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SMALL MATTERS

Global evidence on the contribution
to employment by the self-employed,
micro-enterprises and SMEs



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Foreword

How relevant are micro-, small and medium-sized enterprises for the future of work? What about the self-employed?

How relevant are micro-, small and medium-sized enterprises for the future of work? What about the self-employed?

Until recently, relatively limited worldwide empirical evidence was available to answer the above questions. Many earlier studies relied on data from formally registered firms, leaving the informal economy, which in many countries is the largest contributor to employment, out of the picture. There has been growing recognition of the role, in particular, of self-employment and micro-enterprises in driving employment, yet the evidence base is still not well developed.

Drawing on a new ILO database, this report provides an up-to-date and realistic assessment of the contribution of self-employment and micro- and small enterprises (hereafter referred to as “small economic units”) to employment – both in the formal and the informal economy – across the globe. The estimates presented here are based on data from household, labour and other statistical surveys conducted in a representative set of 99 countries between 2009 and 2018, which were originally used to prepare the third edition of the ILO report *Women and men in the informal economy: A statistical picture* (2018).

The contribution of small economic units to worldwide total employment is significant, but there remain considerable challenges such as widespread informal employment (especially in developing countries), gender gaps, and issues related to the productivity and quality of the jobs offered by smaller firms. Examining these challenges was not within the scope of the research carried out for this report. In any case, there is still a lot that needs to be done to achieve a greater number of productive, formal and high-quality jobs in small economic units.

A proper understanding of the employment contribution of small economic units is key to advancing the ILO’s Decent Work Agenda and at least three of the United Nations Sustainable Development Goals (SDGs):

- SDG 1 (“End poverty in all its forms everywhere”), since employment is the main source of income for most households globally;
- SDG 8 (“Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”);
- SDG 10 (“Reduce inequality within and among countries”), which ties in with the ILO concept of Decent Work and its emphasis on enabling every member of society to participate in the creation of economic value and to enjoy the benefits of growth.

The vital role played by smaller enterprises in the employment creation process has been recognized in international labour instruments, particularly

the Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189), and also in the “Resolution concerning small and medium-sized enterprises and decent and productive employment creation” adopted by the International Labour Conference at its 104th Session in 2015.

This report was made possible by the availability of new data collected and organized by Florence Bonnet from the ILO’s Inclusive Labour Markets, Labour Relations and Working Conditions Branch (INWORK). Jan de Kok, from the consultancy Panteia, and Mario Berrios, from the Small and Medium Enterprises Unit within the ILO’s Enterprises Department, wrote the core text. Additional input, as well as comments, was provided by Merten Sievers, also from the Small and Medium Enterprises Unit.

We hope that this report will enrich discussions on job creation, particularly with regard to the major role played by small economic units and what this means for efforts in the areas of private sector development, poverty alleviation and Decent Work.

Dragan Radic

Head, Small and Medium Enterprises Unit
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Executive summary

This report examines worldwide evidence of the contribution that the self-employed¹ and enterprises of different size classes make to total employment. A key finding is that, globally, the self-employed and micro- and small enterprises (hereafter referred to as “small economic units”) account for the largest share of total employment.

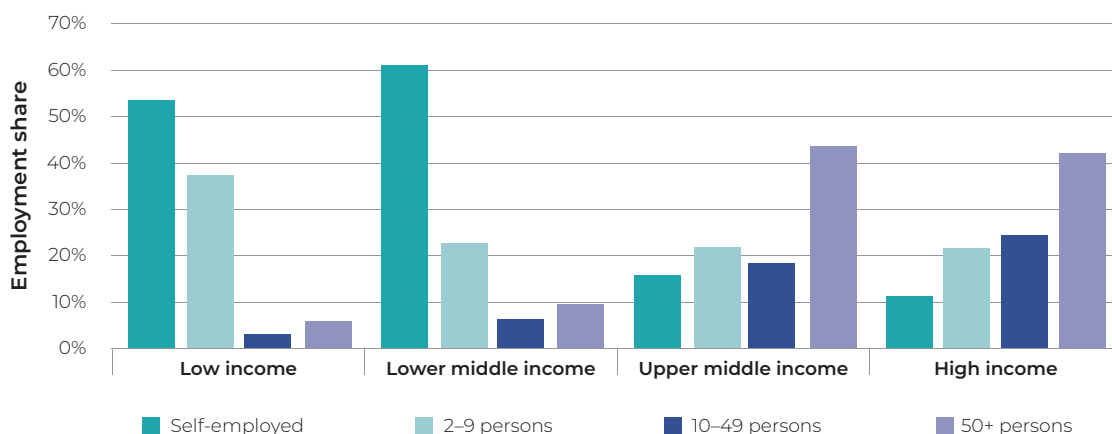
The estimates presented here are based on a new ILO database that draws on national household and labour force surveys (as opposed to firm-based surveys) from 99 countries in all the world regions except for North America. Because these surveys target people rather than firms, they are able to cover self-employment and employment in all types of enterprises:

- Enterprises from all size classes: micro-enterprises (with 2 to 9 employees), small enterprises (with 10 to 49 employees) and medium-sized/large enterprises (with 50 or more employees)²;
- Enterprises from the informal as well as the formal sector;
- Enterprises from agriculture, industry and services (including public services).

Small economic units altogether account for 70 per cent of total employment in the sample of 99 countries studied for this report.

To the best of our knowledge, this is the first time that the employment contribution of the self-employed and of micro-, small and medium-sized/large enterprises has been estimated for such a large group of countries – in particular, for low- and medium-income countries. Previous studies (e.g. ILO and GIZ, 2013) were hampered by a lack of data on the self-employed and micro-enterprises, which made it very difficult to obtain reliable estimates and to compare properly the employment shares of the various types of economic unit.

Employment share of the self-employed and different firm size classes, by country income group (%)³



Source: ILO calculations, August 2019.

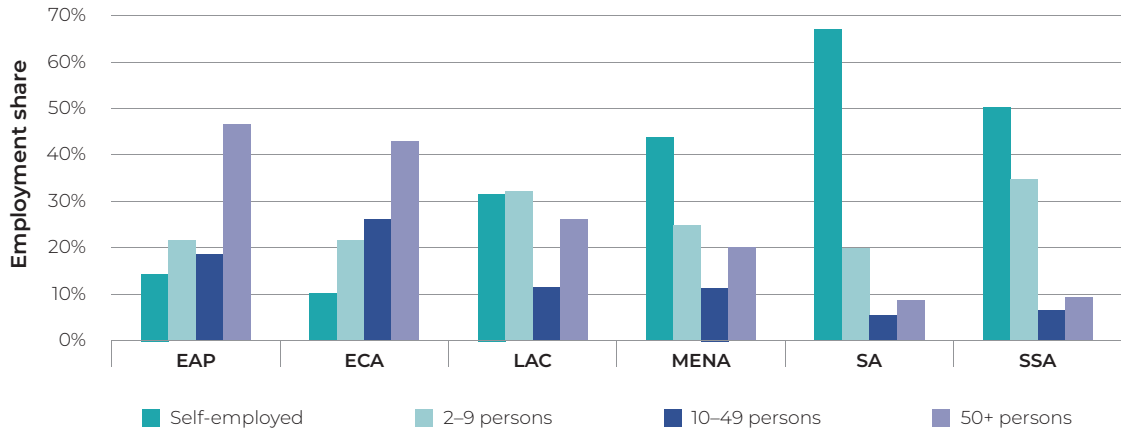
¹ In this report, the term “self-employment” refers to the subcategory of “independent workers without employees” as defined in the [Resolution concerning statistics on work relationships](#) adopted by the 20th International Conference of Labour Statisticians (ICLS) in 2018, and to “own-account workers” as defined in the [Resolution concerning the International Classification of Status in Employment \(ICSE\)](#) adopted by the 15th ICLS in 1993. For the purposes of this report, the term “self-employment” does not include employers (independent workers with employees).

² Because of the considerable divergence in the way that different countries report employment distribution, we have been obliged, for comparability purposes, to group medium-sized and large enterprises into a single category of enterprises with 50 or more employees.

³ In constructing the data set for each country in the sample, data from the latest available year between 2009 and 2018 were used. This applies to all calculations and figures presented in the report.

The combined employment share of small economic units decreases as a country's income level rises. This share is highest in countries in South Asia, Africa and the Middle East.

Employment share of the self-employed and different firm size classes, by region (%)



Note: EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SA = South Asia; SSA = sub-Saharan Africa.

Source: ILO calculations, August 2019.

The above-mentioned new ILO database covers both the formal and the informal sector, which makes it possible to estimate the employment contribution of informal enterprises as well.

Like the employment share of small economic units, the employment share of the informal sector is negatively correlated with per capita income, ranging from less than 5 per cent in several high-income countries to more than 90 per cent in several low-income countries.

The employment contribution of the informal sector is especially high in agriculture, which is dominated by the self-employed, almost all of whom work under informal arrangements.

The present report suffers from certain limitations relating to methodology, classification of firms, the set of countries for which data are available, and the lack of sex-disaggregated data, as explained in more detail later on. Nevertheless, it offers valuable large-scale empirical evidence on the contribution that enterprises of different size classes and the self-employed make to total employment.

Across the 99 countries in our sample, 62 per cent of total employment is to be found in the informal sector.

One of the main conclusions is that understanding the reality faced by small economic units is key to addressing the fundamental challenges of employment creation and job quality improvement. Supporting small economic units should be a central part of economic and social development strategies worldwide, but especially in low- and middle-income countries.

1. Introduction

This report presents and examines new worldwide estimates of the contribution made by the self-employed and by enterprises of different size classes to job creation in terms of their respective shares of total employment.

The self-employed are included in the analysis in view of the significant role that self-employment plays across the globe, particularly in developing countries. In this report, the self-employed are not treated as enterprises:⁴ they are included as a separate group for the purposes of comparing the contribution of different types of economic unit to total employment.

The data underlying the analysis are drawn from a new ILO database on employment and economic unit size, which has been constructed using information from household, labour force and other similar representative national surveys conducted in 99 countries. The data have been disaggregated by world regions, country income groups, sectors of economic activity, and formality/informality status.

Earlier studies (see Appendix V) have highlighted the significant share of self employment and micro- and small enterprises in total employment, but their scope is somewhat more limited. In this respect, the present report's principal contribution is that, thanks mainly to the above-mentioned new database, we are able to present employment statistics (estimates) for a large group of countries covering all sources and forms of employment. The estimates refer not only to employment in formal enterprises with at least five employees (i.e. the target group of the World Bank's Enterprise Surveys), but also to employment in agriculture, in enterprises with fewer than five employees, and in informal sector enterprises, and to the self-employed.

The report is structured as follows: the next chapter presents the data and the methodology used to estimate employment shares; Chapter 3 sets out the results of our analysis; and Chapter 4 offers some conclusions and considers the implications of our findings.

⁴ Many self-employed persons, however, are considered to be micro-enterprises and are often counted as such in statistics.



2. Data and methodology

This chapter describes the data set and the methodology we have used to examine the contribution to employment made by the self-employed and different firm size classes. First of all, though, we look at some common definitions and approaches used in earlier empirical studies to classify firms according to size. This is a prerequisite for explaining the theoretical framework that underpins our analysis.

Defining firm size classes

Official definitions versus statistical measures

Definitions of firm size classes are based on a combination of multiple criteria – for example, the size of the workforce, sales volume and the amount of capital invested. Two different sets of indicators are applied by the International Finance Corporation (IFC) and the European Commission (tables 2.1 and 2.2).

For statistical purposes, the number of employees is a practical and generally comparable yardstick. The thresholds used to distinguish micro-, small and medium-sized enterprises (MSMEs) from the size class of large enterprises vary according to countries' statistical approaches and economic situation. The most common upper thresholds are 100 and 250 employees but many other thresholds are used as well.⁵

Table 2.1. Micro-, small and medium-sized enterprises, as defined by the International Finance Corporation

Indicator	Firm size class*		
	Micro	Small	Medium
Employees	<10**	10<50	50<300
Total assets	< \$100,000	\$100,000 < \$3 million	\$3 million< \$15 million
Total annual sales	< \$100,000	\$100,000 < \$3 million	\$3 million< \$15 million

* An enterprise is included in a specific firm size class if it meets the relevant criteria under at least two of the three indicators.

** Another IFC study explicitly states that micro-enterprises should employ at least one employee (Kushnir, Mirmulstein and Ramalho, 2010), which means that the self-employed are excluded from that category.

Source: IFC (2012).

⁵ These values are taken from the MSME Country Indicators database, which is maintained by the IFC-managed SME Finance Forum and contains information on the number of formally registered MSMEs in almost all countries. See <https://finances.worldbank.org/dataset/MSME-Country-Indicators-2014/ksn2-wm6u>.

Table 2.2. Micro-, small and medium-sized enterprises, as defined by the European Commission

Indicator	Firm size class*		
	Micro	Small	Medium
Staff headcount (in annual work units)**	<10	<50	<250
Annual turnover	≤ €2 million	≤ €10 million	≤ €50 million
Annual balance sheet total	≤ €2 million	≤ €10 million	≤ €43 million

* An enterprise is included in a specific firm size class if it meets the relevant criteria under the headcount indicator and either one of the other two indicators (annual turnover or annual balance sheet total).

** The staff headcount is expressed in annual work units (AWUs), i.e. the number of persons who worked full-time within an enterprise, or on its behalf, during the entire reference year. Part-time staff, seasonal workers and those who did not work the full year are treated as fractions of one unit.

Source: EC (2015).

Are the self-employed and micro-enterprises part of the category of small and medium-sized enterprises?

Most empirical studies dealing with small and medium-sized enterprises (SMEs) in developing and emerging countries tend not to cover (or cover only to a limited extent) micro-enterprises and the self-employed. This is mainly because of the difficulty of identifying and surveying such economic units, many of which tend to operate informally. Indeed, only a handful of studies consider micro-enterprises and/or the self-employed when assessing the contribution of SMEs to employment creation.

As already noted, in this report the self-employed are not treated as an enterprise category.

ILO database on employment and economic unit size

The new ILO database on employment and economic unit size has been constructed using the data set underlying the third edition of *Women and men in the informal economy: A statistical picture* (ILO, 2018), which is based on household surveys, labour force surveys and similar national surveys. The development of this database was a major endeavour aimed at harmonizing the data and preparing internationally comparable statistics (see box 2.1). A full list of all the national surveys from which the data were compiled is to be found in table II.2 in Appendix II.

The 99 countries currently included in the database are from all world regions except North America. The data were collected between 2009 and 2018; for 90 per cent of the countries, the data are from 2012 or later.

The distribution of total employment across self-employment and the three firm size classes has been determined for each country. In addition, the employment shares for each of these categories have been disaggregated by formal and informal status, sector of economic activity (agriculture, industry and services), region and country income group. The relative shares of formal and informal employment are not considered, because the focus is on the three firm size classes and the self employed.⁶

⁶ This report deals with the employment contribution of the three firm size classes and the self-employed. Informal employment is a broader concept that includes informal workers operating outside the informal sector (i.e. in the formal sector or in households). While the informal sector is defined according to the characteristics of the enterprises in which economic activity takes place, informal employment refers to the nature of the employment relationship, which is beyond the scope of this study.

Box 2.1.

The ILO database on employment and economic unit size

The new ILO database containing statistics on employment and economic unit size was constructed using the data set underlying the third edition of the ILO report *Women and men in the informal economy: A statistical picture* (ILO, 2018).

To enhance international comparability, the report applied, as far as possible, a systematic approach to measuring informal employment and employment in the informal sector. Comparing countries according to the size of enterprises means (a) organizing the information by country; (b) obtaining information that covers all workers independently of their status or using filters for other workers and dealing with missing answers; and (c) ensuring consistency within data sets with other related variables such as the status in employment that identifies self-employed without employees.

Estimates were produced on the basis of a common set of operational criteria defined by the International Conference of Labour Statisticians. As a result, the statistics presented are comparable across countries and regions, but the ILO's country estimates may differ from national ones where those exist. Countries benefit from a certain degree of flexibility to adjust employment statistics to the national context while still complying with international standards.

In constructing the new database, the data set from ILO (2018) was expanded by adding the dimension of economic unit size. The data for the current sample of 99 countries are broken down into the self-employed and three different firm size classes:

- Micro-enterprises (with 2–9 employees);
- Small enterprises (with 10–49 employees);
- Medium-sized and large enterprises (with 50 or more employees).

More countries will be added to the database as it is developed further.

The results are weighted by total employment for each country.⁷ Thus, the employment shares of different economic unit categories for a specific country group (e.g. low-income countries) represent the employment shares for the group as a whole, rather than, say, the average or median shares for the countries within that group.⁸ Tables showing the employment distribution for the different firm size classes and the self-employed are included in Appendix I.

Limitations

Despite the ground-breaking nature of the ILO database underlying this report, there are certain limitations that need to be taken into account. First, it is built on information from surveys. Respondents to surveys may not always be willing or able to give a correct answer to every question (e.g. regarding the number of workers in the establishment they are working in). Second, the classification of firms according to size is restricted to just three classes, as the different ranges of employee numbers used in national surveys mean that it is not possible to distinguish between medium-sized and large enterprises. Third, in a number of countries, only a subset of all respondents were asked about the size of the establishment they were working in, which reduces the sample size and thus the reliability of the data. Where possible, corrections have been made to account for this. For example, respondents working in the public sector or in international organizations, who are often not asked about establishment size, have been assigned to the class of medium-sized and large enterprises (50 or more employees).

An additional limitation has to do with the set of countries for which data are available. The database covers a large number of countries, but some regions and income groups are still under-represented. Overall, the 99 countries in the sample account for 75 per cent of worldwide employment, with variations depending on regions and income groups. Thus, the low-income countries in the sample represent 54 per cent of total employment in that income group, compared with 79 per cent for the middle-income countries and 64 per cent for the high-income countries.⁹ Consequently, estimated global or regional employment shares for the self-employed or for a given firm size class may not tally with the values published in other ILO sources.¹⁰

Finally, it is worth noting that the data are not sex-disaggregated. This will be rectified in future updates of the database. Meanwhile, statistics on informal employment disaggregated, inter alia, by sex may be found in ILO (2018).

⁷ For each country, the employment statistics are weighted by total employment in the year in which the relevant data were collected. For most countries that is the only year for which information on total employment is available. The year of data collection varies between countries, which means that the weights do not have a common year of reference.

⁸ The earlier joint study by the ILO and GIZ (2013) on the contribution of SMEs to employment creation presented median employment shares for each group of countries, based on the World Bank Enterprise Surveys.

⁹ That the high-income countries in the sample account for just 64 per cent of total employment in that group is mainly due to the absence of data for the United States, Canada and Japan.

¹⁰ For example, the modelled ILO estimates of distribution of total employment by status in employment or by sector, contained in the ILOSTAT database: www.ilo.org/ilostat.



3 Estimates of the employment contribution of the self-employed and micro-, small and medium-sized/large enterprises

This chapter presents estimates of the shares in total employment of the self-employed and of enterprises of different size classes. These indicate that, in almost all of the 99 countries in the sample, the self-employed and micro- and small enterprises (i.e. small economic units) make up more than two-thirds of employment. Considerable differences, however, emerge across countries and regions, country income groups, sectors of economic activity, and formal and informal enterprises.

3.1 Employment shares broken down by regions and country income groups

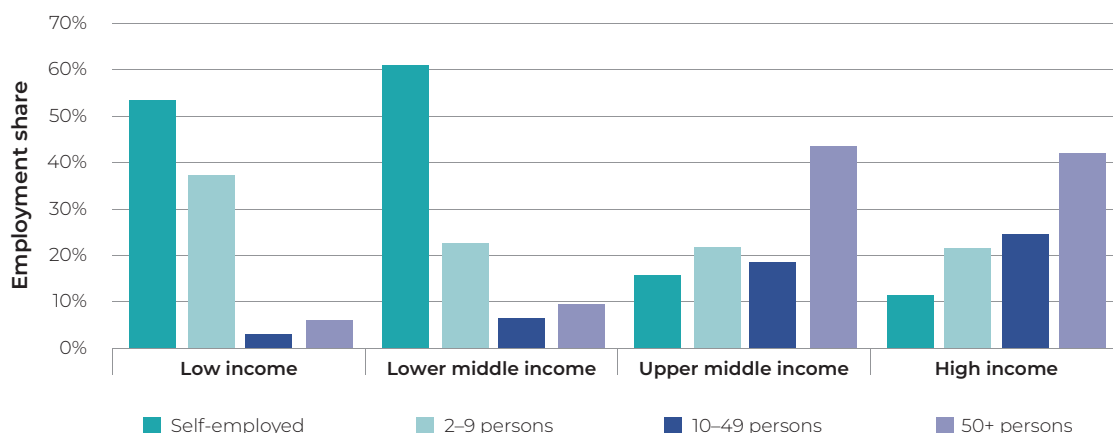
Previous studies have found that in the majority of developing and emerging countries, the SME size classes (enterprises with 5 to 249 employees) provide more employment than large enterprises. For example, the previous ILO report on the contribution of SMEs to employment found that the median employment share of the smallest firm size class (5–19 employees) ranged from 12 per cent in upper-middle-income countries to 22 per cent in low-income countries (ILO and GIZ, 2013).

The latest estimates indicate that over two-thirds (70 per cent) of total employment is provided by small economic units. The employment contribution of micro-enterprises, in particular, is considerably larger than previously reported (see box 3.1). Figure 3.1 below displays the employment shares of the self-employed and the various firm size classes for different country income groups.

The employment share of small economic units decreases with rising country income levels

At 54 per cent, the employment share of the self-employed in low-income countries is almost five times the share in high-income countries (11 per cent). Similarly, the employment share of micro-enterprises (2–9 employees) is much higher in low- and lower-middle-income countries than in upper-middle- and high-income countries. By contrast, the employment share of small enterprises (10–49 employees) jumps from 3 per cent in low-income countries to 25 per cent in high-income countries. Overall, though, the combined employment share of the self-employed and micro- and small enterprises decreases with rising country income level. The employment share of medium-sized and large enterprises, by contrast, increases with rising country income level.

Figure 3.1.
Employment share of the self-employed and different firm size classes, by country income group (%)*



* In constructing the data set for each country in the sample, data from the latest available year between 2009 and 2018 were used. This applies to all calculations and figures presented in the report.

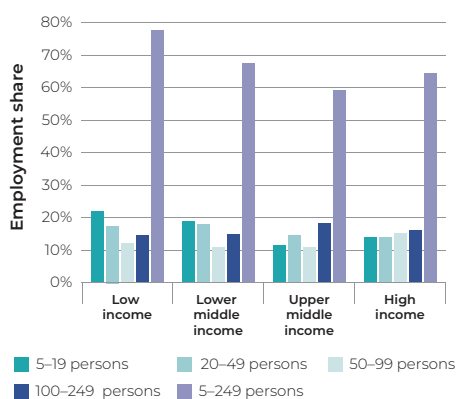
Source: ILO calculations, August 2019.

Box 3.1.

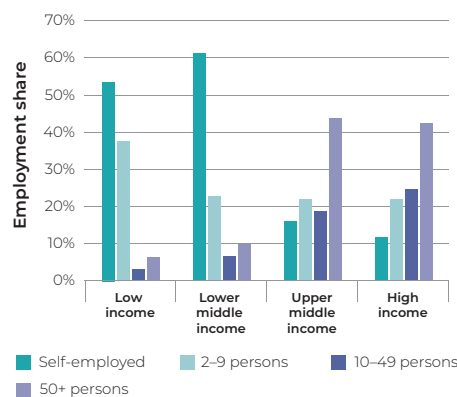
Previous underestimation of the employment share of the self-employed and micro-enterprises

Earlier studies, based on surveys of formal enterprises and other firm surveys, have significantly underestimated the contribution to employment made by the self-employed and by micro-enterprises, particularly in developing countries. Thus, in the previous ILO report on the contribution of SMEs to employment, which was based on analysis of data from World Bank Enterprise Surveys, the two smallest firm size classes – enterprises with 5–19 and 20–49 employees operating in the formal, non-agricultural economy – were estimated to have a combined employment share of around 40 per cent in low- and 38 per cent in lower-middle-income countries, as can be seen in panel A below:

Panel A
Employment share of different firm size classes (medians), by country income group (%), as reported by the ILO in 2013



Panel B
New estimates (2019) of the employment share of the self-employed and different firm size classes, by country income group (%)



Note: The figure is based on data from the World Bank Enterprise Surveys reported in Ayyagari, Dermirgüç-Kunt and Maksimovic (2011), table 1.

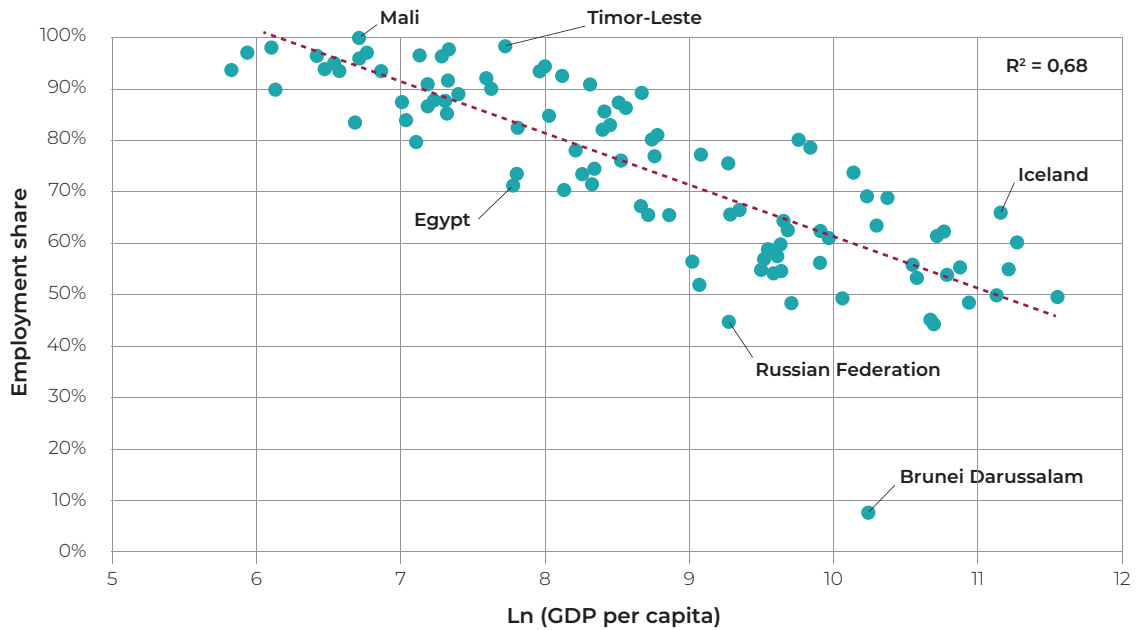
Source: ILO and GIZ (2013).

Source: ILO calculations, August 2019.

By contrast, the most recent estimates published in the present report (panel B), suggest that the self-employed and micro-enterprises alone have a combined share in total employment of between 80 and 90 per cent in low- and middle-income countries. The conclusion that the enterprise surveys, with their focus on firms in the formal sector, lead to under-representation of the employment contribution of micro- and small enterprises has been drawn before (see e.g. World Bank, 2012), and is corroborated by the results of this new ILO study.

Figure 3.2 shows the negative correlation between the combined employment share of the self-employed and micro- and small enterprises, on the one hand, and the income level of individual countries, measured as gross domestic product (GDP) per capita, on the other. (Box 3.2 explains why the employment share has been plotted against the natural logarithm of GDP per capita.) From this figure it can also be seen how in the majority of the countries for which data are available (90 out of 99), the employment share of small economic units is above the 50 per cent level.

Figure 3.2.
Combined employment share of the self-employed and micro- and small enterprises
against GDP per capita



Source: ILO calculations, August 2019.

The most notable outlier in this figure is Brunei Darussalam, where the self-employed and micro- and small enterprises make up less than 10 per cent of total employment. Egypt and the Russian Federation are two other countries in which the employment share of small economic units is below what one would expect from their GDP per capita. Countries in which the employment share of such units is above what one would expect from their GDP per capita include Timor-Leste, Iceland and Mali. The data for Mali even give the impression that the self-employed and micro- and small enterprises make up 100 per cent of total employment in the country.¹¹

¹¹ Evidently, none of the respondents who took part in the survey in Mali on which these statistics are based was employed in establishments or enterprises with more than 50 employees. Since the data source is a survey, this does not, of course, mean that medium-sized and large enterprises do not exist in Mali. It does suggest, however, that such enterprises (if present) account for only a very small share of total employment – otherwise, some of their employees would surely have been captured by the survey.

Box 3.2.

Studying the relationship between GDP per capita and the employment share of the self-employed and micro- and small enterprises

Figure 3.2 above plots the combined employment share of the self-employed and the two smallest firm size classes against the natural logarithm of GDP per capita rather than against GDP per capita itself.

Without such a transformation, the distribution of the observed values across the horizontal axis would be skewed. If GDP per capita were shown, that axis would range from \$0 to \$100,000. Since 59 countries have a GDP per capita of less than \$10,000, the observed values for all these countries would cluster on the far left. The right half of the horizontal axis (GDP per capita of \$50,000 and higher) would be relevant for only seven countries.

Conceptually, a linear relationship between the employment share and GDP per capita would imply that an increase in GDP per capita from \$10,000 to \$20,000 (i.e. a doubling of GDP per capita) would have the same effect on the employment share of the self-employed or a given firm size class as an increase from \$100,000 to \$110,000. Instead of such a linear relationship, however, non-linear behaviour is more likely and realistic. This can be represented by relating employment shares to the natural logarithm of GDP per capita. The correlation between the combined employment share of small economic units and the natural logarithm of GDP per capita is indeed considerably stronger than the correlation with GDP per capita.

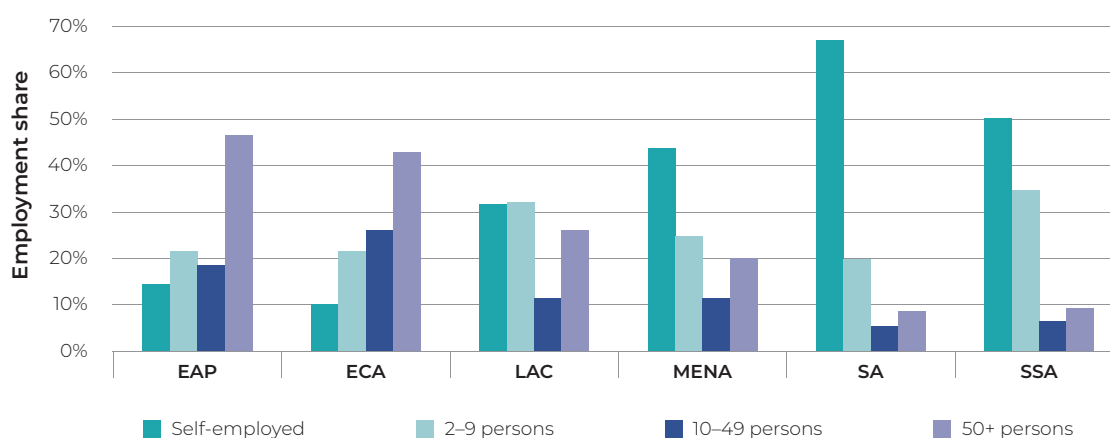
The employment share of the self-employed and micro-enterprises is highest in South Asia, Africa and the Middle East

A comparison of the different regions indicates that the share of self-employment in total employment is highest in South Asia (67 per cent), followed by sub-Saharan Africa (50 per cent) and the Middle East and North Africa (44 per cent) (figure 3.3). In each of these regions, the self-employed have the highest employment shares of all the size classes examined. Together, the self-employed and micro-enterprises account for almost 70 per cent of employment in the Middle East and North Africa, and for more than 80 per cent in both South Asia and sub-Saharan Africa. By contrast, medium-sized and large enterprises play a prominent role in East Asia and the Pacific and in Europe and Central Asia, where they account for 46 per cent and 43 per cent of employment, respectively.

At the country level, we have identified three broad patterns in the relationship between economic unit size and employment share:

- **“Decreasing”** pattern: in nine low- and lower-middle-income countries (mainly in sub-Saharan Africa), the employment share decreases with economic unit size, resulting in a right-skewed distribution.
- **“U-shaped”** pattern: in 21 countries, the employment share first decreases, but then increases with economic unit size. Small enterprises (10–49 employees) tend to have the

Figure 3.3
Employment share of the self-employed and different firm size classes, by region (%)



Note: EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SA = South Asia; SSA = sub-Saharan Africa

Source: ILO calculations, August 2019.

lowest employment share: it is not only lower than the employment share of micro-enterprises, but also lower than that of medium-sized and large enterprises.

- **“Increasing”** pattern: in 21 countries in Europe and Central Asia (mainly high-income countries), the employment share increases with economic unit size, resulting in a left-skewed distribution.

Most of the other countries have employment distributions according to economic unit size that closely resemble the above patterns. It should be noted, though, that the overall patterns may mask rather different distributions in each sector of economic activity, as can be seen in the plots for some countries in Appendix III.

3.2. Employment shares broken down by informal and formal sector

Employment in the informal sector¹² exceeds employment in the formal sector

Across the 99 countries included in the ILO database, it is estimated that, on average, 62 per cent of total employment is in the informal sector. The level of informal employment varies widely in individual countries, ranging from over 90 per cent in Madagascar, Mali, Benin and Côte d’Ivoire to less than 5 per cent in Brunei Darussalam and several European countries (Austria, Belgium, Switzerland, Ireland, Luxembourg and Denmark).

Although, in global terms, informal employment is a greater source of employment for men (63.0 per cent) than for women (58.1 per cent), women in the informal economy are more often exposed to vulnerable situations, for instance as domestic workers, home-based workers or contributing family workers. Developing countries have a higher proportion of women in informal employment than men: in Africa as a whole, for example, 89.7 per cent of employed women are in informal employment.

Distribution of formal and informal employment according to economic unit size

The following two figures show how formal and informal employment are distributed among two groups: (1) smaller economic units, i.e. the self-employed and micro- and small enterprises with 1–49 employees; and (2) larger economic units, i.e. medium-sized and large enterprises with more than 50 employees.

Figure 3.4 shows a clear positive correlation between the share of formal employment of medium-sized and large enterprises (the “larger units”) and country income levels – that is, the higher the country income level, the higher the share of formal employment of medium-sized and large enterprises. By contrast, a negative correlation is observed between the share of formal employment of smaller economic units and country income levels.

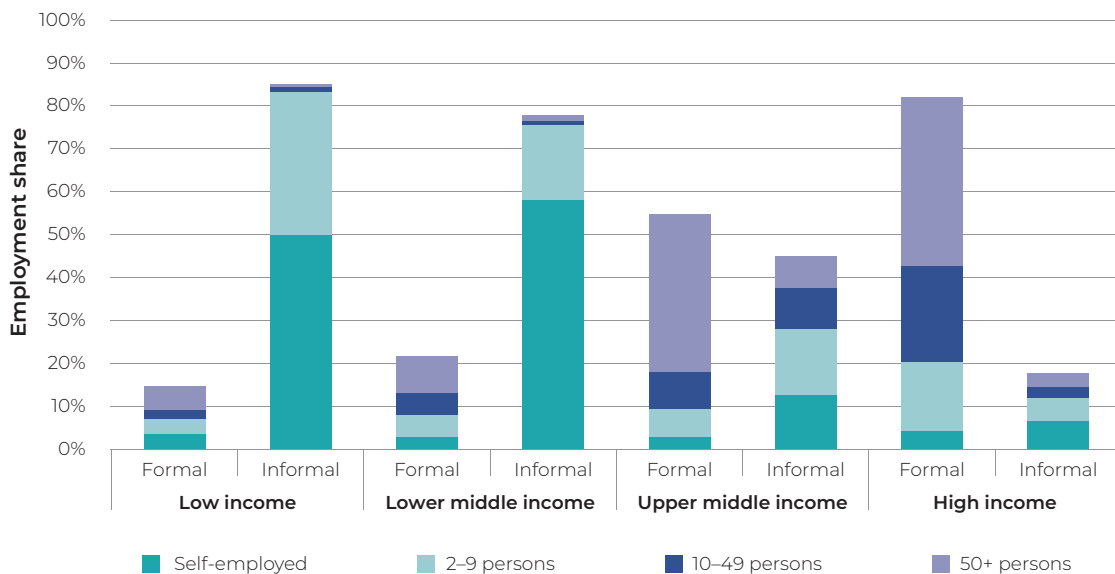
¹² In ILO (2018) it is noted that international standards distinguish between employment in the informal sector and informal employment. Employment in the informal sector is an enterprise-based concept and it is defined in terms of the characteristics of the place of work of the worker. By contrast, informal employment is a job-based concept and is defined in terms of the employment relationship and protections associated with the job of the worker. According to the international standards adopted by the 15th ICLS, the informal sector consists of units engaged in the production of goods or services with the primary objective of generating employment and incomes for the persons concerned. We have followed these definitions in the present report (see Appendix IV for more details).

The employment share of the informal sector decreases with income level

The employment distribution of the formal and informal sectors is shown in figure 3.5 for four different country income groups, with a further breakdown according to economic unit size.

The employment share of the informal sector is strongly related to country income levels, ranging from 85 per cent for low-income countries to 18 per cent for high-income countries. (The high-income group is the only group where employment in the formal sector exceeds that in the informal sector.) Unsurprisingly, employment in the informal sector occurs mainly among the self-employed and micro-enterprises. Nevertheless, medium-sized and large enterprises also contribute to employment in the informal sector.

Figure 3.5
Distribution of employment by sector (formal versus informal) and economic unit size, across country income groups (%)

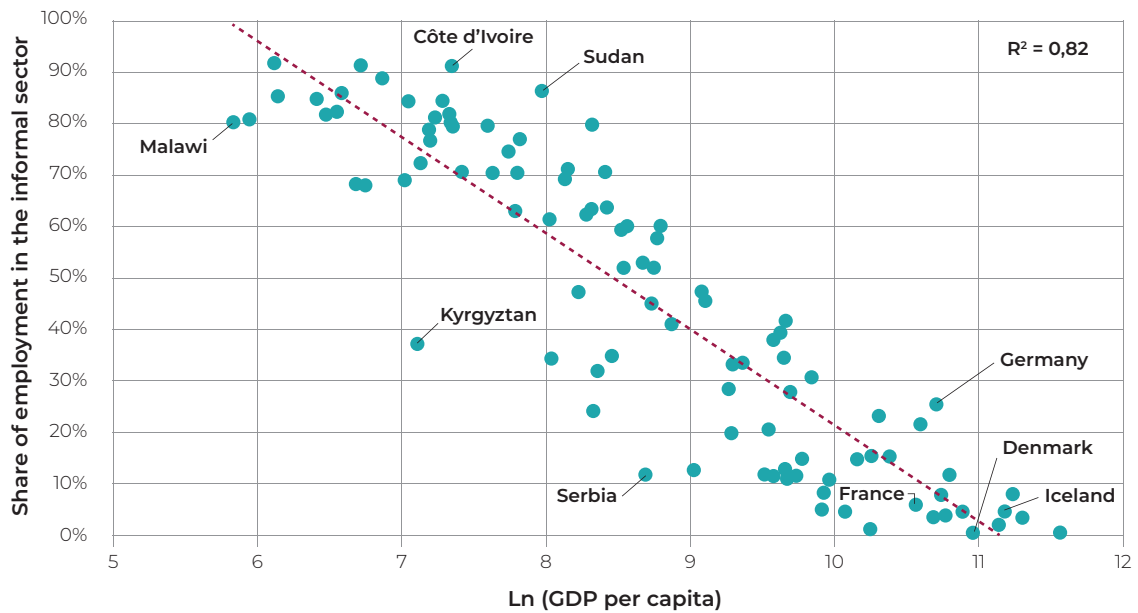


Source: ILO calculations, August 2019.

The negative relationship between the employment share of the informal sector and the income level of individual countries (in terms of GDP per capita) is further illustrated in figure 3.6. Despite this strongly negative correlation, there are also several outliers: countries in which the employment share of the informal sector is considerably higher or lower than would be expected for their income level. For example, GDP per capita in Côte d'Ivoire and the Sudan is considerably higher than in Malawi, and one would therefore expect the employment share of the informal sector in those two countries to be lower than in Malawi. However, the opposite is the case, which may be due to socio-political instability and/or other disruptive factors. Other noticeable outliers are Kyrgyzstan and Serbia, where the employment share of the informal sector is lower than one would expect from their income levels.¹³

¹³ It is important to bear in mind that the ILO database is cross-sectional in the sense that it is a compilation of data from national surveys, with the most recent data having been selected for each country in the sample of 99 countries. As such, the sample covers a wide range of national economic conditions and factors that determine the informality of economic units. Although the data clearly show an association between a country's income level and the employment share of the informal sector, that association cannot simply be interpreted as a causal relationship. For example, it is not legitimate to conclude that increasing the employment share of the formal sector will improve a nation's income level, or vice versa. It should also be noted once again that the data come from national household and labour force surveys, and that such surveys may use different sets of criteria to define informality.

Figure 3.6.
Share of employment in the informal sector against GDP per capita,
according to country data



Source: ILO calculations, August 2019.

The informal sector is largest in South Asia and sub-Saharan Africa

The ILO database indicates that in both South Asia and sub-Saharan Africa the informal sector accounts for 80 per cent of total employment. This result is consistent with the findings from a study by Fox and Sohnesen (2012) on employment in 13 sub-Saharan African countries. Using data from national household surveys, the authors analysed the distribution of employment in five types of economic unit. Their findings show that formal enterprises in the private and public sectors account for 13 per cent of employment, while 87 per cent of employment occurs in units associated with the informal sector.

3.3. Employment shares broken down by economic sector

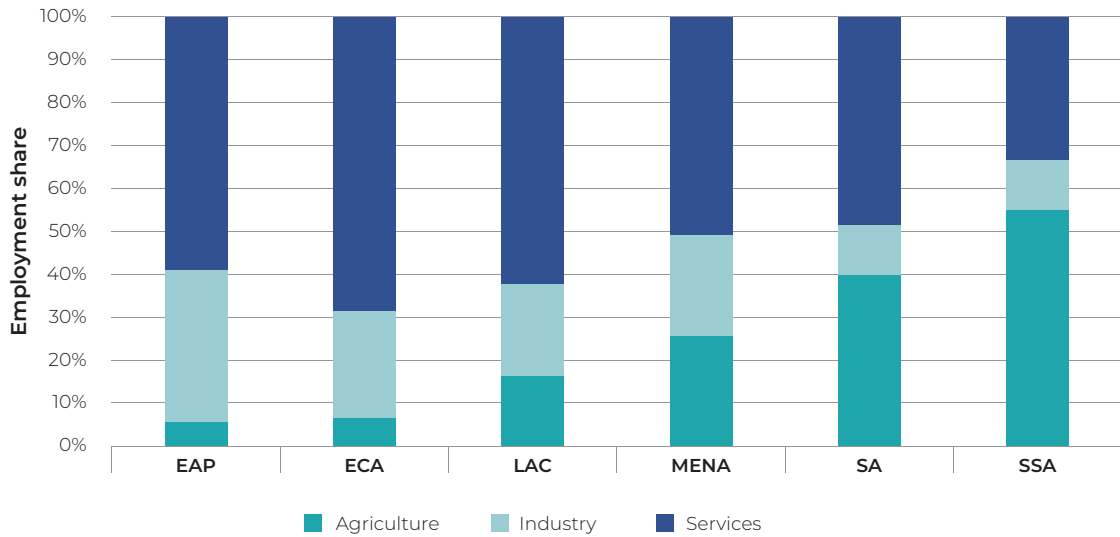
This section examines the relationship between employment in the three aggregate sectors of agriculture, industry and services, on the one hand, and the variables of economic unit size, region, and formality status of employment, on the other.

The employment distribution in the three sectors is shown in figure 3.7. The region with the largest employment share in industry (36 per cent) is East Asia and the Pacific. This region also has the lowest employment share in agriculture (5 per cent). By contrast, in sub-Saharan Africa, 55 per cent of total employment occurs in agriculture, and only 12 per cent in industry.

In line with trends observed in other studies, from figure 3.7 it can be seen that the higher the employment share of services, the lower the employment share of agriculture, and vice versa. For example, in the Niger and Madagascar, 75 per cent of total employment is in agriculture and 15 per cent in services. In developed countries such as Ireland, the Netherlands and Denmark, less than 5 per cent of total employment is in agriculture and over 80 per cent in services.

The employment shares of agriculture and services are related to a country's income level. For agriculture, this relationship is illustrated in figure 3.8. It is, however, also necessary to consider the question of sector productivity, as some countries with a small share of agricultural employment have an economically important and export-oriented agricultural sector. Conversely, there are countries with a large share of agricultural employment in which the contribution of agriculture to GDP is low or modest.

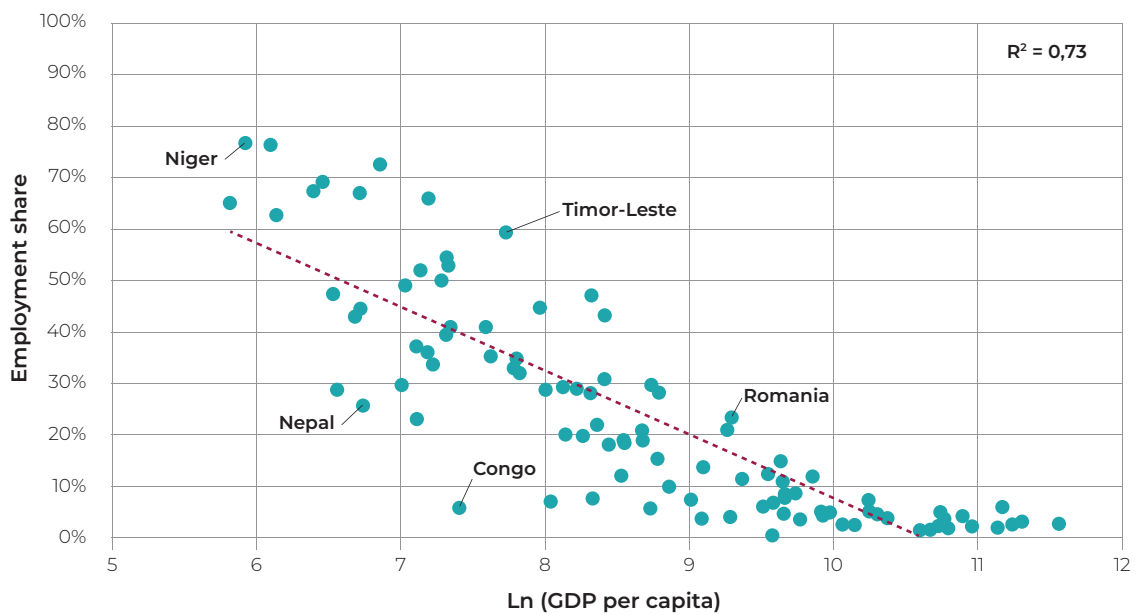
Figure 3.7.
Employment distribution by sector (agriculture, industry and services), across regions (%)



Note: EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SA = South Asia; SSA = sub-Saharan Africa

Source: ILO calculations, August 2019.

Figure 3.8.
Employment share of agriculture against GDP per capita



Source: ILO calculations, August 2019.

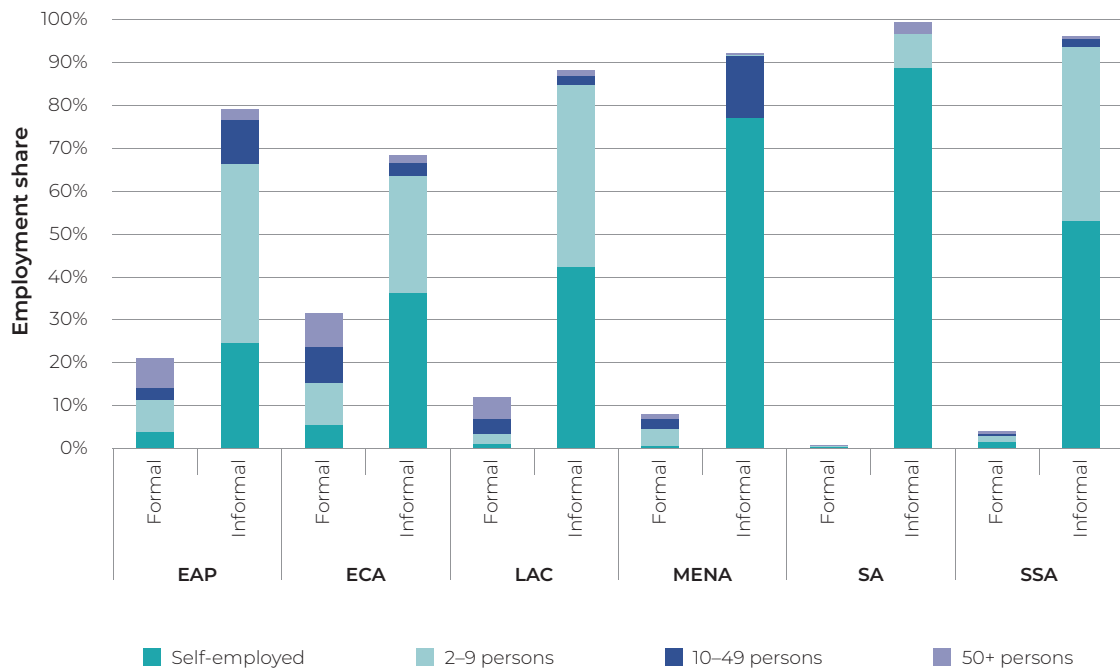
In the remainder of this section we examine employment distribution by economic unit size, and by formality status of employment, for each of the three main sectors of economic activity.

Employment distribution in the agricultural sector

Figure 3.9 displays the employment distribution for agriculture by economic unit size, and by formal and informal nature of employment, across different regions. A first observation that we can make is that in all the regions considered, the largest share of agricultural employment occurs in the informal sector. In South Asia and sub-Saharan Africa, this share exceeds 95 per cent. The largest share of agricultural employment in the formal sector is observed in Europe and Central Asia (>30 per cent), followed by East Asia and the Pacific (>20 per cent).

Turning to the size of economic units, we may observe that the self-employed and micro-enterprises together make up the largest employment shares in agriculture. In three regions, the self-employed alone account for more than half of total agricultural employment, namely in sub-Saharan Africa, and particularly in the Middle East and North Africa, and in South Asia. Higher levels of agricultural employment among medium-sized and large enterprises are observed mainly in East Asia and the Pacific, and in Europe and Central Asia. It should be noted, though, that in both regions these two firm size classes together account for less than 10 per cent of total employment in agriculture.

Figure 3.9.
Employment distribution in the agricultural sector by economic unit size, and by formality of employment, across regions (%)



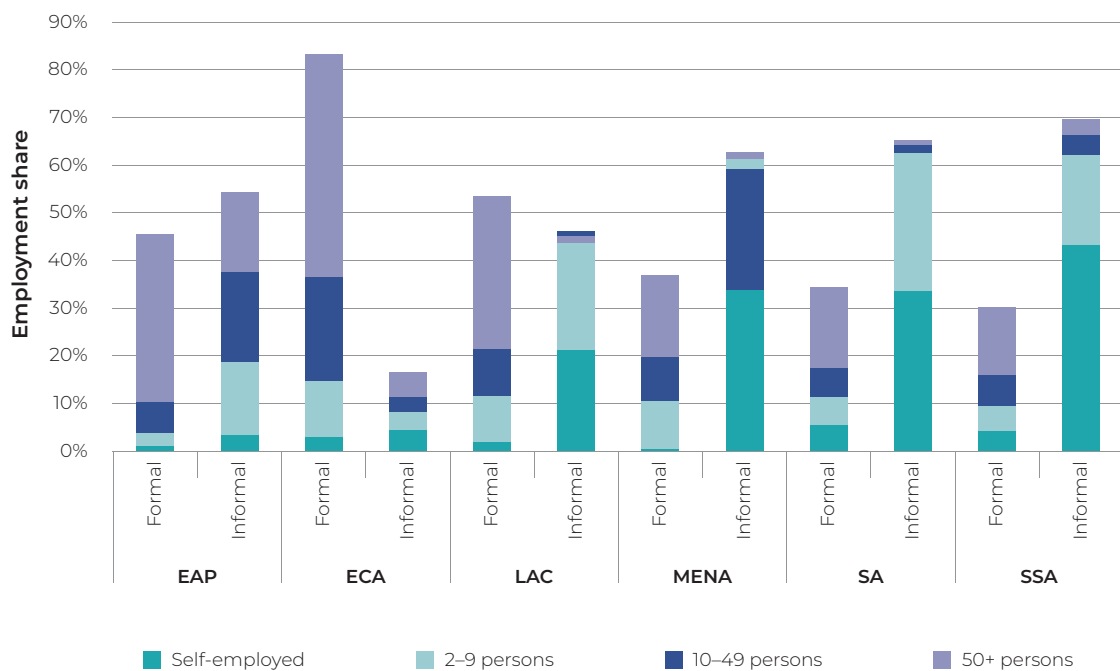
Note: EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SA = South Asia; SSA = sub-Saharan Africa

Source: ILO calculations, August 2019.

Employment distribution in the industrial sector

The employment distribution in the industrial sector (figure 3.10) differs considerably from that in agriculture. In particular, the employment share of medium-sized and large enterprises is higher in industry – especially in East Asia and the Pacific, and in Europe and Central Asia, where such firms account for more than 50 per cent of industrial employment (formal and informal). In the other regions, the self-employed and micro-enterprises account for more than 50 per cent of employment in industry.

Figure 3.10.
Employment distribution in the industrial sector by economic unit size, and by formality of employment, across regions (%)



Note: EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SA = South Asia; SSA = sub-Saharan Africa

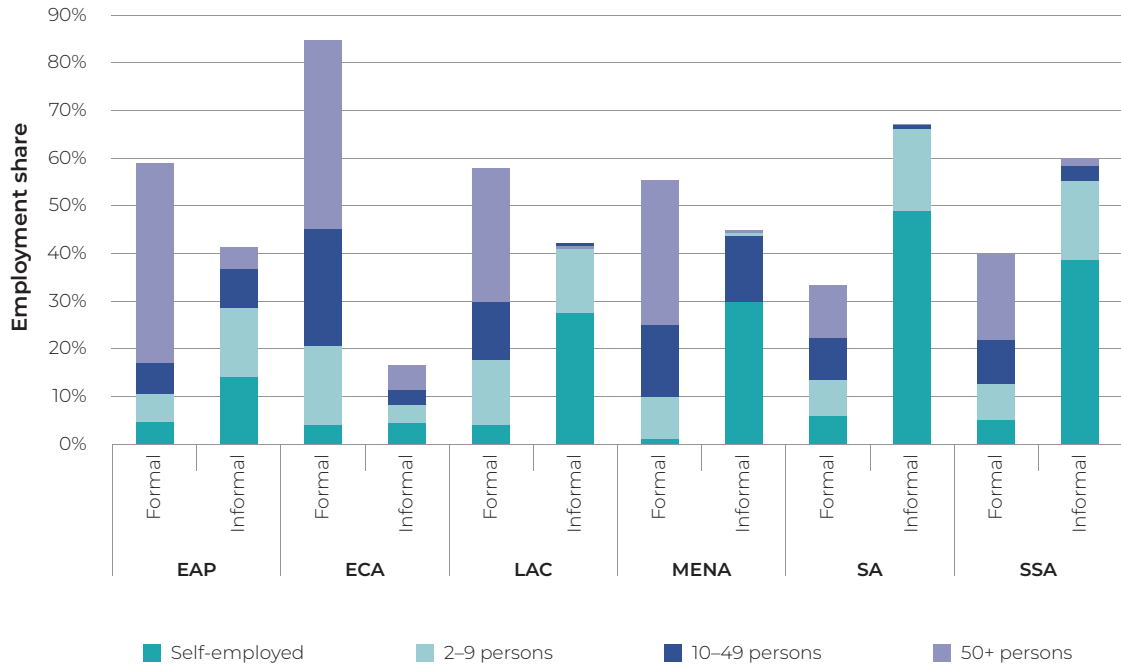
Source: ILO calculations, August 2019.

The higher employment share of medium-sized and large enterprises in industry probably explains the greater prevalence of formal employment in that sector, since larger firms are more likely to operate in the formal market than smaller ones. Although for most regions the share of industrial employment in the informal sector is higher than that in the formal sector, the differences are not as large as in the case of agriculture.

Employment distribution in the services sector

The employment distribution in the services sector (figure 3.11) shows some similarities to the distribution in industry. Although the employment share of medium-sized and large enterprises in services is not as high as in industry, those two firm size classes still account for a considerable share of total employment in the services sector.

Figure 3.11.
Employment distribution in the services sector by economic unit size,
and by formality of employment, across regions (%)



Note: EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SA = South Asia; SSA = sub-Saharan Africa

Source: ILO calculations, August 2019.

On the other hand, the employment share of the formal sector in services is larger than in industry. This implies that comparatively more micro- and small enterprises in services belong to the formal sector. To some extent, the above finding is also influenced by the inclusion of public service activities in the formal services sector for the purposes of our database. It is, moreover, worth noting that in four out of six regions, the formal sector accounts for more employment than the informal sector (the exceptions are South Asia and sub-Saharan Africa). In the industrial sector, this is only the case for two regions.

In Latin America and the Caribbean, the Middle East and North Africa, South Asia, and sub-Saharan Africa, the informal services sector is dominated by the self-employed and by microenterprises. The share of employment in the informal services sector that can be attributed to larger enterprises is negligible.



4. Conclusions and implications

Most previous studies on the employment contribution of economic units of various sizes in developing and emerging economies were unable to draw on comparable data on the number of the self-employed, or on employment in micro-enterprises, in agriculture and in the informal sector. The previous ILO report on the contribution of SMEs to employment (ILO and GIZ, 2013) is no exception in that respect. Thanks to the new ILO database underlying the present report, those omissions can now be rectified.

According to the new estimates presented in Chapter 3, the self-employed and micro- and small enterprises together account for 70 per cent of total employment in the sample of 99 countries covered by the database. In many countries, the two smallest economic units – the self-employed and micro-enterprises – make up more than 50 per cent of total employment.

The employment share of different economic units varies across regions, but even more so across country income groups. As far as high-income countries are concerned, previous studies had already established that MSMEs considered jointly account for a significant share of total employment. This is confirmed by the latest estimates, which indicate that 58 per cent of total employment in high-income countries occurs among the self-employed and in micro- and small enterprises.

In low- and middle-income countries, where the majority of the global population resides, the employment share of small economic units is considerably higher. A negative correlation exists between countries' level of GDP per capita and the employment share of the self-employed and micro- and small enterprises. For countries with the lowest income levels, this share comes close to 100 per cent, which means that hardly any employment occurs in firms with 50 or more employees. This concentration of employment in the smallest economic units is driven mainly by the high number of self-employed persons. The regions with the highest employment share of self-employment are South Asia (66 per cent), sub-Saharan Africa (50 per cent) and the Middle East and North Africa (44 per cent).

The new estimates also allow us to examine the employment contribution of economic units from the informal sector, in which 62 per cent of total employment is estimated to occur. The employment share of the informal sector is positively correlated with the employment share of the self-employed and micro- and small enterprises. Further, the employment share of the informal sector is negatively correlated with GDP per capita, ranging from less than 5 per cent in several high-income countries to more than 90 per cent in several low-income countries.

The regions with the highest employment share of self-employment also exhibit the highest employment share of the informal sector and the highest share of employment in agriculture. Sub-Saharan Africa and South Asia are

characterized in particular by a high employment share of self-employment in agriculture. Almost all self-employment is concentrated in the informal sector. In other regions, agricultural employment is also predominantly located in the informal sector. Compared with agriculture, the employment share of the formal sector is considerably higher in industry and services, but even so, in most developing economies, the formal sector often accounts for less than half of total employment.

In summary, the new ILO database provides empirical evidence that the smallest enterprises and the self-employed, largely in the informal sector, are by far the most important drivers of employment. This finding is highly relevant to the design of programmes aimed at promoting job creation, start-ups, and the formalization of enterprises and of the workers they employ. Key aspects of the world of work, such as job creation, job quality and enterprise productivity, need to be considered from the perspective of the smallest economic units, for these represent the largest share of employment.

Among the implications of the fact that the smallest economic units account for the largest share of employment, we may note the following:

- **ILO instruments should continue to guide programmes aimed at MSME promotion:** The Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189); the “Resolution concerning small and medium-sized enterprises and decent and productive employment creation” adopted by the International Labour Conference at its 104th Session (2015); the Social Protection Floors Recommendation, 2012 (No. 202); the “Conclusions concerning the promotion of sustainable enterprises” adopted by the International Labour Conference at its 96th Session (2007); the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up (1998); the ILO Declaration on Social Justice for a Fair Globalization (2008); the “ILO strategy on promoting women’s entrepreneurship development” (2008); and the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) are all relevant guidance documents for the promotion of MSMEs.
- **Sense of urgency:** The ILO Centenary Declaration for the Future of Work, adopted by the International Labour Conference at its 108th Session in 2019, states: *“It is imperative to act with urgency to seize the opportunities and address the challenges to shape a fair, inclusive and secure future of work with full, productive and freely chosen employment and decent work for all”*. Understanding the reality faced by the self-employed and by micro- and small enterprises is key to addressing the fundamental challenges of employment creation and job quality improvement. Supporting small economic units should be a central part of economic and social development strategies worldwide, but especially in low- and middle-income countries.
- **Job quantity and job quality must be considered jointly:** Any MSME policy needs to strike the right balance between job quantity and job quality. Whilst there is solid empirical evidence that micro- and small enterprises are major drivers of job creation, it is still not well understood how differences in the size of enterprises affect the quality of the jobs they offer. Moreover, decent work deficits are more pronounced in the informal economy where the smallest firms tend to operate. Further empirical research is required on job quality in small enterprises and on how the dynamics of firm growth relate to job quality. Is it, for example, realistic to expect a large number of micro-enterprises to grow and achieve formality, or is there a way of identifying the few enterprises that are likely to grow and channelling support to these?
- **Promoting an enabling environment for MSMEs:** The major role played by an enabling environment in supporting the private sector as a principal source of economic growth and job creation has been repeatedly underlined by the ILO; most recently, it was spelled out in the ILO Centenary Declaration for the Future of Work (2019). In order to promote such an enabling environment, it is essential to understand better the specific challenges faced by MSMEs

and also the institutional mechanisms, laws and regulations that need to be in place.

- **Effective business representation:** Employer and business membership organizations (EBMOs) serve as a critical link between enterprises and governments. Such organizations design and provide services, advice and advocacy support with a view to fostering an enabling environment for the development of sustainable enterprises, which is a cornerstone of decent job creation. EBMOs in developing countries should continue their efforts to increase the representation of micro- and small enterprises, establish a conducive business environment, facilitate access to finance and, where necessary, encourage enterprises' transition to the formal economy. The ILO, for its part, should continue working on: (a) strengthening EBMOs' capacity; and (b) supporting EBMOs in the design of comprehensive strategies and policies to enhance productivity growth as a key enabler of employment and decent job creation.
- **Effective worker representation:** As decent work deficits are generally more pronounced in smaller enterprises, trade unions should continue to advocate an inclusive policy framework for micro- and small enterprises and support the formalization of enterprises. The focus, in particular, should be on increasing trade union membership by conducting public awareness campaigns, using new technologies and strengthening the capacity of local trade unions. Extending collective agreements to all workers in the relevant sector irrespective of their employment status (formal or informal) is essential to reduce decent work deficits. A more thorough examination of the best ways of organizing and representing workers in micro- and small enterprises is required.
- **Effectiveness of social dialogue:** It is necessary to explore how social dialogue at the meso and macro level can help improve working conditions and productivity in micro- and small enterprises.
- **Factors affecting productivity:** Understanding how enterprise productivity is shaped by a wider "ecosystem" is essential if the full potential of MSMEs to support business growth and the creation of decent jobs is to be unlocked. It is important to address both internal productivity factors at the enterprise level (e.g. labour, management practices and processes) and external factors at the meso and macro level (e.g. regulations, access to finance, access to digital infrastructure, availability of skilled labour).
- **Transition to formality:** Given the prevalence of informality among the self-employed and micro- and small enterprises, it is important to identify ways of fostering their development and growth, and of enabling them to create decent job opportunities. Experience has shown that the transition to formality is best achieved through an integrated and long-term approach rather than through short, piecemeal interventions (see the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)).
- **More and better data:** Continued efforts to collect more and higher-quality data (disaggregated according to several attributes) are required to enable a more accurate determination of the extent of employment in enterprises of different size classes, which is important for governments, employers' and workers' organizations, donors and implementing agencies in the field of development cooperation. Sex-disaggregated data are key to understanding gender dynamics and designing policies to support female entrepreneurs and the empowerment of women.
- **Access to markets:** Providing the smallest economic units with access to markets and including them in value chains are vital not just for private sector development and formalization, but also for poverty alleviation.
- **Development of women's entrepreneurship:** Policies that advance the economic empowerment of women and provide female entrepreneurs with access to markets and support services will continue to be key to achieving improved performance and productivity, and to reducing the gender gap in the labour market.

- **Environmental sustainability:** Climate and environmental change bring new opportunities and challenges for enterprises. It is essential to enhance the resilience of businesses, in particular MSMEs, so as to prevent disruption of economic activity and loss of assets, jobs and incomes. In order to seize the new business and market opportunities, governments and social partners can work together to provide targeted business information and advice on green business practices, eco-innovation and regulatory systems and on how to achieve compliance and in easily accessible formats such as user-friendly toolkits.



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Appendix I: Employment distribution by size of economic unit

Table I.1.
Employment distribution by size of economic unit and formality
(weighted average for each country income group)

Employment share	Country income groups*			
	Low income	Lower-middle	Upper-middle	High income
By size of economic unit				
Self-employed	53.5%	61.2%	15.8%	11.4%
Micro-enterprises	37.4%	22.7%	21.9%	21.7%
Small enterprises	3.0%	6.5%	18.6%	24.5%
Medium-sized and large enterprises	6.1%	9.6%	43.7%	42.4%
Total	100%	100%	100%	100%
By formality and size of economic unit				
Formal sector				
Self-employed	3.7%	3.2%	3.0%	4.6%
Micro-enterprises	3.9%	5.1%	6.5%	16.2%
Small enterprises	1.9%	5.3%	8.7%	22.1%
Medium-sized and large enterprises	5.5%	8.4%	36.5%	39.3%
Informal sector				
Self-employed	49.8%	58.1%	12.8%	6.8%
Micro-enterprises	33.5%	17.6%	15.4%	5.5%
Small enterprises	1.1%	1.2%	9.8%	2.4%
Medium-sized and large enterprises	0.6%	1.2%	7.2%	3.1%
Total	100%	100%	100%	100%

* See Appendix II for an overview of all the countries included in the ILO database on employment and economic unit size.

Table I.2.
Employment distribution by size of economic unit, formality and economic activity
(weighted average for each region)

Employment share	Region*					
	EAP	ECA	LAC	MENA	SA	SSA
By size of economic unit						
Self-employed	14.1%	10.0%	31.3%	43.7%	66.5%	50.0%
Micro-enterprises	21.3%	21.4%	31.7%	24.7%	19.6%	34.3%
Small enterprises	18.6%	25.8%	11.1%	11.5%	5.3%	6.5%
Medium-sized and large enterprises	46.0%	42.8%	25.9%	20.1%	8.6%	9.3%
Total	100%	100%	100%	100%	100%	100%
By economic activity						
Agriculture	5.4%	6.4%	16.2%	25.6%	40.1%	54.9%
Industry	35.8%	25.1%	21.7%	23.5%	11.3%	11.6%
Services	58.8%	68.5%	62.1%	50.9%	48.6%	33.5%
Total	100%	100%	100%	100%	100%	100%
By economic activity, formality and size of economic unit						
Agriculture						
Formal sector						
Self-employed	3.7%	5.3%	0.8%	0.2%	0.3%	1.5%
Micro-enterprises	4.6%	9.9%	3.3%	1.4%	0.1%	0.2%
Small enterprises	2.1%	8.5%	2.0%	0.8%	0.1%	0.3%
Medium-sized and large enterprises	4.7%	7.8%	4.2%	0.8%	0.1%	0.6%
Informal sector						
Self-employed	24.7%	36.0%	42.0%	76.9%	88.6%	52.9%
Micro-enterprises	44.6%	27.4%	41.8%	17.4%	8.3%	42.0%
Small enterprises	11.1%	3.1%	4.2%	2.0%	0.1%	1.8%
Medium-sized and large enterprises	4.6%	1.9%	1.8%	0.4%	2.5%	0.7%
Total	100%	100%	100%	100%	100%	100%

Employment share	Region*					
	EAP	ECA	LAC	MENA	SA	SSA
Industry						
Formal sector						
Self-employed	0.9%	2.8%	1.7%	0.4%	5.4%	4.1%
Micro-enterprises	2.8%	12.3%	10.1%	10.4%	6.1%	5.7%
Small enterprises	6.6%	21.5%	9.8%	9.1%	5.8%	6.4%
Medium-sized and large enterprises	35.2%	46.8%	32.1%	17.3%	17.4%	14.2%
Informal sector						
Self-employed	3.5%	4.4%	21.2%	34.0%	33.7%	43.2%
Micro-enterprises	15.4%	4.1%	22.9%	25.3%	29.3%	19.3%
Small enterprises	18.9%	3.0%	1.3%	2.3%	1.6%	4.2%
Medium-sized and large enterprises	16.6%	5.2%	0.9%	1.3%	0.7%	3.0%
Total	100%	100%	100%	100%	100%	100%
Services						
Formal sector						
Self-employed	4.7%	4.0%	3.9%	1.2%	5.9%	5.0%
Micro-enterprises	6.0%	16.6%	14.0%	8.9%	7.9%	7.9%
Small enterprises	6.6%	24.3%	12.0%	15.2%	8.4%	9.2%
Medium-sized and large enterprises	41.4%	39.5%	28.0%	30.0%	11.1%	17.7%
Informal sector						
Self-employed	14.0%	4.1%	27.3%	30.0%	48.6%	38.6%
Micro-enterprises	14.5%	5.1%	13.7%	13.7%	17.3%	16.6%
Small enterprises	8.3%	3.3%	0.5%	0.8%	0.6%	3.1%
Medium-sized and large enterprises	4.5%	3.0%	0.6%	0.3%	0.2%	2.0%
Total	100%	100%	100%	100%	100%	100%

* EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SA = South Asia; SSA = sub-Saharan Africa.

See Appendix II for an overview of all the countries included in the ILO database on employment and economic unit size.

Table I.3.
Employment distribution by size of economic unit and formality
(unweighted median for each country income group)

Employment share	Country income groups*			
	Low income	Lower-middle	Upper-middle	High income
By size of economic unit				
Self-employed	62%	45%	26%	10%
Micro-enterprises	30%	34%	27%	20%
Small enterprises	4%	10%	15%	27%
Medium-sized and large enterprises	5%	12%	29%	42%
By formality and size of economic unit				
Formal sector				
Self-employed	4%	2%	4%	4%
Micro-enterprises	3%	5%	12%	17%
Small enterprises	2%	6%	14%	26%
Medium-sized and large enterprises	3%	11%	26%	41%
Informal sector				
Self-employed	57%	41%	21%	5%
Micro-enterprises	28%	26%	14%	3%
Small enterprises	1%	2%	1%	1%
Medium-sized and large enterprises	1%	1%	0%	1%

* See Appendix II for an overview of all the countries included in the ILO database on employment and economic unit size.

Table I.4.
Employment distribution by size of economic unit, formality and economic activity
(unweighted median for each region)

Employment share	Region*					
	EAP	ECA	LAC	MENA	SA	SSA
By size of economic unit						
Self-employed	21%	10%	32%	24%	47%	53%
Micro-enterprises	19%	20%	30%	40%	36%	30%
Small enterprises	14%	27%	12%	14%	4%	7%
Medium-sized and large enterprises	25%	40%	24%	15%	8%	6%
By economic activity						
Agriculture	29%	4%	16%	20%	39%	49%
Industry	19%	23%	20%	23%	22%	12%
Services	52%	70%	63%	56%	40%	36%
By economic activity, formality and size of economic unit						
Agriculture						
Formal sector						
Self-employed	1%	7%	1%	0%	0%	0%
Micro-enterprises	1%	20%	5%	2%	0%	1%
Small enterprises	1%	14%	2%	3%	0%	1%
Medium-sized and large enterprises	1%	8%	6%	1%	0%	1%
Informal sector						
Self-employed	64%	22%	37%	37%	56%	57%
Micro-enterprises	18%	11%	30%	27%	40%	30%
Small enterprises	1%	0%	1%	1%	0%	2%
Medium-sized and large enterprises	0%	0%	0%	0%	0%	0%
Industry						
Formal sector						
Self-employed	2%	2%	2%	0%	2%	3%
Micro-enterprises	6%	12%	10%	13%	5%	5%

Employment share	Region*					
	EAP	ECA	LAC	MENA	SA	SSA
Small enterprises	7%	24%	11%	8%	6%	6%
Medium-sized and large enterprises	32%	51%	28%	8%	14%	8%
Informal sector						
Self-employed	13%	4%	23%	9%	21%	38%
Micro-enterprises	10%	2%	24%	32%	41%	19%
Small enterprises	6%	1%	1%	2%	2%	3%
Medium-sized and large enterprises	2%	1%	1%	0%	0%	3%
Services						
Formal sector						
Self-employed	4%	4%	5%	1%	6%	5%
Micro-enterprises	11%	19%	12%	14%	9%	8%
Small enterprises	10%	27%	12%	13%	3%	7%
Medium-sized and large enterprises	31%	37%	26%	22%	10%	12%
Informal sector						
Self-employed	20%	4%	28%	29%	40%	43%
Micro-enterprises	11%	3%	10%	14%	21%	18%
Small enterprises	2%	1%	0%	0%	1%	2%
Medium-sized and large enterprises	1%	1%	0%	0%	0%	1%

* EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SA = South Asia; SSA = sub-Saharan Africa.

See Appendix II for an overview of all the countries included in the ILO database on employment and economic unit size.

Appendix II: Country classifications and national surveys used in constructing the ILO database on employment and economic unit size

Table II.1.
**Country classification by income group and geographical region for countries covered
by the World Bank Enterprise Surveys and/or the ILO database on employment and economic
unit size**

Country	Income group	Region*	ILO database	World Bank Enterprise Surveys
Afghanistan	Low income	SA		X
Albania	Upper-middle income	ECA	X	X
Angola	Lower-middle income	SSA	X	X
Antigua and Barbuda	High income	LAC		X
Argentina	Upper-middle income	LAC	X	X
Austria	High income	ECA	X	
Azerbaijan	Upper-middle income	ECA		X
Bahamas	High income	LAC		X
Bangladesh	Lower-middle income	SA	X	X
Barbados	High income	LAC		X
Belarus	Upper-middle income	ECA		X
Belgium	High income	ECA	X	
Belize	Upper-middle income	LAC		X
Benin	Low income	SSA	X	X
Bhutan	Lower-middle income	SA		X
Bolivia, Plurinational State of	Lower-middle income	LAC	X	X
Bosnia and Herzegovina	Upper-middle income	ECA		X
Botswana	Upper-middle income	SSA		X
Brazil	Upper-middle income	LAC		X
Brunei Darussalam	High income	EAP	X	
Bulgaria	Upper-middle income	ECA	X	X
Burkina Faso	Low income	SSA	X	X
Burundi	Low income	SSA		X
Cabo Verde	Lower-middle income	SSA		X
Cambodia	Lower-middle income	EAP	X	X
Cameroon	Lower-middle income	SSA	X	X

Country	Income group	Region*	ILO database	World Bank Enterprise Surveys
Central African Republic	Low income	SSA		X
Chad	Low income	SSA		X
Chile	High income	LAC	X	X
China	Upper-middle income	EAP	X	X
Colombia	Upper-middle income	LAC	X	X
Congo	Lower-middle income	SSA	X	X
Congo, Democratic Republic of the	Low income	SSA	X	X
Costa Rica	Upper-middle income	LAC	X	X
Côte d'Ivoire	Lower-middle income	SSA	X	X
Croatia	Upper-middle income	ECA	X	X
Cyprus	High income	ECA	X	
Czech Republic	High income	ECA	X	X
Djibouti	Lower-middle income	MENA		X
Denmark	High income	ECA	X	
Dominica	Lower-middle income	LAC		X
Dominican Republic	Upper-middle income	LAC	X	X
Ecuador	Upper-middle income	LAC	X	X
Egypt	Lower-middle income	MENA	X	X
El Salvador	Lower-middle income	LAC	X	X
Eritrea	Low income	SSA		X
Estonia	High income	ECA	X	X
Eswatini	Lower-middle income	SSA		X
Ethiopia	Low income	SSA		X
Fiji	Upper-middle income	EAP		X
Finland	High income	ECA	X	
France	High income	ECA	X	
Gabon	Upper-middle income	SSA		X
Gambia	Low income	SSA	X	X
Georgia	Lower-middle income	ECA		X
Germany	High income	ECA	X	
Ghana	Lower-middle income	SSA	X	X
Greece	High income	ECA	X	
Grenada	Upper-middle income	LAC		X
Guatemala	Lower-middle income	LAC	X	X
Guinea	Low income	SSA		X
Guyana	Upper-middle income	LAC	X	X

Country	Income group	Region*	ILO database	World Bank Enterprise Surveys
Honduras	Lower-middle income	LAC	X	X
Hungary	High income	ECA	X	X
Iceland	High income	ECA	X	
India	Lower-middle income	SA	X	X
Indonesia	Lower-middle income	EAP		X
Iraq	Upper-middle income	MENA	X	X
Ireland	High income	ECA	X	
Israel	High income	MENA		X
Italy	High income	ECA	X	
Jamaica	Upper-middle income	LAC	X	X
Jordan	Lower-middle income	MENA	X	X
Kazakhstan	Upper-middle income	ECA		X
Kenya	Lower-middle income	SSA		X
Korea, Republic of	High income	EAP	X	
Kosovo ¹⁴	Upper-middle income	ECA		X
Kyrgyzstan	Lower-middle income	ECA	X	X
Lao People's Democratic Republic	Lower-middle income	EAP	X	X
Latvia	High income	ECA	X	X
Lebanon	Upper-middle income	MENA		X
Lesotho	Lower-middle income	SSA		X
Liberia	Low income	SSA	X	X
Lithuania	High income	ECA	X	X
Luxembourg	High income	ECA	X	
Madagascar	Low income	SSA	X	X
Malawi	Low Income	SSA	X	X
Mali	Low income	SSA	X	X
Mauritania	Lower-middle income	SSA	X	X
Mauritius	Upper-middle income	SSA		X
Mexico	Upper-middle income	LAC	X	X
Micronesia, Federated States of	Lower-middle income	EAP		X
Moldova, Republic of	Lower-middle income	ECA		X
Mongolia	Lower-middle income	EAP	X	X
Montenegro	Upper-middle income	ECA		X
Morocco	Lower-middle income	MENA	X	X

¹⁴ As defined in United Nations Security Council Resolution No. 1244 of 1999.

Country	Income group	Region*	ILO database	World Bank Enterprise Surveys
Myanmar	Lower-middle income	EAP	X	X
Namibia	Upper-middle income	SSA	X	X
Nepal	Low income	SA	X	X
Netherlands	High income	ECA	X	
Nicaragua	Lower-middle income	LAC		X
Niger	Low income	SSA	X	X
Nigeria	Lower-middle income	SSA		X
North Macedonia	Upper-middle income	ECA		X
Norway	High income	ECA	X	
Occupied Palestinian Territory	Lower-middle income	MENA	X	X
Pakistan	Lower-middle income	SA	X	X
Panama	Upper-middle income	LAC	X	X
Papua New Guinea	Lower-middle income	EAP		X
Paraguay	Upper-middle income	LAC	X	X
Peru	Upper-middle income	LAC	X	X
Philippines	Lower-middle income	EAP		X
Poland	High income	ECA	X	X
Portugal	High income	ECA	X	
Romania	Upper-middle income	ECA	X	X
Russian Federation	Upper-middle income	ECA	X	X
Rwanda	Low income	SSA		X
Saint Kitts and Nevis	Upper-middle income	LAC		X
Saint Lucia	Upper-middle income	LAC		X
Saint Vincent and the Grenadines	Upper-middle income	LAC		X
Samoa	Upper-middle income	EAP	X	X
Senegal	Low income	SSA	X	X
Serbia	Upper-middle income	ECA	X	X
Seychelles	High income	SSA	X	
Sierra Leone	Low income	SSA		X
Slovakia	High income	ECA	X	X
Slovenia	High income	ECA	X	X
Solomon Islands	Lower-middle income	EAP		X
South Africa	Upper-middle income	SSA	X	
South Sudan	Low income	SSA		X
Spain	High income	ECA	X	
Sri Lanka	Lower-middle income	SA	X	X

Country	Income group	Region*	ILO database	World Bank Enterprise Surveys
Sudan	Lower-middle income	SSA	X	X
Suriname	Upper-middle income	LAC		X
Sweden	High income	ECA	X	X
Switzerland	High income	ECA	X	
Tajikistan	Lower-middle income	ECA	X	X
Tanzania, United Republic of	Low income	SSA	X	X
Thailand	Upper-middle income	EAP		X
Timor-Leste	Lower-middle income	EAP	X	X
Togo	Low income	EAP		X
Tonga	Upper-middle income	EAP		X
Trinidad and Tobago	High income	LAC		X
Tunisia	Lower-middle income	MENA	X	X
Turkey	Upper-middle income	ECA	X	X
Uganda	Low income	SSA	X	X
Ukraine	Lower-middle income	ECA		X
United Kingdom	High income	ECA	X	
Uruguay	High income	LAC	X	X
Uzbekistan	Lower-middle income	ECA		X
Vanuatu	Lower-middle income	EAP		X
Venezuela, Bolivarian Republic of	Upper-middle income	LAC	X	X
Viet Nam	Lower-middle income	EAP		X
Yemen	Lower-middle income	MENA	X	X
Zambia	Lower-middle income	SSA	X	X
Zimbabwe	Low income	SSA	X	X

* EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SA = South Asia; SSA = sub-Saharan Africa.

Source: World Bank (2019); UN (2018).

Table II.2.
National surveys included in the ILO database on employment and economic unit size

Country	Year	Name of survey
Albania	2013	Labour Force Survey
Angola	2009	Inquérito Integrado sobre o Bem-Estar da População (IBEP)
Argentina	2017	Encuesta Permanente de Hogares (EPH)
Austria	2012	European Union Statistics on Income and Living Conditions (EU-SILC)
Bangladesh	2017	Labour Force Survey
Belgium	2016	EU-SILC
Benin	2011	Enquête Modulaire Intégrée sur les Conditions de Vie des Ménages (EMICOV)
Bolivia, Plurinational State of	2017	Encuesta de Hogares (EH)
Brunei Darussalam	2014	Labour Force Survey
Bulgaria	2012	EU-SILC
Burkina Faso	2014	Enquête Multisectorielle Continue (EMC)
Cambodia	2012	Labour Force Survey
Cameroon	2014	Enquête Camerounaise Auprès des Ménages (ECAM 3)
Chile	2017	Nueva Encuesta Nacional de Empleo (NENE)
China	2013	Chinese Household Income Project (CHIP)
Colombia	2015	Encuesta Nacional de Calidad de Vida (ECV)
Congo	2009	Enquête sur l'Emploi et le Secteur Informel au Congo (EESIC)
Congo, Democratic Republic of the	2012	Enquête Nationale sur l'Emploi et le Secteur Informel (ENESI)
Costa Rica	2017	Encuesta Nacional de Hogares (ENAHO)
Côte d'Ivoire	2016	Enquête Nationale sur la Situation de l'Emploi et le Secteur Informel (ENSESI)
Croatia	2012	EU-SILC
Cyprus	2012	EU-SILC
Czech Republic	2012	EU-SILC
Denmark	2012	EU-SILC
Dominican Republic	2016	Encuesta Nacional de Fuerza de Trabajo (ENFT)
Ecuador	2018	Encuesta Nacional de Empleo, Desempleo y Subempleo (ENEMDU)
Egypt	2016	Labour Force Survey
El Salvador	2017	Encuesta de Hogares de Propósitos Múltiples (EHPM)
Estonia	2012	EU-SILC
Finland	2012	EU-SILC
France	2012	EU-SILC
Gambia	2012	Gambia Labour Force Survey (GLFS)
Germany	2012	EU-SILC

Country	Year	Name of survey
Ghana	2015	Labour Force Survey
Greece	2012	EU-SILC
Guatemala	2016	Encuesta Nacional de Empleo e Ingresos (ENEI)
Guyana	2017	Guyana Labour Force Survey (GLFS)
Honduras	2017	Encuesta Permanente de Hogares de Propósitos Múltiples (EPHPM)
Hungary	2012	EU-SILC
Iceland	2012	EU-SILC
India	2012	Employment and Unemployment Survey (EUS)
Iraq	2012	Iraq Household Socio Economic Survey (IHSES)
Ireland	2015	EU-SILC
Italy	2012	EU-SILC
Jamaica	2014	Labour Force Survey
Jordan	2016	Integrated Labour Market Panel Survey (ILMPS)
Korea, Republic of	2014	Korean Labour and Income Panel Study (KLIPS)
Kyrgyzstan	2013	Life in Kyrgyzstan (LiK) Study
Lao People's Democratic Republic	2017	Labour Force Survey
Latvia	2012	EU-SILC
Liberia	2010	Labour Force Survey
Lithuania	2012	EU-SILC
Luxembourg	2012	EU-SILC
Madagascar	2015	Enquête Nationale sur l'Emploi et le Secteur Informel (ENESI)
Malawi	2012	Malawi Labour Force Survey (MLFS)
Mali	2016	Enquête Modulaire et Permanente auprès des Ménages (EMOP)
Mauritania	2012	Enquête Nationale de Référence sur l'Emploi et le Secteur Informel (ENRE-SI)
Mexico	2018	Encuesta Nacional de Ocupación y Empleo (ENOE)
Mongolia	2017	Labour Force Survey
Morocco	2010	Enquête auprès des Ménages et des Jeunes (EMJM)
Myanmar	2015	Labour Force Survey
Namibia	2016	Labour Force Survey
Nepal	2017	Nepal Labour Force Survey (NLFS)
Netherlands	2012	EU-SILC
Niger	2011	Living Standard and Monitoring Survey
Norway	2012	EU-SILC
Occupied Palestinian Territory	2017	Labour Force Survey
Pakistan	2018	Labour Force Survey
Panama	2017	Encuesta de Mercado Laboral (EML)

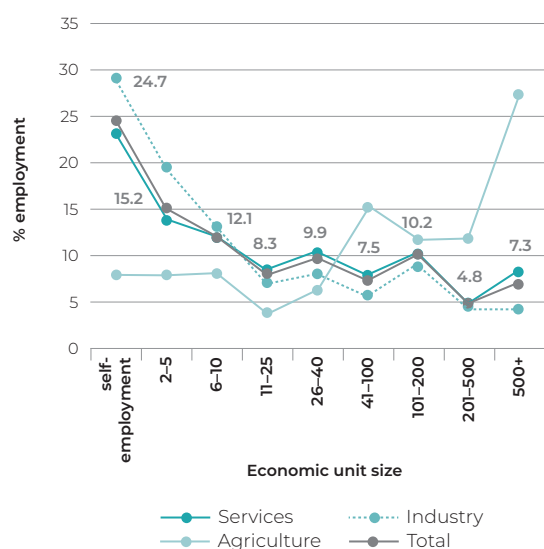
Country	Year	Name of survey
Paraguay	2017	Encuesta Permanente de Hogares (EPH)
Peru	2017	Encuesta Nacional de Hogares (ENAHO)
Poland	2012	EU-SILC
Portugal	2012	EU-SILC
Romania	2012	EU-SILC
Russian Federation	2014	Russia Longitudinal Monitoring Survey – Higher School of Economics (RLMSHSE)
Samoa	2017	Labour Force Survey
Senegal	2015	Enquête Nationale sur l'Emploi au Sénégal (ENES)
Serbia	2017	Labour Force Survey
Seychelles	2018	Labour Force Survey
Slovakia	2012	EU-SILC
Slovenia	2012	EU-SILC
South Africa	2018	Labour Force Survey
Spain	2012	EU-SILC
Sri Lanka	2016	Labour Force Survey
Sudan	2011	Labour Force Survey
Sweden	2012	EU-SILC
Switzerland	2012	EU-SILC
Tajikistan	2009	Tajikistan Living Standards Measurement Survey (TLSS)
Tanzania, United Republic of	2014	Integrated Labour Force Survey (ILFS)
Timor-Leste	2013	Labour Force Survey
Tunisia	2014	Labour market panel survey
Turkey	2015	Household Labour Force Survey (HLFS)
Uganda	2012	National Labour Force and Child Activities Survey (NLF&CAS)
United Kingdom	2012	EU-SILC
Uruguay	2017	Encuesta Continua de Hogares (ECH)
Venezuela, Bolivarian Republic of	2012	Encuesta de Hogares por Muestreo (EHM)
Yemen	2014	Labour Force Survey
Zambia	2008	Labour Force Survey
Zimbabwe	2011	Labour Force Survey

Appendix III: Selected country examples of employment distribution by economic unit size and sector

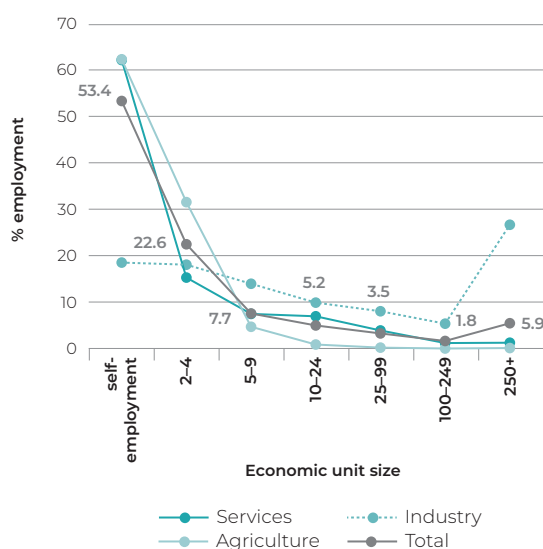
The employment distributions for selected countries shown below are based on national data and classifications of economic units by size, which allow for further disaggregation. A quasi-constant pattern in the agricultural sector is the decrease in share of total employment with increasing economic unit size, which is observed in nearly all countries except for Argentina and Costa Rica. By contrast, the distribution of employment in industry is U-shaped, also in lower-middle-income countries. In most, but not all, countries this is the sector with the lowest number of self-employed.

Distribution of total employment by economic unit size (national classification) and sector in selected countries, selected years

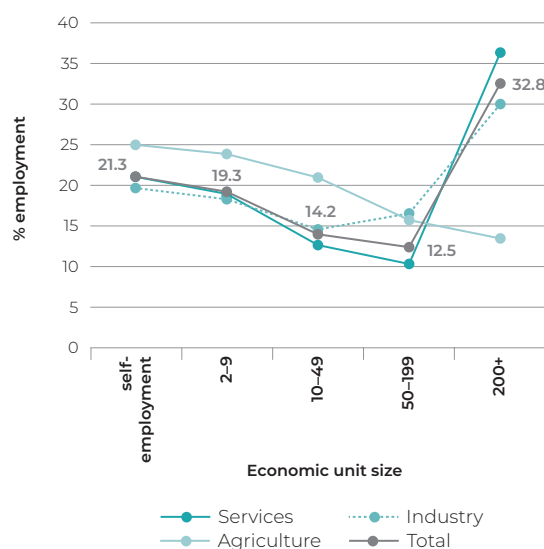
Argentina (2017)



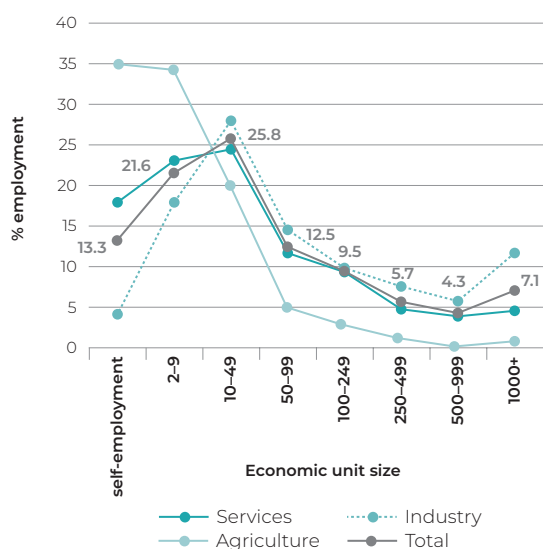
Bangladesh (2017)



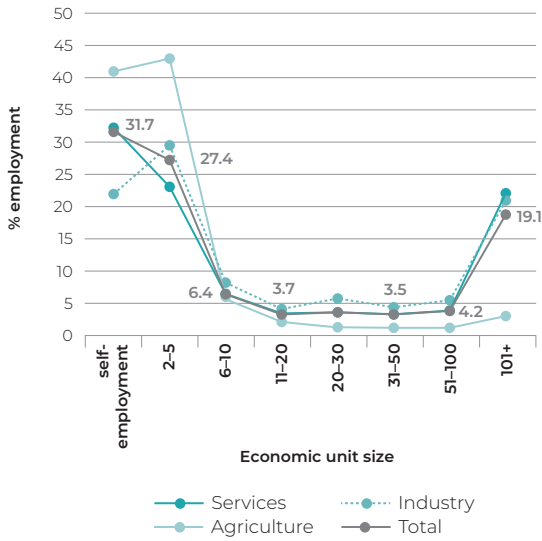
Chile (2017)



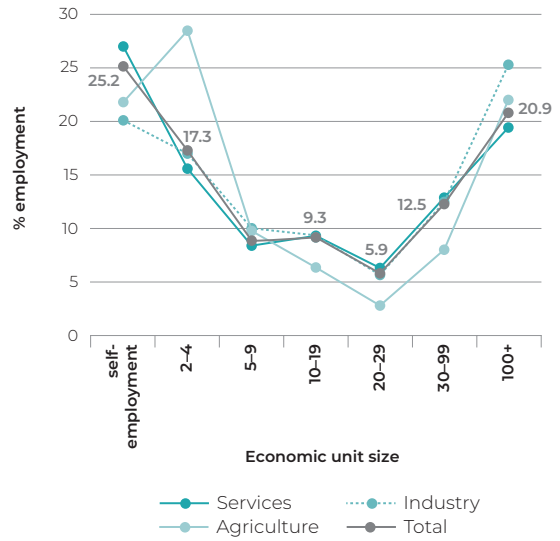
China (2013)



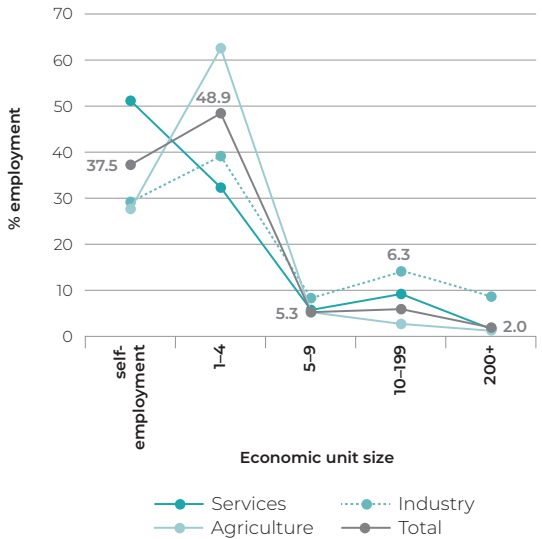
Colombia (2015)



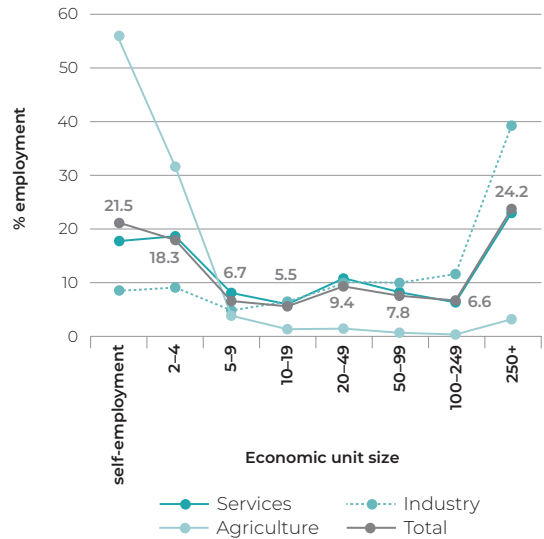
Costa Rica (2017)



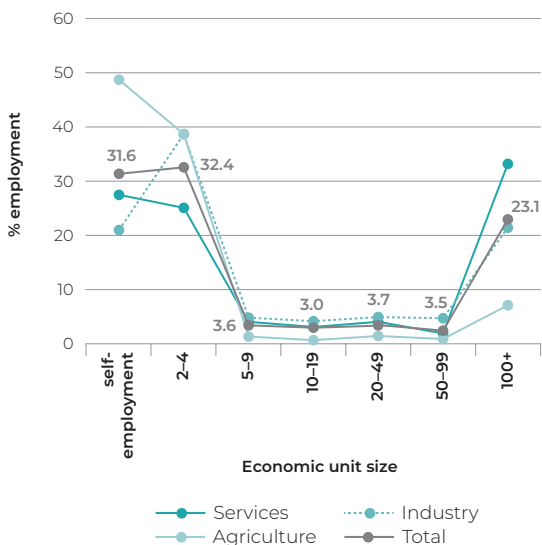
Côte d'Ivoire (2016)



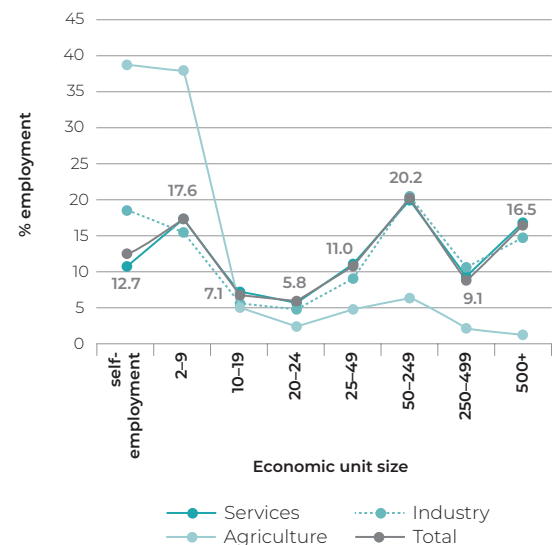
Serbia (2017)



Sri Lanka (2016)



United Kingdom (2012)



Source: ILO calculations, August 2019.

Appendix IV: Measuring employment in the informal and formal sectors

The new ILO database on employment and economic unit size comprises statistics on the extent of employment in the informal as well as the formal economy. Employment in the informal economy refers to employment in the informal sector and to informal employment outside of the informal sector (i.e. in formal sector enterprises and in households).

Informal sector

Referring to the “informal sector” means looking at informality from the viewpoint of establishments or enterprises rather than that of individual workers. The first attempts to conceptualize and define the informal sector (and, more generally, informality) took place in the 1970s. It was, however, not until 1993 – at the 15th International Conference of Labour Statisticians – that an internationally agreed statistical definition of the informal sector was adopted. According to this definition, the informal sector consists of units engaged in the production of goods or services with the primary objective of generating employment and incomes for the persons concerned. The informal sector is a subset of unincorporated enterprises not constituted as separate legal entities independently of their owners. They are owned by individual household members, or by several members of the same or different households. Typically, these enterprises operate at a low level of organization, on a small scale, and with little or no division between labour and capital as factors of production (ILO, 1993).

Households with persons working on a farm or in a private business in which the destination of production is wholly for own final use are excluded from the scope of the informal sector but included as part of the household sector.

The following criteria were used when constructing the new ILO database to determine whether or not an establishment or enterprise should be classified as belonging to the formal sector:

- Institutional criteria: the government, public and private corporations, non-governmental and international organizations belong to the formal sector.
- Registration (applies to private sector enterprises producing at least partially for the market): if establishments and enterprises are registered with relevant national authorities, this indicates that they are part of the legal-administrative framework of a country and therefore enjoy protection under, for example, national commercial laws. Private sector establishments and enterprises that are registered belong to the formal sector.

If the economic unit was not registered or was still in the process of registering, or if the information was missing, then the following criterion was considered:

- Bookkeeping (applies to private sector enterprises producing at least partially for the market): establishments and enterprises that maintain a set of accounts required by law (e.g. balance sheets) belong to the formal sector. If information about registration and bookkeeping is missing¹⁵, a set of alternative criteria may be applied as explained below.

The following alternative criteria were applied only if the information about institutional sector, registration and bookkeeping was missing:

- Employer contribution (for employees): if an establishment or enterprise pays social security contributions on behalf of its employees, then it belongs to the formal sector.
- Economic unit size and fixed visible location: if information regarding the employer contribution is missing, but the establishment or enterprise employs more than five workers and operates from a fixed visible location, then it is classified as part of the formal sector.

Informal employment

The formality of enterprises should not be confused with the formality of employment. While employment in the informal sector is an enterprise-based concept, informal employment is defined in terms of the employment relationship and refers to jobs as the unit of observation. Informal employment implies working arrangements that are de facto or de jure not subject to national labour legislation, income taxation or entitlement to social protection or certain other employment benefits (e.g. advance notice of dismissal, severance pay, paid annual or sick leave).

The defining characteristics of formal and informal employment depend on the status in employment (ILO, 2018, p. 11):

- Employment of employees is considered formal as long as their employers contribute to social security on their behalf or, in the absence of information about social security contributions, if they receive paid annual leave and paid sick leave.¹⁶ In all other cases, employment is considered informal.
- In the case of employers, the self-employed and members of cooperatives, the formality of employment depends on the status of the economic unit (the enterprise). If the enterprise is part of the formal sector, employment for employers and the self-employed is considered to be formal. Otherwise, their employment is considered to be informal.
- The employment of contributing family workers is always considered to be informal employment.

Total employment

Total employment is the sum of employment in the formal and the informal economy:

- Total employment in the formal economy consists of formal employment in the formal sector;
- Total employment in the informal economy is the sum of employment in the informal sector and informal employment outside of the informal sector (i.e. informal employment in the formal sector and informal employment in households).

¹⁵ This may happen with surveys that do not include questions related to the above criteria or if the respondents do not answer such questions (or do not know the answer).

¹⁶ This is the combination of criteria used by the ILO to define informal employment. They are the recommended criteria, but other countries may use different criteria or combine the ILO criteria in a different way.

Appendix V: Selected literature review of studies dealing with the employment contribution of the self-employed and micro-enterprises

A number of studies that have looked at the share in total employment of the self-employed and micro-enterprises in comparison with larger economic units are discussed below.

Studies examining the employment contribution of SMEs in developing countries have yielded some important results, but they have tended to use data from the World Bank Enterprise Surveys, which generally cover only formally registered enterprises. The *World Development Report 2013*, a flagship publication of the World Bank (2012), concluded that micro- and small enterprises accounted for most employment, particularly in developing countries, but that their share was often underestimated because censuses and firm-based surveys rarely included the informal economy. It further pointed out that data from household and labour force surveys that were representative of the entire population revealed a different picture of the employment share of the self-employed and the various firm size classes.

Other studies have considered the employment contribution of the self-employed, of microenterprises and of firms operating in the informal sector, but none of these, as far as we are aware, has undertaken a comparison of the employment shares of the self-employed and the various firm size classes, with disaggregation by the three main sectors of economic activity and by formality status, for such a large number of countries as in the present report.

Li and Rama (2013) note that censuses and surveys of developing countries exclude the vast majority of micro- and small enterprises, which are typically informal. Using data from household and labour force surveys, the authors find that most job creation comes from micro- and small enterprises, even in upper-middle-income countries, although the rate of job destruction in such enterprises is also high.

In another important study, Gindling and Newhouse (2014), drawing on data from household surveys in 74 developing countries, conclude that self-employment is very common in such countries, where less than half of all workers are wage and salaried employees. The authors estimate that the self-employed account for one third of workers in low- and middle-income countries, with the share being as high as 51.6 per cent in the low-income group alone.

In a comparative analysis of three large developing countries, Hsieh and Olken (2014) estimate that about 90 per cent of enterprises in Mexico employ fewer than 10 workers, and that in India and Indonesia, this share is close to 100 per cent.

As already mentioned in Chapter 3, Fox and Sohnesen (2012) examined data from household surveys for 13 sub-Saharan African countries to determine the distribution of employment in five types of economic unit. Their findings show that formal enterprises in the private and public sectors account for 13 per cent of employment, while 87 per cent of employment occurs in units associated with the informal sector.

Drawing on findings from Fields (2017), Stuart, Samman and Hunt (2018) conclude that own-account workers and contributing family members constitute the bulk of the workforce in poorer developing countries (nearly three-quarters of workers in low-income countries). They found, in particular, that 85 per cent of workers in India were in self-employment or casual work, and that 73 per cent of non-agricultural workers in Bangladesh were self-employed.

Other studies have implicitly recognized the major contribution of smaller firms to job creation. For example, McKenzie and Paffhausen (2017) provide descriptive evidence on which types of firm are most likely not to survive in developing countries, noting that the most common reason for firm death is that less profitable and less productive firms end up making losses and closing. Another attempt to obtain a clearer picture of the role of small firms was made by Kushnir, Mirmulstein, and Ramalho (2010), who evaluated databases (IFC MSME Country Indicators) containing statistics on micro-enterprises and other firm size classes. El-Hamidi and Baslevent (2013) found that over 90 per cent of jobs in Egypt and Turkey were provided by firms with fewer than 50 workers, and that most such micro- and small enterprises operated in urban economies. Similarly, Fox and Sohnesen (2012) concluded that household enterprises generated most new jobs outside agriculture in African countries.

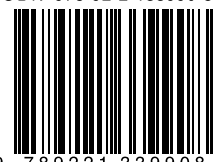
There are many studies that examine the share in total employment of micro-enterprises and the self-employed in individual countries. For example, Fajnzylber, Maloney and Montes-Rojas (2006) highlight how micro-enterprises in Mexico offer potentially desirable job opportunities to workers who would otherwise face difficulties in entering the labour market. De Mel, McKenzie and Woodruff (2010) identify the labour market characteristics of the self-employed and micro-enterprises in Sri Lanka, and consider their potential to drive job growth. Drawing on panel data from Argentina, Brazil and Mexico, Bosch and Maloney (2010) conclude that the existence of large informal sectors in developing countries can, to a great extent, be attributed to voluntary entry into informal jobs, particularly self-employment.



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