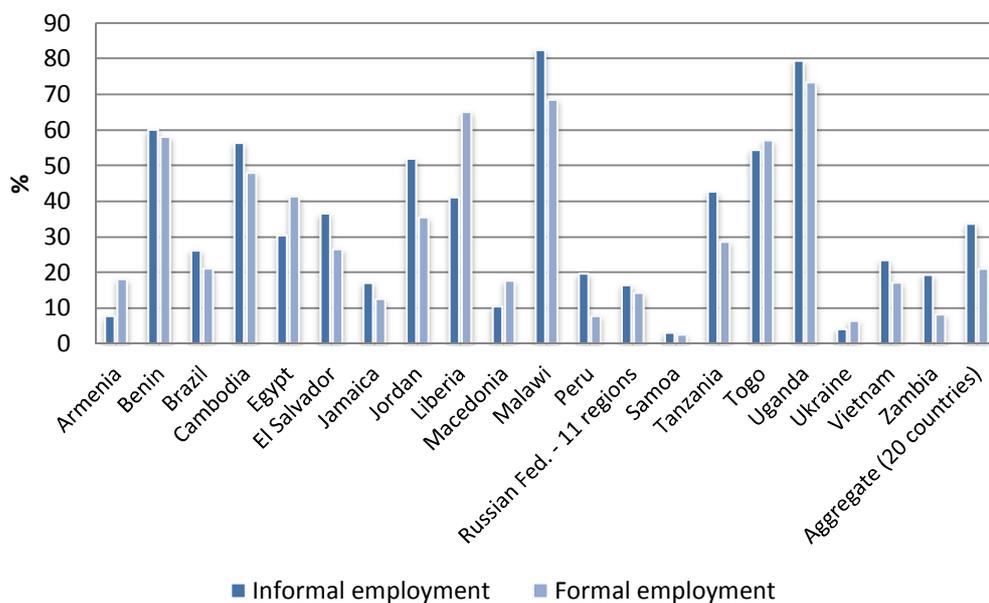
It should be noted that the result regarding overeducation discussed above hides much of the variation at the country level (figure 25). Thus, for 13 out of the 20 countries analysed, the share of overeducated workers is higher among the informally employed. The result observed at the aggregate level for undereducation shows less variation at the country level. Undereducation is more widespread among the formally employed in only five countries: Armenia, Egypt, FYR Macedonia, Togo and Ukraine (figure 26).

Figure 25 Share of overeducated young workers by formal and informal employment



Note: Young workers currently in school are excluded.
 Source: Authors' calculations using SWTS data from 20 countries.

Figure 26 Share of undereducated young workers by formal and informal employment



Note: Young workers currently in school are excluded.
 Source: Authors' calculations using SWTS data from 20 countries.

Regarding the components of informal employment, table A18 shows that, at the aggregate level, overeducation is more common among those with an informal job in the formal sector, while undereducation is more widespread among those employed in the informal sector. Overall, those with an informal job in the formal sector are more likely to have a job that is well-matched to their skills than young workers in the informal sector.

6. Escaping informality

This section considers the dynamics of labour markets with respect to informality. What do youth transition paths look like? How are the conditions of youth today impacted by experiences of the past? A first point of interest revisits the debate on labour market segmentation by looking at returns to experience and education.

Two of the key requirements of the traditional Mincerian wage-curve specification are education and experience. Education, through productivity increases, signals wage premiums that rationalize human capital accumulation at the individual level. Experience is also linked to higher wages by increasing productivity through on-the-job training, learning by doing, search costs and other mechanisms. The first question is whether the same factors determine wages in the informal and formal segments of the labour market. To address this issue, a multivariate regression on income on two different samples, the formally and the informally employed, was carried out.

Table 4 Regression results of Mincerian wage estimations in the informal and formal segments of youth wage and salaried employment

Log (Net wage)	(1) Informal	(2) Formal	(3) Informal	(4) Formal
Age	0.0968**	0.114	0.108**	0.0544
Age ²	-0.00149	-0.00174	-0.00166	-0.000698
Male	0.242***	0.196***	0.253***	0.216***
Experience at present job			-0.000287	0.00511***
Experience at present job squared			0.00	-0.00004***
Primary education	0.0769	0.111	0.166***	0.236
Secondary education	0.259***	0.232**	0.337***	0.457*
Vocational education	0.346***	0.293**	0.470***	0.539**
Tertiary education	0.607***	0.611***	0.755***	0.864***
Country dummies	Yes	Yes	Yes	Yes
Constant	4.049***	3.859***	3.780***	4.316***
Observations	6 085	3 312	4 730	2 511
R-squared	0.867	0.835	0.89	0.874

*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' calculations using SWTS data from 19 countries where wages were available.

The results in table 4 indicate that informal and formal wage earners seem to share many wage determinants. In both sectors, education generates a higher income, except at the primary level where the coefficient is only significant for informal workers once experience at the current job is taken into account. Interestingly, experience at the current job is highly significant for formal workers (column 4), but insignificant for informal workers (column 3). At the same time, age seems to be valued in informal employment only. This might suggest that while specific cognitive skills are demanded in formal employment, general experience (as proxied by age and education level) seems to be sufficient for the informal sector.

6.1 Unemployment history and informal employment

The SWTS survey does not identify past spells of informal employment directly. However, it gives each individual's history since leaving school (or first labour market entry for those with no schooling), laying out periods of activity and inactivity in the labour market. These past spells of activity make it possible to classify individuals as either transited, in transition or not having started their transition, defined according to the recommended ILO framework (Elder, 2009; ILO, 2013b). Transited individuals encompass those who belong to the following categories: employees in stable and satisfactory jobs, employees in stable and non-satisfactory jobs, employees in temporary and satisfactory jobs, and self-employed workers who expressed satisfaction with their work. The concept of transition thus captures two dimensions in the individuals' interaction with the labour market: satisfaction and stability of the contract.

Symmetrically, youth in transition are comprised of the following sub-categories: the unemployed,⁶ employees in temporary and non-satisfactory jobs, self-employed workers who expressed dissatisfaction, and inactive non-students with future work aspirations. The third category, those who have yet to start their transition, is made up of inactive students and inactive non-students with no desire to work. It should be noted that in some contexts, where social benefits are scarce, unemployment might in some cases be a sort of "luxury" only available to those who have the resources to wait for alternative job prospects rather than accepting petty jobs.⁷ This might relativize some of the following results.

In this section the dynamics of youth employment are explored. In particular, what in an individual's past might explain why the person ends up in informal employment? Section 5 showed a number of characteristics associated with formal employment. These will now be completed with individuals' employment backgrounds, to understand whether the "choices" made along the labour market path of an individual orient future outcomes. Therefore a probit regression on the probability of working in the informal sector was run. In addition to socio-demographic characteristics, this investigation looked at the impact of the length of transition, whether this transition is achieved or not, and whether the individual has had unemployment spells in the past.

Table 5 shows a probit estimation of the probability of being informally employed for all non-students. It confirms the idea from section 4 that education is a way out of informality. But the interesting coefficient is unemployment length. The marginal effect of the length of unemployment, expressed in months, is equal to 0.005. An additional month of unemployment in the activity history of an individual whose activity history contains exactly the average number of months of unemployment is thus associated with a 0.5 percentage point increase in the probability of being informally employed. When the regression is run country by country for ten countries, the coefficient of the length of unemployment variable remains significant at the 1 per cent level in seven out of the ten. In remaining countries, the coefficients are not significant but have the expected sign.

⁶ Based on the broad definition, which includes persons without work and available to take up work regardless whether or not they undertook an active job search.

⁷ To a certain degree, the use of the broad (relaxed) definition of unemployment dilutes the unemployment-high income linkages with the acknowledgement that work spells are often sporadic for the poor who oftentimes wait for seasonal work or for word-of-mouth opportunities to pose themselves through local networks (rather than undertaking an active job search).

Table 5 Probability of being informally employed

Prob (informal employment)	Coefficients	Standard error
Age	0.225***	(0.0373)
Age ²	-0.00428***	(0.000805)
Male	0.391***	(0.0215)
Primary education	-0.0421	(0.0576)
Secondary education	-0.218***	(0.0560)
Vocational education	-0.156***	(0.0599)
Tertiary education	-0.323***	(0.0639)
Length of unemployment	0.0140***	(0.00111)
Country fixed effects	Yes	
Constant	-3.702***	(0.430)
Observations	15 441	

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' calculations using SWTS data from 11 countries.

Table 6 Probability of being informally employed, alternative specifications

Prob (Informal employment)	(1)		(2)		(3) In transition	
	Coefficients	SE	Coefficients	SE	Coefficients	SE
Age	0.221***	(0.0373)	0.220***	(0.0377)	0.0317	(0.0639)
Age ²	-0.00422***	(0.000805)	-0.00420***	(0.000812)	-0.000299	(0.0014)
Male	0.389***	(0.0216)	0.389***	(0.0216)	0.818***	(0.0413)
Primary education	-0.0399	(0.0575)	-0.0424	(0.0586)	-0.471***	(0.0655)
Secondary education	-0.223***	(0.056)	-0.225***	(0.0564)	-0.687***	(0.0715)
Vocational education	-0.163***	(0.0599)	-0.164***	(0.0602)	-0.487***	(0.105)
Tertiary education	-0.326***	(0.0639)	-0.326***	(0.0639)	-1.036***	(0.0963)
Length of unemployment	0.0115***	(0.00123)	0.0116***	(0.00126)		
No. of unemployment spells	0.120***	(0.0269)	0.120***	(0.0269)	0.134***	(0.0517)
Share of unemployment in experience			-0.0101	(0.0464)		
Length in transition					0.00137***	(0.000409)
Country fixed effects	Yes		Yes		Yes	
Constant	-3.671***	(0.43)	-3.643***		-2.038***	(0.718)
Observations	15 441		15 441		6 662	

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' calculations using SWTS data from 11 countries.

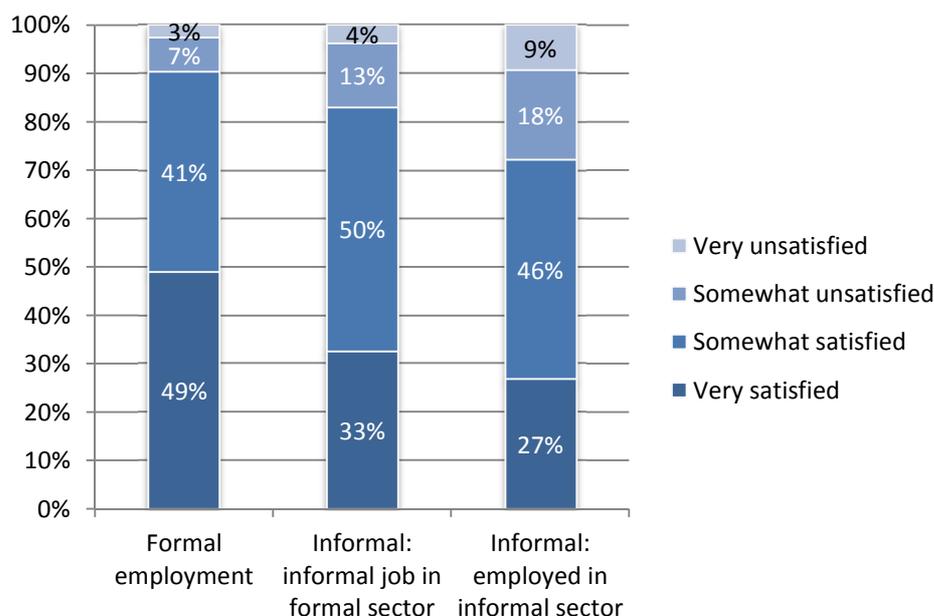
Table 6 shows some alternative specifications. In the first column, the number of unemployment spells is added and turns out to be significantly correlated with informal employment. Column 2 adds the share of unemployment in total experience (total experience being time passed since the individual left school), but the coefficient is insignificant. One might suspect multicollinearity to operate among the age, education

and unemployment-related variables. Column 3 only looks at those individuals who are still in transition, i.e. who are either unemployed (broad definition), in a temporary and non-satisfactory job, self-employed and expressed dissatisfaction, or inactive non-students with work aspirations. The length in transition, the time since the individual's first activity, is added and is significant. The evidence points to an influence of unemployment history on the probability of being informally employed. As such, informal employment seems to be, at least for some people, a way out of unemployment. This supports the idea of the informal sector as an absorbent of excess formal labour.

6.2 Job satisfaction and labour market history

Another point of interest is the subjective appreciation of youth vis-à-vis their current labour market status, particularly in relation to past labour market outcomes. How is failure to stable job viewed among youth? In general, does informal employment imply less job satisfaction? Clearly, from the previous section's results and from those shown in figure 27, young workers in informal employment report lower job satisfaction than workers in formal employment. Similarly, among the informally employed, those who work informally within the formal sector report higher job satisfaction than their colleagues in the informal sector.

Figure 27 Job satisfaction of young workers by informal and formal employment



Source: Authors' calculations using SWTS data from 16 countries.

Is informality a cause of job dissatisfaction? The findings of Razafindrakoto, Roubaud and Wachsberger (2012) in the case of Viet Nam suggest so (although no credible instrument was found to treat causality). In this report, the question is whether there is a satisfaction premium from being formally employed. Suggesting that satisfaction is a relative concept, both spatially and temporally, career paths are introduced into the estimation as explanatory variables. Controlling for labour market backgrounds can be motivated for several reasons: it could be suggested that employed workers with less favourable labour market experiences will lower their expectations and be relatively more satisfied at a given job than workers with smooth school-to-work transitions. At the same time, a past unemployment spell may also have pushed an individual into an unattractive job generating less satisfaction. Furthermore, endogeneity is likely to be an issue if an individual's satisfaction is correlated to past satisfaction and this satisfaction influenced the individual's past labour market trajectory. Controlling for

such endogeneity, however, goes beyond the scope of this report. In an attempt to study the factors determining job satisfaction, an ordered probit regression on job satisfaction was run. The results are shown in table 7.

Table 7 Ordered probit on job satisfaction among young workers

	All young workers			Transited youth	
Age	0.0163***	0.0149***	0.0162***	0.0133**	0.0148***
Male	0.0150	0.00535	-0.0101	-0.0231	-0.0483*
Primary education	0.0915***	0.0574	0.102**	0.246**	0.0246
Secondary education	0.138***	0.0416	0.241***	0.107	0.0469
Vocational education	0.267***	0.154***	0.361***	0.219**	0.0989
Tertiary education	0.322***	0.147***	0.441***	0.342***	0.147**
Informally employed	-0.422***	-0.388***	-0.420***	-0.387***	-0.453***
Experience in current workplace			0.000821***	-0.000112	
Share of unemployment in experience				0.113	
No. of spells of unemployment	-0.0514***	-0.0547**	-0.0378	-0.0764**	-0.0350
No. of spells of self-employment	0.0157	0.0306	0.0315	-0.0371	
Household income:					
Fairly well off		-0.182***			-0.168**
Around national average		-0.443***			-0.358***
Fairly poor		-0.781***			-0.664***
Poor		-0.802***			-0.605***
Length of transition					-0.000813*
Country dummies	Yes	Yes	Yes	Yes	Yes
Cut #1: Constant	-1.146***	-1.816***	-1.055***	-1.130***	-2.297***
Cut #2: Constant	-0.415***	-1.058***	-0.300***	-0.424**	-1.607***
Cut #3: Constant	0.926***	0.338***	1.100***	0.939***	0.259*
Observations	15 501	14 252	12 455	4 285	9 088

*** p<0.01, ** p<0.05, * p<0.1

Authors' calculations based on SWTS data from 13 countries.

Some fairly salient features emerge from the regressions. Firstly, it seems that relatively older (young) workers are more satisfied with their employment situation. The coefficient is significant and stable across multiple specifications, and reverse causality is not an issue (though endogeneity might still be present due to missing variables). Secondly, educated young workers are on average more satisfied with their jobs, although the effect becomes less significant once household income is introduced. Still, there is a significant impact of tertiary education on job satisfaction. Not surprisingly, household income is also linked to satisfaction (the reference is “well off”). The richer a household is declared, the more satisfied its members are with their employment situations. There is a potential issue of multicollinearity among the educational status variables and the household income dummies, which might explain why the impact of education is less important once household income is introduced. A cross-tabulation of these variables shows that better-educated individuals indeed come from richer households.

Looking at past employment history, the number of unemployment spells appears to be negatively linked to satisfaction, a somewhat surprising finding. It would seem as if

individuals with unemployment histories are less satisfied with their employment situation. “Settling” might explain this; a young person with numerous experiences of unemployment might be more inclined to take any job, even low-paid and poor quality, on the basis that “some work is better than no work”. Alternatively, one might consider that those with numerous unemployment spells are those with higher expectations regarding the type of job they desire, which could imply they are less easily satisfied with work deemed to be below their standards. The length of transition for transited workers, the coefficient reported in column 5, is also negatively associated with satisfaction. These two facts suggest past-dependent labour market trajectories, at least in terms of satisfaction. It seems more likely that workers with several unemployment spells or long transition periods might at some point have “given up” and accepted jobs not entirely to their satisfaction.

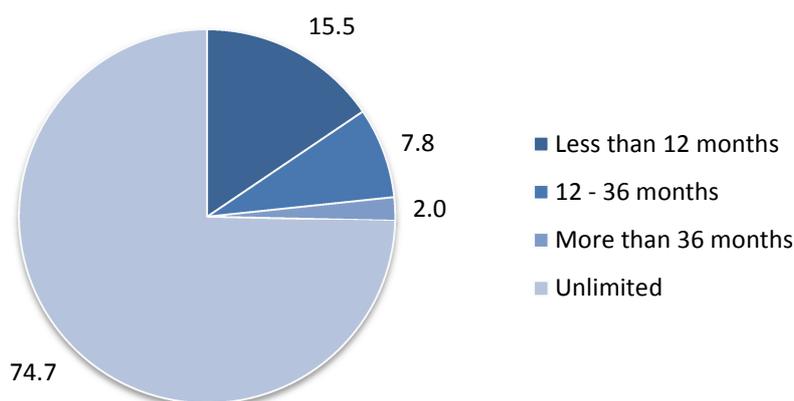
The previous results are reinforced when the impact of informality is considered. Being informally employed is significantly associated with less satisfaction in all specifications. The previous sub-section looked at the determinants of informal employment and found that labour market experience influences the likelihood of being informally employed. Labour market trajectories may thus be influencing job satisfaction in at least two ways: indirectly, through an impact on the probability of being informally employed, and directly, by pushing those in transition to accept relatively less satisfying, but stable jobs. This analysis is limited by the fact that many transited young people are in satisfactory temporary or self-employment, rather than in stable wage employment. To find out if this is driving the results, the regression was rerun twice, using two sub-sections of transited youth: youth in wage employment and youth in satisfactory temporary or self-employment. In both cases, the coefficients remained negative and significant.

6.3 Who are the successful youth? The keys to a successful transition

As stated previously, the details provided on young people’s past labour market experiences enable them to be classified as transited or in transition, and to calculate the length of this transition according to ILO guidelines. The ingredients of a successful transition are of key interest to policy-makers. The previous sub-section on job satisfaction showed that satisfaction is positively associated with age, education and formal employment. Since satisfaction is one of the criteria used to define transited individuals, the same determinants are likely to be positively associated with having achieved a successful transition. Thus, in addition to satisfaction, job stability is also examined in this section. Stable jobs are defined as jobs with contracts (oral or written) of unlimited duration or with duration of at least 12 months. Jobs with contracts of less than 12 months are defined as temporary. It is important to note that the stability of the job can only be applied to the category of young workers who have an employment contract, i.e. wage or salaried workers (employees). This refers to approximately 62 per cent of the working youth population of the 19 countries.

As figure 28 shows, most of the wage or salaried youth in the countries covered by the survey have contractual arrangements of unlimited duration. Only some 15.5 per cent are in temporary jobs. Out of those 15.5 per cent, more than 80 per cent declare at least some satisfaction with their job. A majority of youth in transition are unemployed (relaxed definition); at the aggregate level, this category accounted for over 50 per cent of workers in transition. A successful transition is thus largely a matter of finding employment – a stable and satisfactory one indeed, but, first and foremost, employment.

Figure 28 Contractual duration of wage or salaried youth (%)



Source: Authors' calculations using SWTS data from 19 countries.

Table 8 Probit regression on the probability of being transited

Prob (Transited)	(1)	(2)	(3)
Age	0.0489***	0.0501***	0.0515***
Male	0.590***	0.543***	0.527***
Primary education	0.0395	0.148***	-0.012
Secondary education	-0.0954***	0.137***	-0.0874**
Vocational education	0.0173	0.256***	0.0435
Tertiary education	0.108***	0.484***	0.316***
Children	-0.205***		
Head of household	0.266***	0.252***	0.322***
No. of spells of self-employment	0.102***	0.106***	0.138***
No. of intermediary spells	-0.0413***	-0.0340***	-0.0133
No. of unemployment spells	0.320***	0.329***	0.288***
No. of temporary spells		-0.0671***	-0.0441*
Migration history	0.00202	-0.0225	-0.0119
Female x children		-0.290***	-0.340***
Male x children		-0.142***	-0.208***
Eastern Europe			0.123***
Africa			0.316***
Latin America			0.367***
South-East Asia			1.250***
Middle East			0.217***
Country dummies	Yes	Yes	No
Constant	-1.609***	-1.885***	-1.556***
Observations	23 802	19 383	19 383

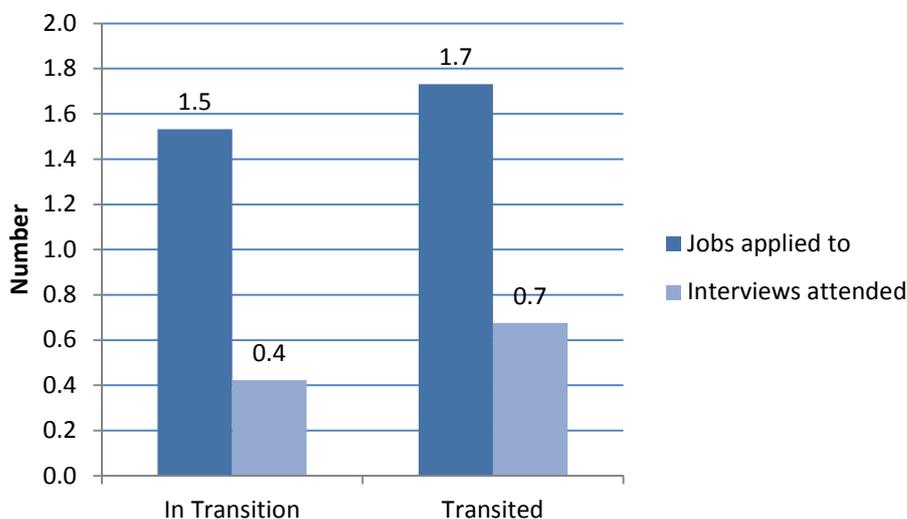
*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' calculations based on SWTS data from 13 countries.

Table 8 on the probability of being transited shows how a number of individual characteristics affect the probability of having achieved transition into a stable and/or satisfactory job. Not surprisingly, and since they have had more time to find a suitable job, older individuals have a higher probability of having transited. Furthermore, the three specifications in the table all show a significant male premium on the probability of being transited. The marginal effect is rather substantial (between 0.185 and 0.209, see table A20) and suggestive of labour market barriers against young women. Heads of households are more often transited than household members of other status, but a reversed causality is likely to interfere with this result. Concerning education, those who are tertiary educated are more likely to be in stable and/or satisfactory job. Secondary education is negatively associated with transition in columns 1 and 3, but the sign is inverted in column 2. Evidence suggests that the role played by levels of education is conditional on the average education level of the country considered. Having a secondary education means being well-educated in sub-Saharan Africa, while it is synonymous with relatively poor education in Eastern Europe. The volatility of the coefficient most likely reflects this fact.

Interestingly, the number of unemployment spells in the past is positively related to successful transition, while past spells of temporary employment are negatively correlated with the probability of having achieved transition. A possible explanation could be that of queuing; those who are able to reject precarious employment opportunities such as temporary employment will do so, preferring to wait and spend time pursuing more satisfying opportunities. Figure 29 shows some evidence in favour of this hypothesis. It shows the number of jobs applied to and the number of interviews attended by transition category. Transited youth applied to slightly more jobs and went to more interviews than those still in transition.⁸

Figure 29 Number of job searches and interviews, transited versus in transition youth



Note: Only employed youth answer these questions. Therefore, only the sub-categories of dissatisfied employed youth in the “in transition” category are considered here (unemployed and inactive youth are excluded).

Source: Authors’ calculation using SWTS data from 19 countries.

⁸ It should be noted that only employed youth answer these questions. Therefore, only the sub-categories of dissatisfied employed youth in the “in transition” category are considered here (unemployed and inactive youth are excluded).

In table A21 the above regression is run for two sub-categories of transited youth: those in stable employment, and those in satisfactory temporary or self-employment. The correlations uncovered are similar: age, being a male and being a head of household are still positively correlated with being transited. However, it appears that having children is no longer associated with transition in the case of transited youth in satisfactory temporary or self-employment. Furthermore, in the case of stable employment, the positive correlations between education and transition from table 8 are reinforced, and the marginal effects are higher (table A22). At the same time, there is a negative relationship between relatively higher educational attainment and the probability of being transited for satisfactory temporary or self-employment, suggesting that highly-educated individuals aim for stable employment and will not remain satisfied in temporary or self-employment. The mechanisms involved are, however, likely to be country specific, since the composition of transited youth varies considerably across countries (table A23).

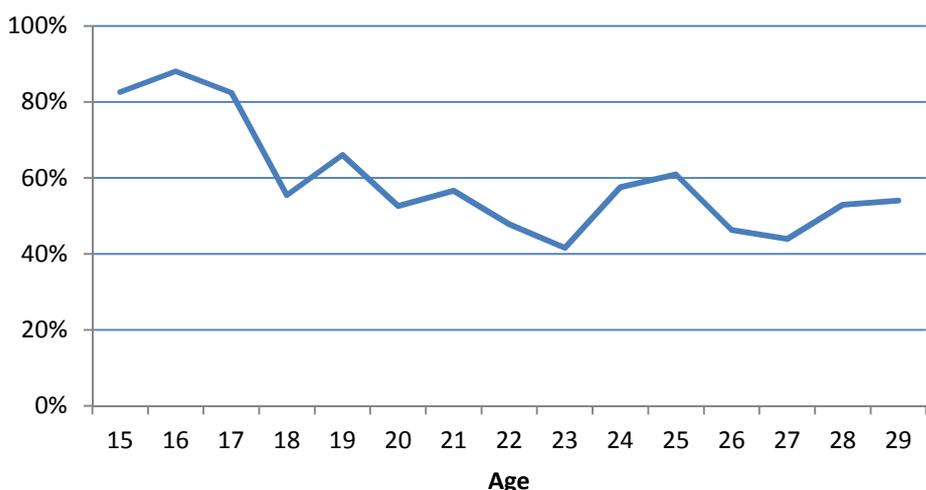
Data show that the percentage of employed versus unemployed who have refused a job offer is almost identical. However, when the employed are broken down by transitional categories, the difference is substantial. Twenty-one per cent of transited youth have refused a job offer, while only 11 per cent of the employed in transition have ever done so (figure A4). Of the unemployed, 18 per cent have turned down a job offer at least once.

Finally, having children is associated with a lower probability of being transited. This is most likely due to an increasingly constrained budget, coupled with the need to take care of the children (which, as has been suggested in the literature, might induce informal employment through a need for flexibility and home employment). Distinguishing the effect of children on young men versus young women, results confirm that the effect is stronger for women. The likeliness of being transited is lower when a woman has children compared to when a man has children. In addition, the probability of transition decreases in the number of spells of temporary employment. Having accepted to work in precarious conditions in the past thus has a negative effect on the probability of being transited, at least when considering transition into stable employment.

6.4 The impact of exclusion on aspirations and well-being

The previous section has dealt with transitions and informality of all non-student youth. In this sub-section, the focus is on excluded workers, to appreciate how aspirations are formed and impacted by individual labour market experiences. In particular, the situation of discouraged workers is examined. Discouraged workers comprise those individuals “who expressed a desire to work, but did not seek work for reasons implying that s/he felt that undertaking a job search would be a futile effort” (Elder, 2009). In the aggregate, 57 per cent of discouraged young workers declare that an inability to find work has affected how they feel about themselves. Considering future employment prospects, there is relative optimism: 63 per cent of the discouraged youth feel mostly positive about their future prospects for employment (figure 30 shows the results by age).

Figure 30 Percentage of non-student discouraged youth who feel positive about their employment prospects, by age



Source: Authors' calculation using SWTS data from 19 countries.

Table 9 attempts to show which factors influence the probability of entering the category of discouraged youth, that is, not believing that a job search is likely to result in a positive outcome. From the results, it seems that discouragement has no age, gender and educational roots. The strongest factor that plays into the equation is having children. This may result from the financial and moral responsibility that comes with parenthood. A young child (since survey respondents are 29 years old or younger, their children are invariably young) cannot be expected to provide for itself. The potential exists for increased peer pressure on parents to succeed in the labour market, or a wish to set a good example for the children. Thus, there would be less room for discouragement.

Another variable significantly correlated with the probability of being a discouraged youth is a history of migration (despite the fact that the migratory variable only denotes having previously lived in a different area). Numerous causes can be advanced to explain why migrants might be less likely to be discouraged, all of which are conditional on knowing exactly what type of migration the variables capture. For instance, if those having lived somewhere else previously are mostly made up of young people leaving their families to search for work in cities, the negative correlation between migratory status and propensity for discouragement might be the result of an unwillingness to return home and be seen as a “failure”.

While the number of spells of unemployment, temporary employment or activities in general does not significantly influence the probability of being discouraged, the number of self-employment spells does. Interpretation is again difficult. A hypothesis is that past difficult self-employment experiences may incentivize financially constrained youth to actively look for jobs, knowing that their fall-back option is undesirable.

Table 9 Probit regression on the probability of being a discouraged youth

Prob (Discouraged)	(1)	(2)	(3)
Age	0.0014	0.00282	
Male	-0.0359	-0.0197	
Household financial situation:			
Fairly well off	-0.144	-0.248*	-0.237*
Around the national average	-0.187*	-0.247**	-0.242**
Fairly poor	-0.114	-0.159	-0.155
Poor	0.0431	0.034	0.0369
Primary education	0.0813	0.0802	-0.0428
Secondary education	0.0609	0.0688	-0.0616
Vocational education	-0.0472	-0.00209	-0.127
Tertiary education	0.0554	0.125	0.00403
Children	-0.305***	-0.309***	-0.316***
Head of household	0.104	-0.0592	-0.0498
No. of spells of self-employment	-0.234**	-0.296*	-0.424**
No. of intermediary spells			
No. of unemployment spells	-0.0247	0.0284	0.0346
No. of temporary spells	0.0213	0.00682	0.0025
Migration history	-0.125**	-0.186**	-0.184**
Father's education:			
Primary education		0.0174	-0.00762
Secondary education		0.135	0.131
Vocational education		0.121	0.117
Tertiary education		-0.127	-0.172
Time since left school			0.00182
Country dummies	Yes	Yes	
Constant	-1.778***	-1.779***	-1.585***
Observations	7 412	5 123	4 847

*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' calculations using SWTS data from Armenia, Cambodia, El Salvador, Jamaica, Jordan, Liberia, Peru, Uganda, Ukraine and Zambia.

7. Conclusions and policy relevance

7.1 Summary of new evidence on youth informality from the SWTS

This report has attempted to reveal some salient features of the informally employed youth emerging from the SWTS survey designed and implemented by the ILO in cooperation with country partners. In particular, it has attempted to describe the labour markets of 20 developing or transition countries with respect to informal employment among the youth population (aged 15-29).

Section 4 showed through descriptive statistics the “risk” of being informally employed, and found this risk to be higher for women than for men, and higher for single than for married youth. Furthermore, it showed that the share of informal workers decreases with age, but not once education groups are isolated, which suggests that age acts partially as a proxy for an individual’s education level. It was also found that parental education is negatively related to informality; that is, the more educated the parents are, the smaller the risk of the youth becoming informally employed. Part of this effect, however, disappeared once the educational attainment of the individual was taken into account. Non-migrants youth and those with at least one declared health issue (except difficulties seeing) were also found to be more prone to informal employment.

Section 5 concerned the consequences of informality. It showed in particular that informality seems to be associated with lower pay. There is thus, on the aggregate, a negative wage premium of being informally employed. This is true both for young wage earners and self-employed youth although, when results are broken down by sector of activity for the self-employed, positive informality premiums sometimes appear. Concerning job satisfaction, the informally employed are less satisfied with their jobs in all countries except Liberia. In general, job satisfaction is low in sub-Saharan Africa and relatively high in Latin America. An alternative measure of job satisfaction was proposed; data showed that the informally employed more often desire to change jobs, the main reason evoked being to earn a higher income. Underemployment (both time-related and pecuniary-based) as well as skills mismatch also hit the informally employed harder than the formally employed.

Section 6 of the report started by implementing Mincerian wage regressions on the formally and informally employed respectively, thus touching on the debate of labour segmentation. While most wage determinants were shared by the formally and informally employed youth, it seems that experience in a current job is less rewarded in the informal sector, suggesting that task-specific knowledge plays a lesser role in this segment. The remainder of the section addressed the issue of past-dependency, showing correlations between the total length and number of unemployment spells and the probability of being informal, coherent with the idea of the informal sector as a way out of unemployment. Past unemployment was also shown to negatively impact job satisfaction, directly and through its impact on job status.

Looking at the determinants of a successful transition, young males are shown to have a higher probability of being successfully transited. Furthermore, and perhaps more surprisingly, a history of unemployment is positively related to the probability of being in a stable and/or satisfactory job. Queuing is a possible explanation for this finding. Finally, regarding discouraged youth, no evidence was found of correlations between age, gender or education on discouragement. Having children or a history of migration, however, reduces the probability of being discouraged.

In light of these observations, it emerges that some features related to informal employment among youth appear with reasonable regularity across countries. In particular, young women seem to be more vulnerable to informality and are less prone to transit into stable and satisfactory jobs. Vulnerability in general is a prerequisite for informality; vulnerable populations such as women, the youngest, the least educated and the least healthy are more often informally employed than their male, older, more educated and healthier counterparts. The vulnerability is also manifest in labour market trajectories: youth with long spells of unemployment are at higher risk for informality and dissatisfaction, suggesting that the unemployed end up being pushed into informal jobs that procure low satisfaction.

7.2 Transitioning to formality: policy responses

Tonin (2013) observes that choices of policy interventions regarding informality are critically dependent on understanding the causality of the phenomenon. This paper provides some evidence against the premise of informality as a choice among young people in developing economies. For most young people in the countries studied – with at least seven in ten young workers informally employed in 13 of the 20 countries – informality is due to exclusion from the formal economy, and policy responses must be considered accordingly. Alongside general measures to increase aggregate demand (see box 2), one can consider, for example, interventions targeted toward the most vulnerable groups. The following discussion on policy implications and actions are grouped according to the themes derived from the report. Policy actions are mentioned without details on examples or means of implementation. Rather, readers interested to find out more regarding policy responses can utilize the references listed with each policy action.

Finding 1: Investing in education and training offers a chance at gaining formal employment

Policy actions:

1. Promote equitable access to basic education, but make sure that quality is not sacrificed in the face of quantity;
2. Promote literacy among those who did not get previous access to basic education (can be embedded in skills training programmes);
3. Address financial and non-financial access barriers to skills training (consider conditional cash transfers to promote universal school attendance, including for young girls);
4. Reinforce the relevance of technical and vocational education by investment in public TVET systems, including technological upgrades, and bring together government and employers on national skills councils for curriculum development;
5. Strengthen career guidance within school;
6. Specifically address disadvantaged groups in skills development strategies and remove impediments to participation (e.g. child care for young mothers);
7. Improve access to and quality of informal apprenticeship training;
8. Establish process for certification of skills, including those gained through informal training;

9. Target informal sector workers in specific trades and re-train toward more productive fields;

For further information: Palmer (2008); ILO (2012a), Module 7.2; ILO (2012c).

Finding 2: Lower job satisfaction in informal employment is related to lower wages, lack of security and qualifications mismatch

Policy actions:

1. Bring the unprotected under the law, including targeted actions for specific groups (domestic workers, homeworkers, migrant workers);⁹
2. Incorporate informal workers (paid and self-employed) into social safety nets;
3. Support mechanisms for informal enterprises
 - i. Macro-level: rationalize and streamline business registration and licensing regimes; simplify tax administration; review land ownership; create an enabling environment for enterprises; introduce incentives for compliance with the legal and regulatory framework;
 - ii. Micro-level: support entrepreneurship training; reduce vulnerability through extension of social safety nets; introduce safety and health training for homeworkers and small enterprises; improve access to markets; support development of peer support mechanisms through organization of business membership organizations and informal workers organizations;

For further information: ILO (2012a), Modules 7.1.

Finding 3: Paid employment is also informal in many cases, due to lack of access to basic entitlements like social security or paid annual or sick leave

Policy actions:

1. Support employers in taking active part in the creation of decent jobs for young people (e.g. extend employment subsidies to firms that bring young workers in formal enterprises);
2. Clarify the law on employment relationship, particularly in usage of “employer” and “employee”;
3. Remove incentives to disguise an employment relationship;
4. Increase funds for the Labour Inspectorate and enforce compliance among firms found to exploit young workers;

For further information: ILO (2012a), Modules 4.a3, 4.c2.

⁹ The reasoning applied here is that “compliance with labour standards usually implies more certainty and financial stability, better training, less work-related accidents, better health, all of which have positive spill over effects on the economy” (ILO, 2012a, Module 4.a1).

The actions listed above (which are by no means exhaustive) touch upon diverse policy areas like employment promotion, social protection, social dialogue and legal frameworks; macro-level policies are listed with micro-level targeted policies, active labour market policies with passive policies. All of which leads to the conclusion that there is no “one-size-fits-all” policy response to informality, especially given the heterogeneity of the issue within and across countries. Where informal employment is dominant – as in most of the countries examined here – policy makers should take into consideration the likely impact of every policy decision on the informal economy.

Box 2. Approaches to boost aggregate demand and promote youth employment

Policies that promote employment-centred and sustainable growth are vital if young people are to be given a fair chance at a decent job. Youth labour market outcomes are closely related to overall employment trends but are more sensitive to the business cycle. A boost in aggregate demand is key to addressing the youth employment crisis as this will create more job opportunities for young people. ILO research shows that macroeconomic policies can influence youth employment by:

1. encouraging economic diversification and productive transformation;
2. reducing macroeconomic volatility by engaging in timely and targeted counter-cyclical policies;
3. loosening constraints on private sector growth, with a particular emphasis on access to finance for micro, small and medium-sized enterprises;
4. focusing on targeted demand-side interventions with particular impact on youth employment (e.g. labour intensive infrastructure works, public employment programmes, wage and training subsidies); and
5. ensuring adequate and predictable funding for targeted youth employment interventions.

Source: ILO, 2013b, box 8.

7.3 Transitioning to formality: the role of the ILO

In 2013 the ILO published an integrated and comprehensive policy resource guide entitled *The informal economy and decent work: A policy resource guide* (ILO, 2012a). This compendium (now available in several languages) is intended to support capacity building for constituents in promoting transitions to formality. It comprises 28 briefs in a range of policy areas such as employment promotion, social protection, social dialogue and legal frameworks, and attempts to showcase the multiple policy pathways towards formality and the range of appropriate approaches to different groups and sectors within the informal economy. Youth are not treated as a separate subject within the resource guide, but are clearly implicated in almost all areas of policy advice.

In the current context of renewed interest by policy-makers, social partners and development practitioners in developing effective policies for transition to formality, the ILO Governing Body decided at its 317th Session in March 2013 to place a standard-setting item on the agenda of the 2014 Session of the International Labour Conference (ILC) on facilitating transitions from the informal to the formal economy with a view to the elaboration of an international standard.¹⁰ This discussion will build on the conclusions concerning decent work and the informal economy adopted by the ILC in 2002 (ILO, 2002), the outcome of the ILO Tripartite Interregional Symposium on the Informal Economy (2007) (ILO, 2008), and the ILC conclusions concerning the recurrent discussion on fundamental principles and rights at work (ILO, 2012b).

¹⁰ ILO: *GB.317/INS/2(Rev.) and Record of Decisions*, Governing Body, 317th session, Geneva, 2013.

In preparation for this discussion, a tripartite meeting of experts on facilitating transitions from the informal economy to the formal economy was held in Geneva in September 2013, with the aim of providing guidance on the nature and content of the proposed instrument, in particular concerning innovative solutions and up-to-date experience (of legal, policy, institutional, governance and other interventions) that have proved successful in supporting transitions to formality.

The report prepared for the expert meeting provided an overview of the phenomenon of the informal economy, its impact on the attainment of decent work for all workers and employers, and the ILO's approach for a progressive transition to the formal economy and decent work. The report of discussions informed the preparation of the report for the 2014 ILC standard setting discussion (ILO, 2013c).

The following summary of the typology of current policy objective is included in the conference report (ILO, 2013c, paragraph 101) with subsequent sections outlining "good" country examples within each of the policy areas:

"Current policy initiatives around the world show that there is no universal policy framework, but rather a set of multidimensional approaches that can be combined in integrated policy frameworks and adapted to each specific country context. ... The policies adopted most often simultaneously target the following objectives:

- promoting formal employment through pro-employment macroeconomic and sectoral policies focusing especially on the development of sustainable MSMEs;
- reducing informal employment by lowering the cost of transitions to formality through the creation of an enabling policy and regulatory environment that reduces barriers to formalization, while protecting workers' rights and increasing the benefits of being formal by promoting a greater awareness of the advantages and protection that come with formalization (business development services for MSMEs, access to the market, productive resources, credit programmes, and training and promotional programmes to upgrade informal economy units); and
- increasing decent work in the informal economy by developing a national social protection floor for all, implementing a minimum wage and health and safety incentives, organizing workers from the informal economy [domestic workers, for example] and encouraging informal enterprises to join together in production conglomerates or cooperatives, and supporting the development of social economy enterprises and organizations."

The topic of "formalization of the informal economy" has been designated an "area of critical importance" in the current biennium of the ILO's programme. Alongside the standard setting discussion which will take place at the 2014 ILC and continuing in 2015, the aim is to enable scaled up action to analyse drivers of informality in specific county and development contexts and to contribute to policy combinations that can promote tangible and lasting transitions to formality.

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Annex I. Additional statistical tables and figures

Table A1 Share of the informally employed youth among female and male workers (%)

Sex	Employed in informal sector	Informal job in formal sector	Total informal employment	Informal employment	Formal employment	Total employment
Aggregate (20 countries)						
Female	61.6	38.4	100.0	75.6	24.4	100.0
Male	50.5	49.5	100.0	75.3	24.7	100.0
Total	55.1	44.9	100.0	75.4	24.6	100.0

Source: Authors' calculations using SWTS data from 20 countries.

Table A2 Share of the informally employed youth among urban and rural workers (%)

Area of residence	Employed in informal sector	Informal job in formal sector	Total informal employment	Informal employment	Formal employment	Total employment
Aggregate (17 countries)						
Urban	43.8	56.2	100.0	65.0	35.0	100.0
Rural	66.0	34.0	100.0	85.8	14.2	100.0
Total	55.4	44.6	100.0	74.4	25.6	100.0

Source: Authors' calculations using SWTS data from 17 countries.

Table A3 Informality and young workers' marital status (%)

Marital status	Employed in informal sector	Informal job in formal sector	Total informal employment	Informal employment	Formal employment	Total employment
Aggregate (15 countries)						
Married	71.8	28.2	100.0	79.4	20.6	100.0
Single, divorced or widowed	59.3	40.7	100.0	83.7	16.3	100.0
No response	81.9	18.1	100.0	100.0	-	100.0
Total	63.7	36.3	100.0	82.2	17.8	100.0

Source: Authors' calculations using SWTS data from 15 countries.

Table A4 Average age of economically active youth by category of activity status and sex

	Employed in informal sector	Informal job in formal sector	Total informal employment	Formal employment	Unemployed (strict)
Armenia					
Female	24.0	24.5	24.3	24.9	22.8
Male	24.1	24.6	24.4	25.1	22.4
Total	24.0	24.6	24.4	25.0	22.6
Benin					
Female	23.7	22.5	23.6	22.1	24.1
Male	23.7	24.1	23.8	22.7	25.0
Total	23.7	23.6	23.7	22.4	24.6
Brazil					
Female	22.9	22.7	22.8	24.0	21.3
Male	22.1	22.7	22.4	24.1	20.9
Total	22.4	22.7	22.6	24.1	21.1
Cambodia					
Female	21.5	21.4	21.5	22.9	20.4
Male	21.4	22.3	21.7	25.8	20.5
Total	21.5	21.9	21.6	24.4	20.4
Egypt					
Female	21.8	22.3	22.2	25.3	23.1
Male	22.6	23.3	23.0	25.4	23.5
Total	22.5	23.1	22.9	25.4	23.2
El Salvador					
Female	21.7	23.4	22.2	23.5	21.6
Male	20.7	21.6	21.0	23.5	20.4
Total	21.1	22.1	21.4	23.5	20.9
Jamaica					
Female	23.1	23.6	23.4	25.0	22.4
Male	23.3	23.6	23.4	24.7	22.5
Total	23.2	23.6	23.4	24.8	22.5
Jordan					
Female	23.7	24.1	24.1	24.7	23.4
Male	22.8	22.5	22.5	24.0	21.2
Total	22.9	22.7	22.8	24.1	22.1
Liberia					
Female	21.6	22.1	21.7	20.8	22.4
Male	21.2	22.5	21.5	23.1	22.4
Total	21.4	22.3	21.6	22.2	22.4
Macedonia, the former Yugoslav Rep. of					
Female	22.1	24.1	23.2	25.9	24.1
Male	23.0	24.4	23.8	25.6	23.9
Total	22.7	24.3	23.6	25.8	24.0

Table A4 (cont.)

	Employed in informal sector	Informal job in formal sector	Total informal employment	Formal employment	Unemployed (strict)
Malawi					
Female	21.9	22.6	22.0	24.6	22.7
Male	21.1	23.2	21.2	24.0	21.5
Total	21.5	23.0	21.6	24.2	22.3
Peru					
Female	22.0	23.0	22.6	24.2	22.1
Male	21.9	22.3	22.1	25.1	20.6
Total	21.9	22.6	22.3	24.7	21.4
Russian Federation – 11 regions					
Female	23.8	24.7	24.2	25.2	22.4
Male	23.9	25.0	24.4	25.3	22.3
Total	23.8	24.9	24.3	25.2	22.3
Samoa					
Female	23.0		23.0	24.5	22.1
Male	22.1		22.1	24.2	22.0
Total	22.4		22.4	24.3	22.0
Tanzania, United Rep. of					
Female	23.4	23.4	23.4	21.9	20.0
Male	21.4	22.9	22.1	24.3	22.5
Total	22.7	23.1	22.8	23.6	21.3
Togo					
Female	22.7	22.0	22.6	21.8	23.3
Male	22.1	21.9	22.1	23.1	22.7
Total	22.5	21.9	22.4	22.3	23.0
Uganda					
Female	22.1	22.4	22.1	21.9	22.9
Male	21.5	22.6	21.7	21.5	21.8
Total	21.8	22.5	21.9	21.7	22.4
Ukraine					
Female	23.9	24.7	24.6	21.9	23.0
Male	23.5	24.7	24.5	21.5	22.9
Total	23.7	24.7	24.5	21.7	22.9
Vietnam					
Female	23.2	22.4	22.9	25.1	22.2
Male	22.2	22.7	22.5	25.6	23.0
Total	22.7	22.6	22.7	25.3	22.6
Zambia					
Female	21.0	23.0	21.4	24.0	21.8
Male	21.1	22.7	21.4	24.1	21.3
Total	21.1	22.8	21.4	24.0	21.6
Aggregate (20 countries)					
Female	22.7	23.1	22.9	23.7	22.4
Male	22.3	23.1	22.6	24.1	22.2
Total	22.5	23.1	22.7	23.9	22.3

Source: Authors' calculations using SWTS data from 20 countries.

Table A5 Health issues and informal employment categories among young workers, unweighted (%)

Activity	Experiencing difficulties	Formal employment	Informal employment	Total
Hearing	No	24.0	76.0	100.0
	Yes	18.1	81.9	100.0
Walking or climbing steps	No	24.2	75.8	100.0
	Yes	11.1	88.9	100.0
Concentrating or remembering	No	24.2	75.8	100.0
	Yes	20.3	79.7	100.0
Self-care (washing, dressing)	No	24.0	76.0	100.0
	Yes	11.9	88.1	100.0
Communicating	No	24.0	76.0	100.0
	Yes	19.2	80.8	100.0

The Pearson's χ^2 are from left to right: 22.5331, 26.3548, 40.9128, 18.5139 and 3.0757

Source: Authors' calculations using SWTS data from 15 countries (where information on health issues was available).

Table A6 Categories of informally employed and health issues among young workers, weighted (%)

Category of informally employed	No declared issue	At least one declared health issue	Total
Formally employed	24.4	21.2	23.9
Unpaid family workers in the formal sector	3.3	1.9	3.1
Informal employees in the formal sector	30.6	30.0	30.5
Own-account workers in the informal sector	13.5	13.2	13.5
Employers in the informal sector	0.9	1.5	1.0
Unpaid family workers in the informal sector	14.4	18.1	15.0
Employees in the informal sector	11.9	12.9	12.1
Employees in the informal sector with full benefits	0.3	0.3	0.3
Members of unregistered producers' cooperatives	0.3	0.2	0.3
Workers in other informal businesses	0.3	0.6	0.4
Total	100.0	100.0	100.0

Source: Authors' calculations using SWTS data from 15 countries (where information on health issues was available).

Table A7 Health issues and informal employment categories among young workers, unweighted (%)

Category of informally employed	No declared health issue	At least one declared health issue	Total
Formally employed	89.4	10.6	100.0
Unpaid family workers in the formal sector	89.9	10.1	100.0
Informal employees in the formal sector	89.4	10.6	100.0
Own-account workers in the informal sector	85.0	15.0	100.0
Employers in the informal sector	83.3	16.7	100.0
Unpaid family workers in the informal sector	87.4	12.6	100.0
Employees in the informal sector	85.4	14.6	100.0
Employees in the informal sector with full benefits	81.4	18.6	100.0
Members of unregistered producers' cooperatives	90.0	10.0	100.0
Workers in other informal businesses	75.4	24.6	100.0
Total	87.6	12.4	100.0

Source: Authors' calculation using employed workers from 16 countries for which health information was available.

Table A8 Average hourly wage of formally and informally employed youth (paid employees) by activity sector (in the official currency of each country)

Country and sector	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Armenia				
Agriculture	348.64	504.82	389.22	433.33
Industry	409.07	432.28	429.44	565.30
Services	515.71	483.89	485.88	512.40
Total	431.57	470.22	465.97	520.96
Benin				
Agriculture	0.39	0.30	0.38	-
Industry	0.33	0.42	0.39	0.34
Services	0.56	0.94	0.77	0.88
Total	0.52	0.85	0.70	0.82
Brazil				
Agriculture	11.30	4.70	6.52	6.76
Industry	7.36	6.58	6.78	8.07
Services	6.19	7.35	7.08	7.58
Total	6.96	6.96	6.96	7.68
Cambodia				
Agriculture	2 114.31	2 177.30	2 161.69	-
Industry	1 876.36	2 397.46	2 290.04	2 472.99
Services	2 347.64	3 115.53	2 930.67	3 534.01
Total	2 156.72	2 582.54	2 483.95	3 146.75
Jamaica				
Agriculture	216.79	177.17	197.26	-
Industry	289.87	271.96	275.96	308.86
Services	216.33	251.71	240.53	401.76
Total	220.81	251.04	241.45	392.91
Jordan				
Agriculture	0.77	1.24	1.10	1.21
Industry	1.14	1.15	1.15	1.64
Services	1.29	1.38	1.36	2.11
Total	1.25	1.33	1.32	2.07
Macedonia, the former Yugoslav Rep. of				
Agriculture	68.83	60.83	63.38	75.00
Industry	85.12	72.33	73.94	72.72
Services	66.44	77.56	76.70	99.75
Total	74.07	75.68	75.53	92.52
Malawi				
Agriculture	180.58	125.91	171.71	416.67
Industry	125.43	230.52	149.37	283.61
Services	162.51	284.34	206.05	188.87
Total	159.19	236.72	178.98	233.50

Table A8 (cont.)

Country and sector	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Peru				
Agriculture	1.77	7.27	6.61	6.64
Industry	6.19	5.92	5.99	6.00
Services	4.85	5.63	5.51	7.14
Total	5.31	5.79	5.70	6.84
Russian Federation – 11 regions				
Total	78.03	93.24	87.43	102.22
Samoa				
Agriculture	25.69		25.69	13.51
Industry	13.97		13.97	23.59
Services	16.21		16.21	20.88
Total	16.34		16.34	21.08
Tanzania, United Rep. of				
Agriculture	3 285.07	2 958.64	3 258.13	741.01
Industry	1 566.64	925.17	1 073.87	7 500.00
Services	647.85	4 114.11	2 493.38	3 408.17
Total	938.22	3 351.95	2 279.35	3 296.64
Uganda				
Agriculture	823.06	732.89	802.99	580.07
Industry	1 043.60	893.89	946.73	3 333.33
Services	1 156.17	1 489.81	1 304.78	2 810.89
Total	989.90	1 170.78	1 062.67	2 635.70
Ukraine				
Agriculture	-	9.88	9.88	11.41
Industry	11.97	16.70	16.31	16.03
Services	12.39	14.88	14.63	13.12
Other	8.69	12.06	11.37	12.24
Total	11.98	15.11	14.8	13.93
Viet Nam				
Agriculture	23.62	14.34	19.11	22.42
Industry	15.39	29.23	27.90	31.75
Services	23.17	23.98	23.81	40.60
Total	21.53	26.03	25.12	36.42
Zambia				
Agriculture	13 951.46	2 357.94	11 226.81	187 500.00
Industry	31 800.67	19 586.42	26 390.96	8 928.57
Services	10 384.86	17 266.65	13 596.17	19 773.52
Total	14 189.93	16 139.77	15 012.83	35 962.72

Notes: No data were available for the Russian Federation on activity sectors. The results for El Salvador, Liberia and Togo are not included in the table because too few observations were available (less than 50). The results for Egypt are not included because no wage data for this country are available.

Source: Authors' calculations using SWTS data from 16 countries.

Table A9 Average hourly wage of formally and informally employed youth (paid employees) by educational attainment (in the official currency of each country)

Country and education level	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Armenia				
Less than primary				
Primary	428.57		428.57	
Secondary	429.76	436.54	435.35	447.98
Vocational	490.84	443.52	456.99	623.75
Tertiary	277.78	526.91	524.05	560.41
Other				
Total	434.66	477.74	472.64	531.65
Benin				
Less than primary	0.41	0.42	0.41	0.79
Primary	0.72	0.29	0.57	0.31
Secondary	0.15	0.74	0.49	0.34
Vocational	0.21	0.67	0.58	0.58
Tertiary	0.23	1.75	1.54	1.93
Other				
Total	0.42	0.82	0.63	0.85
Brazil				
Less than primary	9.65	5.05	6.36	6.5
Primary	6.17	6.36	6.32	7.16
Secondary	5.77	8.01	7.43	5.55
Vocational				
Tertiary		10.4	10.4	10.61
Other				
Total	7.49	6.44	6.67	7.23
Cambodia				
Less than primary	2 135.43	2 056.38	2 077.85	
Primary	2 126.89	2 399.34	2 327.51	2 407.41
Secondary	1 985.52	2 685.50	2 542.71	2 466.68
Vocational	2 276.37	2 961.64	2 828.74	2 236.84
Tertiary	3 333.33	3 808.51	3 797.58	4 016.97
Other				
Total	2 109.53	2 587.97	2 478.55	3 147.99
Jamaica				
Less than primary		142.86	142.86	
Primary	162.41	242.69	201.2	245.62
Secondary	209.74	199.44	203.09	276.78
Vocational	327.55	245.53	263.95	283.71
Tertiary	205.08	553.76	500.11	596.54
Other		90.91	90.91	
Total	220.71	247.88	239.08	353.65

Table A9 (cont.)

Country and education level	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Jordan				
Less than primary	1.00	0.78	0.81	1.87
Primary	1.07	1.00	1.02	1.61
Secondary	1.22	1.25	1.25	1.94
Vocational	1.33	1.38	1.37	1.42
Tertiary	1.82	1.90	1.89	2.44
Other				
Total	1.23	1.34	1.32	2.08
Macedonia, the former Yugoslav Rep.				
Less than primary				50.00
Primary	92.88	52.34	79.92	67.17
Secondary		88.38	88.38	76.55
Vocational	50.46	73.98	73.54	79.81
Tertiary		88.07	88.07	112.08
Other				
Total	82.81	76.77	77.11	90.67
Malawi				
Less than primary	121.59	266.61	147.18	69.23
Primary	241.25	188.56	229.80	
Secondary	121.12	220.18	183.17	272.30
Vocational	62.50	194.44	146.10	
Tertiary	156.25	357.65	333.52	132.60
Other				
Total	158.32	240.43	181.69	193.99
Peru				
Less than primary	6.03	3.94	4.99	
Primary	2.99	6.50	5.38	3.36
Secondary	4.53	5.45	5.32	5.87
Vocational				
Tertiary	17.19	6.91	7.60	9.48
Other				
Total	4.69	5.76	5.57	6.55
Russian Federation – 11 regions				
Less than primary	56.25		56.25	37.50
Primary	72.38	122.90	84.84	76.85
Secondary	82.56	86.61	84.37	89.82
Vocational	81.42	94.07	90.28	104.19
Tertiary				62.50
Other				
Total	80.27	93.95	88.69	101.26

Table A9 (cont.)

Country and education level	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Samoa				
Less than primary	15.03		15.03	15.22
Primary	15.00		15.00	7.32
Secondary	18.50		18.50	15.55
Vocational	14.58		14.58	20.99
Tertiary	18.62		18.62	23.46
Other	12.30		12.30	24.31
Total	16.36		16.36	21.14
Tanzania, United Rep. of				
Less than primary	991.66	2 788.65	1 128.65	
Primary	413.32	1 242.96	808.94	323.09
Secondary	2 427.23	5 019.46	3 824.75	3 416.09
Vocational	6 666.67	16 228.26	15 137.66	34 721.93
Tertiary		2 470.16	2 470.16	2 967.79
Other				
Total	938.76	3 815.06	2 430.60	3 575.15
Uganda				
Less than primary	923.55	594.21	827.42	252.98
Primary	1 008.58	1 020.31	1 013.01	647.05
Secondary	980.35	1 201.62	1 113.91	3 862.51
Vocational	1 538.79	1 731.94	1 681.09	1 823.33
Tertiary	2 051.90	2 208.80	2 182.25	4 561.43
Other				
Total	1 012.62	1 216.46	1 098.58	2 855.43
Ukraine				
Less than primary				
Primary				
Secondary	15.01	13.11	13.57	12.62
Vocational	9.62	14.63	14.17	15.18
Tertiary	7.74	16.63	16.27	14.26
Other				
Total	12.28	15.18	14.87	14.02
Viet Nam				
Less than primary	18.34	14.72	15.91	
Primary	16.59	34.92	31.01	69.99
Secondary	25.44	34.26	33.21	33.68
Vocational	24.27	21.54	22.17	32.53
Tertiary	20.61	19.16	19.31	38.54
Other				
Total	21.06	26.62	25.49	37.86

Table A9 (cont.)

Country and education level	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Zambia				
Less than primary	3 083.32	41 647.35	26 948.10	
Primary	10 097.11	10 283.92	10 152.11	
Secondary	15 786.32	8 854.96	12 736.69	3 918.76
Vocational	6 817.36	20 885.06	15 619.19	20 246.61
Tertiary		38 128.98	38 128.98	22 884.66
Other				
Total	12 471.58	15 101.31	13 715.57	12 471.58

Notes: The results for El Salvador, Liberia and Togo are not included because too few observations were available (less than 50). Educational attainment is not measured for people who are currently attending school; hence the different results in the total compared to the previous table.

Source: Authors' calculations using SWTS data from 16 countries.

Table A10 Results of OLS regressions on hourly wages

	Armenia	Benin	Brazil	Cambodia	Jamaica	Jordan	Macedonia, the former Yugoslav Rep. of
Aged 20–24 years	0.160	0.332	-0.022	0.115***	0.155	0.267***	-0.427**
	0.137	0.293	0.078	0.044	0.130	0.047	0.215
Aged 25–29 years	0.349***	0.725**	0.103	0.188***	0.251*	0.403***	-0.318
	0.135	0.311	0.078	0.046	0.132	0.047	0.215
Rural area	-0.036	0.164	-0.124	-0.060			0.093**
	0.060	0.216	0.079	0.045			0.047
Primary education		-0.110	0.102*	0.050		0.169	
		0.267	0.055	0.048		0.107	
Secondary education		-0.340	0.103	0.088	0.010	0.323***	0.117
		0.263	0.086	0.056	0.124	0.096	0.093
Vocational education	0.054	0.104		0.115	0.090	0.221	0.022
	0.089	0.279**		0.097	0.149	0.108	0.067
Tertiary education	0.150***	0.870*	0.632***	0.418***	0.891***	0.551***	0.409***
	0.058	0.295	0.085	0.108	0.163	0.100	0.076
Female	-0.271***	-0.352*	-0.176***	-0.138***	-0.176**	-0.135***	-0.214***
	0.051	0.210	0.048	0.035	0.079	0.040	0.046
Industry sector	0.061	-0.111	0.104	-0.047	0.065	-0.064	-0.145**
	0.393	0.104	0.055	0.153	0.089	0.059	
Services sector	-0.005	-0.436*	0.055	-0.032	0.046	-0.169***	-0.070
	0.054	0.227	0.103	0.049	0.172	0.045	0.045
Informally employed	-0.095	-0.227	-0.135***	-0.118	-0.208**	-0.401***	-0.113**
	0.053	0.243	0.045	0.096	0.086	0.028	0.050
Constant	5.899***	-1.318***	1.603***	7.724***	5.180***	-0.029	4.666***
	0.147	0.373	0.142	0.119	0.184	0.104	0.235
Number of obs.	434	134**	779	820	382	1392	298
F-statistic	7.8***	7.46*	9.71***	8.80***	9.10***	53.14***	12.28***
R2	0.125	0.284	0.099	0.113	0.170	0.320	0.253

Table A10 (cont.)

	Malawi	Peru	Russian Fed.	Samoa	Tanzania, Rep of	Uganda	Ukraine	Viet Nam
Aged 20–24 years	0.571*** 0.214	0.044 0.066	0.055 0.096	0.222** 0.102	0.69** 0.273	-0.275 0.172	-0.067 0.082	0.207*** 0.071
Aged 25–29 years	0.576*** 0.208	0.058 0.067	0.113 0.096	0.256** 0.106	0.59* 0.32	0.034 0.163	-0.064 0.081	0.347*** 0.065
Rural area	0.021 0.205		-0.13*** 0.035				-0.093** 0.041	-0.063 0.049
Less than primary educ.			-0.707*** 0.177					
Primary education	0.44** 0.194	0.235 0.205	-0.292* 0.175	-0.132 0.31	-0.898* 0.507	0.295** 0.141		0.135 0.082
Secondary education	0.179 0.233	0.362* 0.196	-0.07* 0.036	-0.144 0.13	0.018 0.55	0.521* 0.297		0.133 0.085
Vocational education	0.529 0.506			-0.136 0.111	1.143* 0.632	1.072*** 0.231	0.004 0.050	0.132* 0.077
Tertiary education	1.246*** 0.275	0.866*** 0.209		0.065 0.119	1.016* 0.608	0.993*** 0.291	0.153*** 0.046	0.268*** 0.092
Female	-0.124 0.158	-0.261*** 0.048	-0.352*** 0.037	-0.097 0.072	-0.403 0.259	-0.463*** 0.123	-0.273*** 0.039	-0.14*** 0.05
Industry sector	0.119 0.234	0.188 0.132		0.058 0.209	0.878*** 0.324	0.091 0.145	-0.223* 0.118	0.12 0.087
Services sector	0.294 0.202	0.059 0.052		-0.045 0.083	0.515* 0.307	-0.231 0.184	0.073* 0.044	0.057 0.052
Informally employed	-0.368 0.452	-0.157*** 0.056	-0.082*** 0.031	-0.118* 0.071	-0.528 0.348	-0.468 0.294	0.036 0.038	-0.239*** 0.06
Constant	4.006*** 0.553	1.314*** 0.214	4.592*** 0.103	2.542*** 0.145	6.752*** 0.672	6.755*** 0.337	2.64*** 0.092	2.668*** 0.117
Number of obs.	280	665	996	435	163	420	683	940
F-statistic	4.55***	11.25***	19.81***	2.24**	12.09***	6.63***	9.46***	9.96***
R2	0.104	0.142	0.139	0.045	0.315	0.134	0.104	0.087

Note: OLS regressions. The dependent variable is the log of the hourly wage. *** p<0.01, ** p<0.05, * p<0.1

Source: Authors' calculations using SWTS data from 15 countries.

Table A11 Average monthly earnings of self-employed youth in the formal and informal sectors by activity sector (in the official currency of each country)

Country and sector	Self-employed in informal sector			Self-employed in informal sector	Self-employed in formal sector
	Employer	Own-account worker	Member of producers' cooperative		
Armenia*					
Agriculture		114 536.89		114 536.89	443 431.88
Industry		87 220.76		87 220.76	122 707.99
Services	185 000.00	79202.13		80 835.19	95 380.91
Total	185 000.00	85 443.08		86 465.96	109 019.23

Table A11 (cont.)

Country and sector	Self-employed in informal sector			Self-employed in informal sector	Self-employed in formal sector
	Employer	Own-account worker	Member of producers' cooperative		
Benin					
Agriculture	34 158.20	3 096.04	51 000.00	4 055.52	144.90
Industry	16 318.91	2 270.47	500.00	2 952.44	53.75
Services	7 757.89	5 378.50	17.00	5 460.32	19 539.84
Total	14 196.09	4 368.89	18 310.41	4 763.77	7 915.50
Brazil					
Agriculture	1 600.00	234.53		341.38	299.54
Industry	1 733.69	1 066.20		1 124.75	6 930.21
Services	1 110.74	682.61		699.79	1 813.73
Total	1 377.20	724.02		758.47	2 696.21
Cambodia					
Agriculture	624 772.13	1 015 039.31		1 002 495.69	2 500 275.00
Industry	1 200 000.00	383 859.50		410 371.47	293 619.34
Services	532 914.81	634 232.63		628 483.81	1 719 992.50
Total	605 718.19	725 000.06		719 468.94	1 759 994.00
El Salvador					
Agriculture	165.93	456.31	90.00	402.21	425.97
Industry	947.43	86.78		270.64	132.97
Services	67.08	197.60		196.29	123.66
Total	407.91	263.08	90.00	276.46	223.60
Jamaica					
Agriculture	13 062.94	16 182.15		16 002.36	6 263.43
Industry	8 000.00	1 180.00		4 371.27	
Services	36 303.92	10 484.88		12 120.52	38 692.34
Total	27 143.97	12 075.59		13 115.61	31 575.15
Jordan*					
Agriculture					280.00
Industry					400.00
Services	239.95	190.19		204.56	672.81
Total	239.95	190.19		204.56	648.95
Liberia					
Agriculture	200.00	3 664.84		3 662.58	1 681.68
Industry		2 182.60		2 182.60	10 031.70
Services	1 987.86	3 547.69	465.00	3 325.26	18 591.34
Other	7 200.00	2 769.33		4 054.67	
Total	3 082.09	3 457.75	465.00	3 400.79	7 159.87

Table A11 (cont.)

Macedonia*, the former Yugoslav Rep. of					
Agriculture		9 609.16		9 609.16	14 165.59
Industry		10 264.17		10 264.17	20 978.04
Services		5 236.50		5 236.50	21 602.65
Total		8 385.57		8 385.57	21 192.69
Malawi					
Agriculture	24 699.38	7 554.01	2 961.81	7 784.08	24 852.81
Industry	22 810.62	8 898.09	8 000.00	9 801.78	14 807.11
Services	30 341.62	9 582.78	19 145.89	10 323.49	9 637.38
Total	27 477.79	8 636.34	9 867.08	9 181.22	15 836.25
Peru					
Agriculture	2 610.11	2 075.22		2 174.34	
Industry	130.00	481.65		468.16	1 432.80
Services	500.36	536.79		535.29	1 310.67
Total	1 251.08	682.13		714.67	1 341.71
Tanzania, United Rep. of					
Agriculture	97 536.08	115 287.71	80 000.00	114 111.48	264 613.16
Industry	448 512.72	199 729.52	20 000.00	202 172.02	104 995.20
Services	125 252.45	189 849.45	50 000.00	186 966.52	774 216.50
Other		50 000.00		50 000.00	
Total	151 150.94	186 317.38	37 155.68	184 062.58	605 144.25
Togo					
Agriculture	12 252.92	22 426.98	41 239.13	23 453.75	22 897.00
Industry	12 147.60	12 857.42	8 000.00	12 750.89	42 308.16
Services	43 209.84	32 200.20		32 977.45	24 244.40
Total	28 484.34	24 059.57	37 985.15	24 606.98	30 232.95
Uganda					
Agriculture	1 037 804.88	153 685.38	51 299.52	180 103.78	314 838.78
Industry	147 332.36	77 972.80	15 000.00	80 551.18	392 323.53
Services	328 735.34	198 078.81		205 492.16	2 108 611.75
Total	650 631.63	163 276.84	43 710.71	182 250.98	852 618.69
Ukraine					
Agriculture		4 731.82		4 301.09	6 559.04
Industry	700.00	3 323.81		3 015.02	6 238.66
Services	2 877.79	1 955.00	1000.00	2 023.93	4 769.83
Other		2 706.67		2 706.67	1 755.89
Total	2 002.66	2 701.72	1000.00	2 600.10	5 094.08
Viet Nam					
Agriculture	11 000.00	5 337.75		5 429.19	5 080.65
Industry	35 953.70	2 529.43		9 538.40	9 744.12
Services	4 610.00	3 502.31		3 522.80	9 237.13
Other	1 700.00			1 700.00	
Total	20 544.06	4 377.35		5 089.34	8 670.19

Table A11 (cont.)

Country and sector	Self-employed in informal sector			Self-employed in informal sector	Self-employed in formal sector
	Employer	Own-account worker	Member of producers' cooperative		
Zambia					
Agriculture	251 897.44	305 686.19		297 089.59	5 192 743.00
Industry	1 373 420.25	1 506 916.13	50 000.00	1 369 949.50	5 188 204.50
Services	472 610.19	653 609.56		620 730.19	1 180 911.13
Total	580 027.13	643 708.69	50 000.00	628 656.69	2 020 346.00

*Note: Armenia, Jordan and the former Yugoslav Republic of Macedonia have fewer than 100 observations.

Source: Authors' calculations using SWTS data from 17 countries.

Table A12 Job satisfaction for formally and informally employed youth (%)

Perception	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Aggregate (18 countries)				
Somewhat or very satisfied	70.0	82.8	75.3	90.7
Somewhat or very unsatisfied	26.7	16.8	22.6	9.1
No response	3.3	0.4	2.1	0.2
Total	100.0	100.0	100.0	100.0

Source: Authors' calculations using SWTS data from 18 countries.

Table A13 Distribution of employed youth according to desire to change employment situation (%)

Desire	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Armenia				
Wants to change employment situation	68.8	47.0	55.1	35.6
Does not want to change employment situation	31.2	53.0	44.9	64.4
Total	100.0	100.0	100.0	100.0
Benin				
Wants to change employment situation	27.7	45.0	29.4	18.2
Does not want to change employment situation	72.3	55.0	70.6	81.8
Total	100.0	100.0	100.0	100.0
Brazil				
Wants to change employment situation	58.8	44.1	51.1	32.5
Does not want to change employment situation	41.2	55.9	48.9	67.5
Total	100.0	100.0	100.0	100.0
Cambodia				
Wants to change employment situation	41.3	44.0	42.2	17.9
Does not want to change employment situation	58.7	56.0	57.8	82.1
Total	100.0	100.0	100.0	100.0
Egypt				
Wants to change employment situation	53.9	53.4	53.6	13.8
Does not want to change employment situation	46.1	46.6	46.4	86.2
Total	100.0	100.0	100.0	100.0

Table A13 (cont.)

Desire	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
El Salvador				
Wants to change employment situation	62.2	60.6	61.6	51.5
Does not want to change employment situation	37.8	39.4	38.4	48.5
Total	100.0	100.0	100.0	100.0
Jamaica				
Wants to change employment situation	58.5	69.5	63.4	54.1
Does not want to change employment situation	41.5	30.5	36.6	45.9
Total	100.0	100.0	100.0	100.0
Jordan				
Wants to change employment situation	54.3	42.2	44.8	14.6
Does not want to change employment situation	45.7	57.8	55.2	85.4
Total	100.0	100.0	100.0	100.0
Liberia				
Wants to change employment situation	65.5	54.7	63.0	75.6
Does not want to change employment situation	34.5	45.3	37.0	24.4
Total	100.0	100.0	100.0	100.0
Macedonia, the former Yugoslav Rep. of				
Wants to change employment situation	72.9	50.2	60.1	29.7
Does not want to change employment situation	27.1	49.8	39.9	70.3
Total	100.0	100.0	100.0	100.0
Malawi				
Wants to change employment situation	67.6	68.2	67.7	75.6
Does not want to change employment situation	32.4	31.8	32.3	24.4
Total	100.0	100.0	100.0	100.0
Peru				
Wants to change employment situation	66.1	60.2	62.4	46.3
Does not want to change employment situation	33.9	39.8	37.6	53.7
Total	100.0	100.0	100.0	100.0
Russian Federation – 11 regions				
Wants to change employment situation	48.1	40.9	44.3	27.9
Does not want to change employment situation	51.9	59.1	55.7	72.1
Total	100.0	100.0	100.0	100.0
Samoa				
Wants to change employment situation	14.5	-	14.5	10.3
Does not want to change employment situation	85.5	-	85.5	89.7
Total	100.0	-	100.0	100.0
Tanzania, United Rep. of				
Wants to change employment situation	84.9	68.2	79.2	43.7
Does not want to change employment situation	15.1	31.8	20.8	56.3
Total	100.0	100.0	100.0	100.0

Table A13 (cont.)

Desire	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Togo				
Wants to change employment situation	53.7	67.4	55.6	17.4
Does not want to change employment situation	46.3	32.6	44.4	82.6
Total	100.0	100.0	100.0	100.0
Uganda				
Wants to change employment situation	63.1	66.7	63.6	66.6
Does not want to change employment situation	36.9	33.3	36.4	33.4
Total	100.0	100.0	100.0	100.0
Ukraine				
Wants to change employment situation	42.0	29.4	31.9	21.0
Does not want to change employment situation	58.0	70.6	68.1	79.0
Total	100.0	100.0	100.0	100.0
Viet Nam				
Wants to change employment situation	37.4	28.7	33.5	9.2
Does not want to change employment situation	62.6	71.3	66.5	90.8
Total	100.0	100.0	100.0	100.0
Zambia				
Wants to change employment situation	78.0	77.8	78.0	52.9
Does not want to change employment situation	22.0	22.2	22.0	47.1
Total	100.0	100.0	100.0	100.0
Aggregate (20 countries)				
Wants to change employment situation	56.7	46.1	51.9	28.1
Does not want to change employment situation	43.3	53.9	48.1	71.9
Total	100.0	100.0	100.0	100.0

Source: Authors' calculations using SWTS data from 20 countries.

Table A14 Reasons for wanting to change employment situation (%)

Reason	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Aggregate (20 countries)				
Present job is temporary	26.4	24.9	25.8	7.5
Fear of losing the present job	2.4	4.7	3.3	1.2
To work more hours paid at current rate	2.7	2.2	2.5	3.7
To have a higher pay per hour	37.8	37.7	37.8	53.9
To work less hours with a reduction in pay	0.9	1.0	0.9	1.5
To better use qualifications/skills	8.7	13.0	10.4	13.6
To have more convenient working time, shorter commuting time	1.5	2.0	1.7	4.2
To improve working conditions	17.8	13.7	16.1	13.8
Other	1.9	0.8	1.5	0.6
Total	100.0	100.0	100.0	100.0

Source: Authors' calculations using SWTS data from 20 countries.

Table A15 Perceived job security among youth (likelihood of being able to keep main job during the following 12 months) (%)

Perception	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Aggregate (19 countries)				
Very likely	56.5	57.5	57.0	73.6
Likely but not certain	21.0	26.4	23.5	15.5
Not likely	14.6	9.8	12.4	6.1
Do not know	7.9	6.3	7.1	4.8
Total	100.0	100.0	100.0	100.0

Source: Authors' calculations using SWTS data from 19 countries.

Table A16 Main providers of financial services (multiple answers are possible) (%)

Main provider	Employed in informal sector	Informal job in formal sector	Total informal employment	Formal employment	Unemployed (strict)
Aggregate (17 countries)					
Bank	5.4	10.4	7.6	28.1	8.6
Insurance company	0.2	0.4	0.3	1.5	0.4
Microfinance institution	3.0	1.5	2.4	2.0	0.7
Money transfer operators	0.6	0.6	0.6	1.2	0.6
Informal financial operators	1.6	0.4	1.1	1.1	0.3
Friends and relatives	11.7	6.6	9.5	12.5	9.8
Other service	4.0	2.3	3.3	1.9	1.7

Source: Authors' calculations using SWTS data from 17 countries.

Table A17 Rate of time-related underemployment among informally and formally employed youth (%)

Country	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Armenia	17.3	8.2	11.6	9.7
Benin	9.6	15.5	10.2	2.5
Brazil	24.4	8.8	16.2	7.0
Cambodia	11.4	9.2	10.7	4.4
Egypt	5.5	6.2	5.9	3.1
El Salvador	23.7	19.1	22.1	3.3
Jamaica	21.8	17.4	19.9	4.8
Jordan	4.7	1.6	2.3	2.3
Liberia	15.7	9.9	14.4	9.8
Macedonia, the former Yugoslav Rep. of	21.3	5.8	12.6	3.1
Malawi	14.4	15.6	14.5	14.9
Peru	25.6	12.3	17.3	8.1
Samoa	0.5		0.5	0.0
Tanzania, United Rep. of	18.8	9.4	15.6	16.8
Togo	22.2	15.6	21.2	9.4
Uganda	16.0	9.7	15.2	14.6
Ukraine	11.1	4.5	5.8	4.6
Viet Nam	12.0	3.7	8.2	1.6
Zambia	21.2	13.3	19.8	18.6
Aggregate (19 countries)	16.6	7.6	12.5	6.2

Source: Authors' calculations using SWTS data from 19 countries.

Table A18 Workers in income-related underemployment as a percentage of the formally and informally employed youth

Country	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Armenia	74.7	69.7	70.3	55.2
Benin	90.2	70.5	79.5	55.3
Brazil	81.4	74.4	76.1	69.9
Cambodia	79.6	73.2	74.7	54.2
El Salvador	83.8	100.0	90.5	0.0
Jamaica	77.9	76.4	76.9	55.9
Jordan	77.9	81.0	80.5	42.0
Liberia	94.9	90.0	91.2	48.7
Macedonia, the former Yugoslav Rep. of	62.4	77.4	75.9	57.7
Malawi	77.7	70.7	75.8	62.5
Peru	80.6	71.1	72.7	63.2
Russian Federation – 11 regions	75.2	64.6	68.6	53.4
Samoa	76.7		76.7	65.8
Tanzania, United Rep. of	91.6	79.4	84.8	67.3
Togo	55.8	73.4	67.7	53.7
Uganda	77.5	69.5	74.3	43.9
Ukraine	69.8	60.0	60.9	59.4
Viet Nam	87.3	92.6	91.6	81.9
Zambia	77.5	75.0	76.5	39.3
Aggregate (19 countries)	81.8	77.0	78.3	69.2

Source: Authors' calculations using SWTS data from 19 countries.

Table A19 Percentage of overeducated and undereducated employed youth according to informality situation

Education	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Armenia				
Overeducated	32.2	22.1	26.0	13.4
Undereducated	4.0	10.2	7.8	18.1
Well-matched	63.8	67.7	66.2	68.4
Benin				
Overeducated	3.7	11.0	4.7	2.9
Undereducated	62.8	44.0	60.2	58.3
Well-matched	33.4	45.0	35.0	38.8
Brazil				
Overeducated	12.6	16.8	14.8	19.7
Undereducated	31.9	21.3	26.4	21.0
Well-matched	55.5	61.9	58.8	59.2

Table A19 (cont.)

Education	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Cambodia				
Overeducated	2.2	8.3	4.3	2.8
Undereducated	62.7	44.6	56.5	48.0
Well-matched	35.1	47.1	39.2	49.3
Egypt				
Overeducated	7.6	10.9	9.7	5.8
Undereducated	36.7	27.3	30.6	41.4
Well-matched	55.8	61.8	59.7	52.7
El Salvador				
Overeducated	10.6	9.8	10.3	10.7
Undereducated	40.9	29.1	36.7	26.8
Well-matched	48.5	61.1	53.0	62.5
Jamaica				
Overeducated	16.4	20.0	18.0	19.2
Undereducated	19.8	13.7	17.1	12.6
Well-matched	63.8	66.3	64.9	68.3
Jordan				
Overeducated	5.7	9.7	8.8	9.9
Undereducated	67.1	47.7	51.9	35.6
Well-matched	27.2	42.6	39.3	54.5
Liberia				
Overeducated	4.6	20.8	9.0	10.5
Undereducated	47.1	25.0	41.1	65.1
Well-matched	48.3	54.2	49.9	24.4
Macedonia, the former Yugoslav Rep. of				
Overeducated	31.8	16.7	22.8	15.8
Undereducated	17.7	5.6	10.5	17.6
Well-matched	50.5	77.7	66.7	66.6
Malawi				
Overeducated	1.5	3.5	1.6	3.5
Undereducated	84.0	58.7	82.4	68.6
Well-matched	14.5	37.8	16.0	28.0
Peru				
Overeducated	30.6	28.1	29.0	35.9
Undereducated	24.0	17.1	19.6	7.8
Well-matched	45.5	54.8	51.4	56.3
Russian Federation – 11 regions				
Overeducated	17.7	19.1	18.4	13.3
Undereducated	15.5	17.3	16.4	14.2
Well-matched	66.8	63.6	65.2	72.5

Table A19 (cont.)

Education	Employed in informal sector	Informal job in formal sector	Informal employment	Formal employment
Samoa				
Overeducated	67.1		67.1	55.0
Undereducated	3.2		3.2	2.7
Well-matched	29.7		29.7	42.3
Tanzania, United Rep. of				
Overeducated	17.5	6.5	14.0	10.8
Undereducated	41.8	44.6	42.7	28.8
Well-matched	40.7	48.9	43.3	60.3
Togo				
Overeducated	3.0	10.2	4.0	1.3
Undereducated	55.3	48.7	54.3	57.2
Well-matched	41.7	41.1	41.6	41.5
Uganda				
Overeducated	2.7	13.8	4.1	2.9
Undereducated	84.2	46.3	79.4	73.4
Well-matched	13.1	39.9	16.5	23.7
Ukraine				
Overeducated	42.8	42.9	42.9	35.6
Undereducated	4.0	4.2	4.2	6.5
Well-matched	53.2	52.8	52.9	57.9
Viet Nam				
Overeducated	34.1	21.3	28.2	12.3
Undereducated	21.8	25.2	23.4	17.1
Well-matched	44.1	53.5	48.4	70.6
Zambia				
Overeducated	27.3	18.8	25.7	27.9
Undereducated	20.9	12.6	19.3	8.3
Well-matched	51.8	68.5	55.1	63.8
Aggregate (20 countries)				
Overeducated	15.3	17.8	16.5	18.0
Undereducated	41.8	24.7	33.8	21.0
Well-matched	42.9	57.5	49.7	61.0

Source: Authors' calculations using SWTS data from 20 countries.

Table A20 Marginal effects from probit on the probability of being transited

Prob (Transited)	(1)	(2)	(3)
Age	0.0167***	0.0167***	0.0175***
Male	0.209***	0.187***	0.185***
Primary education	0.0135	0.0500***	-0.00412
Secondary education	-0.0329***	0.0465***	-0.0301**
Vocational education	0.00592	0.0861***	0.0149
Tertiary education	0.0367***	0.159***	0.104***

Table A20 (cont.)

Prob (Transited)	(1)	(2)	(3)
Children	-0.0699***		
Head of household	0.0909***	0.0840***	0.110***
No. of spells of self-employment	0.0348***	0.0352***	0.0468***
No. of intermediary spells	-0.0141***	-0.0113***	-0.00452
No. of unemployment spells	0.109***	0.109***	0.0980***
No. of temporary spells		-0.0224***	-0.0150*
Migration history	0.000691	-0.0075	-0.00406
Female x children		-0.0967***	-0.116***
Male x children		-0.0474***	-0.0707***
Eastern Europe			0.0420***
Africa			0.108***
Latin America			0.125***
South-East Asia			0.425***
Middle East			0.0738***
Country dummies	Yes	Yes	No
Observations	23 802	19 383	19 383

*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' calculations using data from 11 countries.

Table A21 Probit regression on the probability of being transited into stable employment, or satisfactory temporary or self-employment

	(1)	(2)	(3)	(4)	(5)	(6)
	Transited into stable employment			Transited into satisfactory temporary or self-employment		
	Coef	Coef	Coef	Coef	Coef	Coef
Age	0.0607***	0.0576***	0.0588***	0.0347***	0.0383***	0.0395***
Male	0.578***	0.536***	0.533***	0.490***	0.548***	0.520***
Primary education	0.274***	0.226***	0.0509	0.00869	0.101**	-0.0125
Secondary education	0.440***	0.400***	0.0734	-0.157***	-0.0197	-0.111***
Vocational education	0.638***	0.596***	0.363***	-0.114**	0.0170	-0.205***
Tertiary education	0.930***	0.831***	0.588***	-0.167***	0.109	0.0184
Children	-0.340***			-0.0358		
Head of household	0.395***	0.330***	0.434***	0.233***	0.229***	0.239***
No. of spells of self-empl.	0.0845**	0.0650*	0.0517	0.150***	0.149***	0.217***
No. of inter- mediary spells	-0.0724***	-0.0472***	-0.0127	-0.0206*	-0.0204	-0.0154
No. of unempl. spells	0.447***	0.422***	0.386***	0.0765**	0.0942***	0.0439
No. of temporary spells	-0.208***	-0.251***		0.0211	0.104***	
Migration history	0.0529*	0.0332	0.0529*	-0.0635**	-0.0645**	-0.0581*
Female x children		-0.530***	-0.584***		-0.0673*	-0.124***
Male x children		-0.162***	-0.255***		-0.0720	-0.122***
Eastern Europe			0.208***			-0.174***
Africa			-0.123**			0.600***
Latin America			0.304***			0.481***

Table A21 (cont.)

	Transited into stable employment			Transited into satisfactory temporary or self-employment		
	(1) Coef	(2) Coef	(3) Coef	(4) Coef	(5) Coef	(6) Coef
South-East Asia			0.907***			1.516***
Middle East			0.395***			-0.614***
Country dummies	Yes	Yes	No	Yes	Yes	No
Constant	-2.705***	-2.528***	-2.143***	-1.848***	-2.124***	-1.825***
Observations	18,035	14,371	14,371	16,814	12,981	12,981

*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' calculations using data from 11 countries.

Table A22 Marginal effects of probit regression on the probability youth being transited into stable employment, or satisfactory temporary or self-employment

	Stable employment			Satisfactory temporary or self-employment		
	(1)	(2)	(3)	(4)	(5)	(6)
Age	0.0180***	0.0181***	0.0190***	0.0103***	0.0116***	0.0123***
Male	0.176***	0.177***	0.180***	0.147***	0.171***	0.167***
Primary education	0.0745***	0.0682***	0.0164	0.00269	0.0309**	-0.00398
Secondary education	0.124***	0.123***	0.0237	-0.0472***	-0.00591	-0.0350***
Vocational education	0.185***	0.187***	0.120***	-0.0345**	0.00513	-0.0637***
Tertiary education	0.277***	0.262***	0.194***	-0.0501***	0.0333	0.00588
Children	-0.101***			-0.0106		
Head of household	0.117***	0.104***	0.140***	0.0691***	0.0696***	0.0747***
No. of spells of self-employment	0.0250**	0.0204*	0.0167	0.0445***	0.0452***	0.0678***
No. of intermediary spells	-0.0214***	-0.0148***	-0.00411	-0.00611*	-0.00619	-0.00480
No. of unemployment spells	0.132***	0.132***	0.124***	0.0227**	0.0286***	0.0137
No. of temporary spells		-0.0654***	-0.0811***		0.00641	0.0325***
Migration history	0.0157*	0.0104	0.0171*	-0.0187**	-0.0195**	-0.0181*
Female x children		-0.166***	-0.188***		-0.0204*	-0.0389***
Male x children		-0.0509***	-0.0824***		-0.0219	-0.0383***
Eastern Europe			0.0671***			-0.0544***
Africa		-0.0398**			0.187***	0.197***
Latin America			0.0979***			0.150***
South-East Asia			0.293***			0.473***
Middle East		0.128***			-0.192***	-0.132***
Country dummies	Yes	No	Yes	Yes	No	No
Observations	18,035	14,371	16,814	12,981	12,981	12 469

*** p<0.01, ** p<0.05, * p<0.1

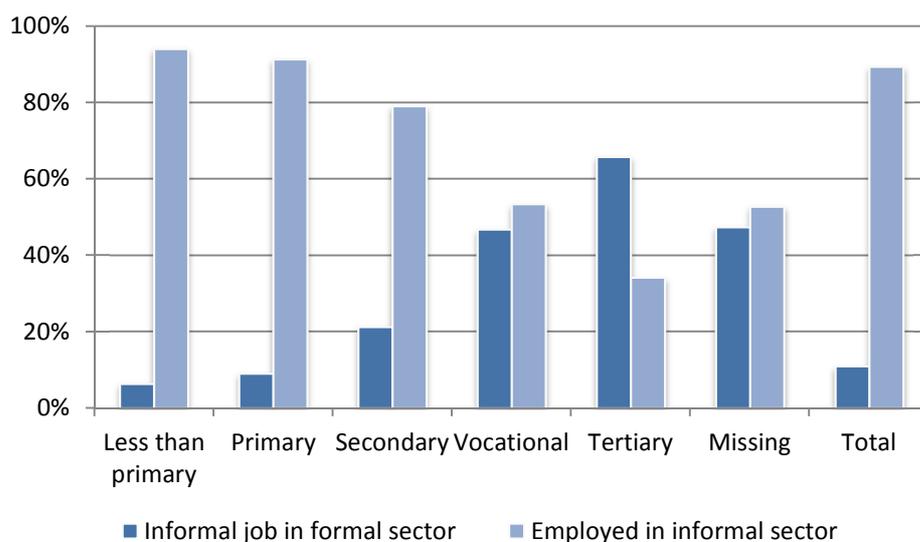
Source: Authors' calculations using data from 13 countries.

Table A23 Composition of transited youth by country (%)

Country	Stable and satisfactory employment	Stable and non-satisfactory employment	Temporary and satisfactory job	Satisfactory self-employment	Total
Armenia	65.0	10.0	8.0	16.0	100
Benin	10.0	3.0	2.0	85.0	100
Brazil	65.9	7.9	4.1	22.1	100
Cambodia	24.0	3.0	9.0	64.0	100
El Salvador	42.0	5.0	11.0	42.0	100
Jamaica	47.5	17.1	7.8	27.5	100
Jordan	81.0	12.0	3.0	5.0	100
Liberia	8.0	4.0	2.0	86.0	100
Macedonia, the former Yugoslav Rep. of	61.0	5.0	16.0	18.0	100
Malawi	10.0	7.0	7.0	76.0	100
Peru	23.0	3.0	43.8	30.2	100
Samoa	78.9	1.3	14.3	5.6	100
Tanzania, United Rep. of	34.6	22.0	6.5	36.9	100
Togo	10.1	4.7	3.3	81.9	100
Uganda	16.2	10.5	3.3	70.0	100
Ukraine	69.1	17.9	1.8	11.2	100
Viet Nam	44.1	5.9	13.0	37.1	100
Zambia	23.0	13.0	12.0	52.0	100
Aggregate (18 countries)	65.0	10.0	8.0	16.0	100

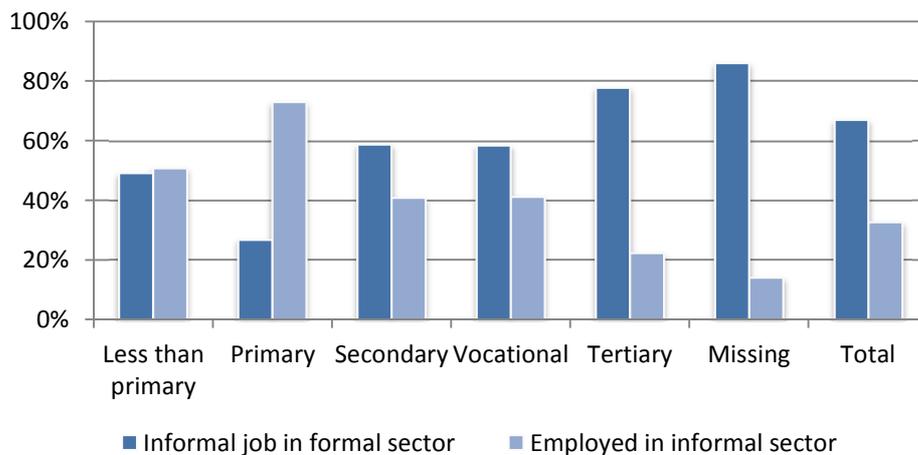
Source: Authors' calculations using 18 countries where standardized information on transition was available.

Figure A1 Breakdown of youth informal employment by level of completed educational attainment, five African countries (Benin, Liberia, Malawi, Togo and Uganda)



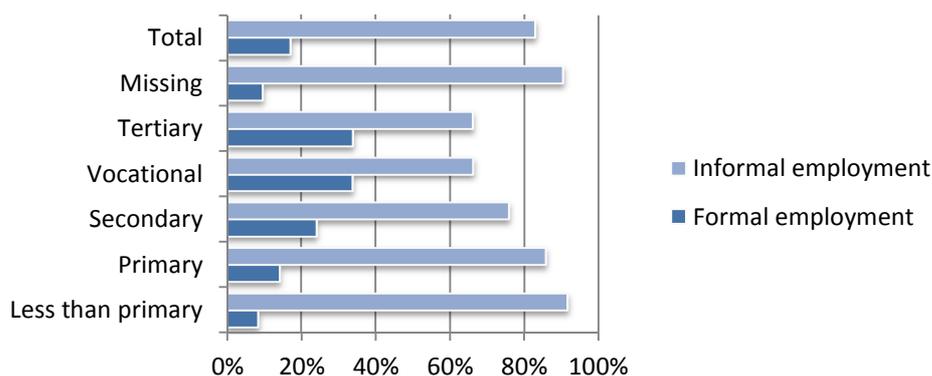
Source: Authors' calculations using SWTS data from Benin, Liberia, Malawi, Togo and Uganda.

Figure A2 Breakdown of youth informal employment by level of completed educational attainment, four Eastern European countries (Armenia, the former Yugoslav Republic of Macedonia, the Russian Federation and Ukraine)



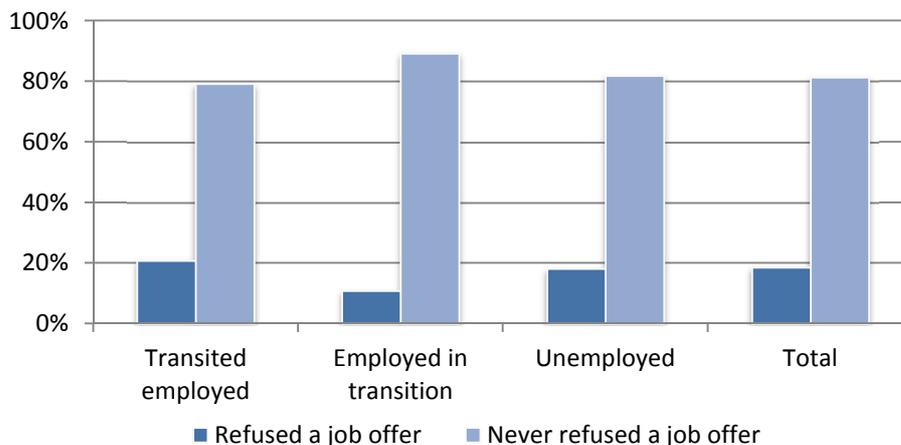
Source: Authors' calculations using SWTS data from Armenia, FYR Macedonia, the Russian Federation and Ukraine.

Figure A3 Mother's education level and individual employment outcome



Source: Authors' calculations using data from 17 countries.

Figure A4 Refusal of a job opportunity by transition status



Source: Authors' calculations using data from 19 countries.



This report provides empirical evidence to confirm that informal employment, a category considered as “non-standard” in traditional literature, is in fact “standard” among young workers in developing economies. Based on the school-to-work transitions surveys (SWTSs) run in 2012-2013, the report finds that three-quarters of young workers aged 15-29 (at the aggregate level) are currently engaged in informal employment. The consequences of informality are seen in lower wages, lower job satisfaction and higher shares of underemployment. The datasets analysed in the report offer a unique opportunity to look at the path of labour market activities and the influence this may have on the probability of informal employment. The evidence points to an influence of unemployment history – both number of unemployment spells and length of unemployment – on the probability of being informally employed. As such, informal employment seems to be, at least for some people, a way out of unemployment.

The SWTSs are made available through the ILO “Work4Youth” (W4Y) Project. This Project is a five-year partnership between the ILO and The MasterCard Foundation that aims to promote decent work opportunities for young men and women through knowledge and action. The W4Y Publications Series covers national reports, with main survey findings and details on current national policy interventions in the area of youth employment, regional synthesis reports that highlight regional patterns in youth labour market transitions and thematic explorations of the datasets.

Work4Youth



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