

# Adaptation of international recommendations on informal employment in Ukraine (problems of measurement and analysis)

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**Abstract.** The article considers the problems of adaptation of international recommendations on informal employment in Ukraine. The recommendations of the International Labor Organization “Measuring informality: a statistical guide to the informal sector and informal employment” are described, as well as the relevant category and the United Nations System of National Accounts classifications in terms of the possibility of their use in statistical practice of Ukraine. Analyzed statistical data, which resulted in the spread of identified risks and ways of minimizing, limiting the extent of informal employment in the labor market.

Keywords: Shadow labor market, informal employment, international recommendations, measurement, analysis

## 1. Introduction

A special feature of the labor market is that some areas of its operation, such as informal employment area, are difficult to estimate from the official statistics and the institutional control of the state structures. Since the market is a stochastic system having the ability to organize themselves, many elements of the labor market occurs and operates spontaneously, ahead of the reaction of the state regulatory institutions, evolving in different directions and hidden forms that can be constructive and destructive. As noted in World of Work Report of International Institute for Labour Studies, the job creation has gone hand in hand with the proliferation of non-standard work contracts in developed economies – temporary work, part-time employment – and a persistently large informal economy in developing countries [1]. According to the approach of the European Commission, the fundamental reason for the growth of the informal sector is a combination of excess

labor supply with a low demand for it. Excess supply of labor due to many socio-economic and political factors, such as the transition from labor-intensive to capital-intensive technologies, lack of qualified workers, the presence of internal migration, which contributes to the rapid growth of the labor force in the cities and so on [2].

In Ukraine, there is a significant growth of employment in the informal sector. This phenomenon significantly affects not only the state and labor market development, but also the entire economy. In this connection there is a need for analysis of development trends and factors affecting the dynamics of informal employment. Lehmann and others conducted several studies of various aspects of the employment of Ukrainian households based on data from the Ukrainian Longitudinal Monitoring Survey (Ukrainian Longitudinal Monitoring Survey) as part of a joint project of the Institute of Labor Economics “IZA” and the World Bank [3]. In their study of informal employment in various segments of the Ukrainian labor market in 2007, an assessment was made of the size, structure and probability of transitions of people who were informally employed to other segments and statuses in the labor market [4].

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The next study in 2010 assessed the risks and volumes of informal employment in Ukraine compared to other countries with economies in transition [5].

Williams, Round, in addition to data from the State Statistics Service of Ukraine on informal sector employment based on production units, used the results of a survey of 600 households in two districts of Kyiv, as well as in the cities of Vasilkov and Uzhgorod, for which a new methodology for determining informal employment on based on workplace criteria [6].

The formation of labor market policies requires reliable statistics not only on the volume of supply and demand of labor, but also on the segmentation of employment by sectors of the economy and the nature of labor. The recommendations of the International Labor Organization (ILO) on decent work for all categories of employees necessitate the development of an integration strategy for the most vulnerable and unprotected forms of employment, including informal employment [7]. This line of research on informal employment in Ukraine is not yet sufficiently developed.

The problems of adaptation of international recommendations on informal employment in Ukraine, which are considered in the article: 1) bringing the structure of informal employment in Ukraine in accordance with the provisions of the seventeenth ICFT in terms of the status of employees; 2) the realization of the possibility of international comparison of indicators of informal employment. The adaptation of international recommendations on informal employment in Ukraine allows us to solve not only the problems of measuring and analyzing informal employment, but also to make international comparisons of indicators of informal employment.

## **2. Methods for measuring and analyzing informal employment in Ukraine**

Since 2014, Ukraine has officially used international recommendations on informal employment at the official level. The International Labor Conference resolution concerning decent work and the informal economy (2002) pointed out that the term “informal economy” divides the economy into two areas that do not intersect – formal and informal. It also allows you to describe the nature of employment in all sectors and types of economic activities. Since then, the ILO has used the term “informal economy” [7].

Therefore, the concept of the informal economy is broader than informal employment, because it covers not only economic activity in informal jobs, but also

completely or partially informal activities to the formal workplace. At the same time the concept of the informal economy is more narrow than the concept of the underground economy, which includes criminal activity [8].

At the 15th International Conference of Labor Statisticians (ICLS) in 1993, the concept of “informal sector” has been defined at the international level on the basis of the criterion of “characteristic of production units” (enterprises) [9]. ILO International Conference of Labor Statisticians in 2002, proposed to move from the concept of employment in the informal sector to the concept of informal employment [10]. For its definition have been proposed criteria for determining the nature of the jobs. On the basis of this criterion whole area of employment is divided into formal employment and informal employment.

For statistical purposes, conceptually distinguish employment in the informal sector (this concept is based on signs of enterprises) and informal employment (this concept is based on signs of work/jobs). Typical activities in the informal sector are unpaid family work, casual paid work, home work, street trading [10].

Informal employment exists in both the informal and formal sectors of the economy. It covers all types of work and includes all employees who are not legally or actually subjects of the national labor legislation, income taxation system and social protection. For countries with economies in transition, experts called the principal factor in the spread of informal employment attempts to evade the high tax burden of taxes and social contributions (including by concealing part of the salary) and distrust of the bodies of state administration [11].

According to the recommendations of the 2008 SNA, units of the formal economy may have informal workers, and units classified as informal may have (although less likely) employment conditions for some of their workers that make their employment related to the formal economy [12]. The scope of informal employment is shown by the shaded part in Table 1. In addition, the 2008 SNA recommends determining the scope of employment in informal enterprises. It does not include informal work in units of the formal economy, any informal work in other unincorporated household enterprises, but it includes work related to the formal economy in informal enterprises.

Research by Kucher and Xenogiani show that standard measures of income inequality, such as the Gini coefficient, are highly correlated with the incidence of informal employment [13,14] and research by Elbadawi and Loayza, show when using different indicators to

measure the size of the informal economy, such as quality of government and government spending as a share of GDP [15].

In Ukraine, for this purpose, at the official level used two concepts. The concept of the underground economy, based on the recommendations of the SNA-2008 system of national accounts, is used by the Ministry of Economic Development of Ukraine [16]. The concept of the informal economy, based on the recommendations of the 15th International Conference of Labor Statisticians (ICLS) (until 2013) on informal sector employment and the recommendations of the 17th ICLS (since 2014) on informal employment, is used by the State Statistics Service of Ukraine to conduct regular and representative surveys [17]. From 2000 to the present, data on employment in the informal sector of the economy of Ukraine are obtained from a sample survey of the population (households) on economic activity (hereinafter referred to as the EAP survey), based on the appropriate methodology. The definition of the informal sector is based on the characteristics of production units (enterprises). According to the terminology and classifications of the System of National Accounts, such units are unincorporated private enterprises that form part of the household sector.

Thus, in accordance with the provisions of the seventeenth ICLS, informal employment is defined as the total number of informal jobs in enterprises of the formal and informal sectors during the reporting period. In accordance with the status of employment, it covers such categories of employees:

- persons working at their own expense (self-employed), and employers who work in their own enterprises in the informal sector;
- free working family members, regardless of whether they work in enterprises of the formal or informal sectors;
- employees who perform informal work, that is, are not covered by legal or social protection as employees who are not entitled to other benefits related to employment (for example, advance notice of dismissal, severance pay, annual paid leave or sick leave), as well as wage domestic workers in households;
- members of informal production cooperatives;
- self-employed workers producing goods exclusively for their own final consumption of households (if they are recorded in the employed population).

It should be noted that in Ukraine the latter category is not part of the employed population. In our opinion,

it is advisable to include this category of workers to the employed population, as proposed in international recommendations.

The ILO defines labor force surveys or other similar household-based surveys as the main source of official national data on informal employment, which should contain questions for obtaining the necessary information. In Ukraine, to determine the indicators of employment and unemployment, materials from the survey of economic activity of the population (EAP) are used in 1995–1998 surveys were conducted once a year, in 1999–2003 – quarterly (in the last month of each quarter), and since January 2004 – monthly [18]. The survey is for members of a household aged 15–70 who are permanently resident in that household, regardless of the presence of registration and its nature. The basic definitions and concepts of the EAP survey are based on the recommendations of the ILO and the standards adopted in the statistical practice of the countries of the European Union, as well as the particularities of the national regulatory framework. Based on the EAP survey, employment in the informal economy is determined.

To expand the scope of analysis in terms of the definition of informal employment and the future of the EAP processing inspection program, in particular on employment, in I quarter 2012 was conducted a modular survey of a sample of the population (households) of Ukraine on informal employment (hereinafter – the modular survey). The survey was conducted as a module for the EAP survey, which allowed us to study the issue of informal employment on the basis of an altered sequence of questions regarding the employment of people, as well as the introduction of additional questions on the social protection of workers, location of the workplace, and the like.

The basic information for determining the total amount of informal employment, including employment in the informal sector, is the respondent's employment status.

The modular survey program was intended to identify such categories of employees:

- hired worker performing work for wages, remuneration in cash or in kind;
- the employer, who is working on his own company with the assistance of permanent employees;
- a person who hires workers periodically (sometimes);
- self-employed who works independently without hiring employees;
- free working family member who helps in the enterprise or in his own business that belongs to any member of the family;

- a person working together with partners to conduct production or other business activities (members of production cooperatives in accordance with the Classification of Employment Status adopted at the fifteenth ICLS).

To employment in the informal sector enterprises are defined as those working in the non-registered unincorporated private enterprises (without legal personality), and forming the household sector, producing goods (services) for the sale or exchange.

According to the “Methodological provisions for the definition of informal employment” [17], informally employed in Ukraine include:

- self-employed and employers who worked in informal enterprises;
- persons who worked together with partners whose activities were unregistered, that is, they were members of informal production cooperatives (this category was included in the self-employed category due to the small number of persons under these provisions);
- worked for free at enterprises in the formal and informal sector;
- employees of the formal and informal sectors, if they met at least one of the above criteria:
  - \* the employer does not pay a single contribution for compulsory state social insurance for them;
  - \* not eligible for annual leave;
  - \* not eligible for paid sick leave.

Absolute values of informal employment include categories:

- the number of people employed in the informal sector of economy – IS;
- number of informally employed – IE;
- the number of informally employed people outside the informal sector – informal employment outside the informal sector – OIS.

Based on the absolute values of the above indicators, can be determined such relative indicators:

1. Level of informal employment (Rie):  
 $Rie = IE/E \cdot 100\%$ ,  
 where E is the total number of employed people aged 15–70 years.  
 IE is the number of informally employed.
2. Level of public participation in the informal sector of economy (Ris)  
 $Ris = IS/E \cdot 100\%$ ,  
 where IS is the number of people employed in the informal economy.

3. Level of informal employment outside the informal sector of economy (Rois)

$$Rois = OIS/E \cdot 100\%$$

where OIS is the number of informally employed people outside the informal sector.

The introduction of a block of questions on informal employment in the EAP survey program has significantly expanded the characteristics of the employed population by economic sectors, the nature of employment (formal and informal) by gender, type of settlement, educational level, employment status, age groups, etc.

### 3. Dynamics and structure of informal employment in Ukraine

In Ukraine, the level of employment in the informal sector has little to do with the dynamics of the underground economy. Even when the level of the shadow economy was declining, this did not affect the level of informal employment – it was growing steadily during 2009–2015 (Fig. 1). However, in the period from 2015 to 2018 in the Ukrainian economy has positive trend: reduction of the underground economy and at the same time decrease in informal employment.

The unemployment rate for the studied 18 years decreased from 11.7% to 9.5%. Thus, against the background of a general decrease in the population of Ukraine, the level of employment and the unemployment rate, there is a general upward trend in the level of informal employment.

Lehmann and others based on the data of the Ukrainian Longitudinal Monitoring Survey calculated in 2003 the volume of informal employment at the level of 9.6%, in 2004 – 13.5%, and in 2007 – 9.8% of the employed population [19].

Miroshnychenko [20] combining primary data collected on their own and the results of a survey by Williams and Round calculated that about 23% of families in Ukraine rely on the informal sector as their main source of livelihood. Every sixth (15%) indicates the dependence on other informal form of employment as a source of revenue on a daily basis. In general, about 38.1% of Ukrainian families were involved in informal economic activities as a primary or secondary source of income.

Since 2014, the State Statistics Service of Ukraine has made changes to the methodology for the study of informal employment, which meet the requirements of the 17th ICLS on the transition to the measurement of

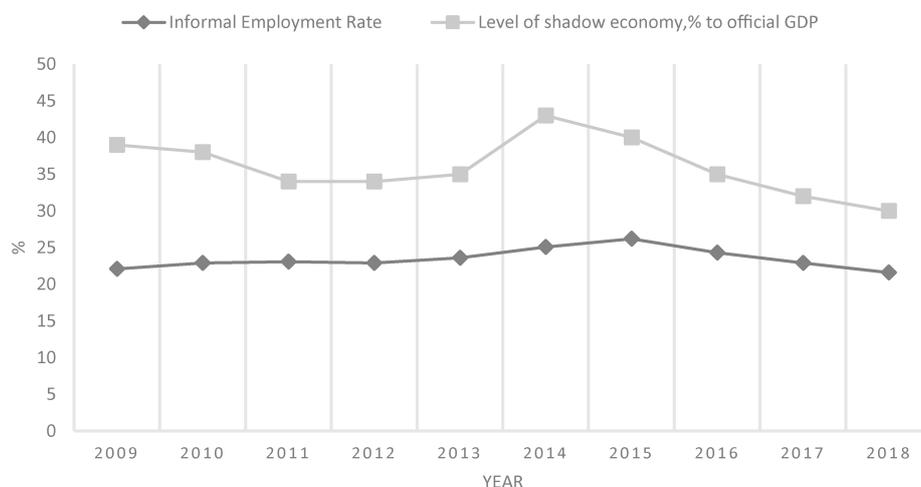


Fig. 1. Shadow economy and informal sector population share of Ukraine in 2009–2018. Source: calculated according to the Ministry of Economic Development and Trade of Ukraine Official site of the Ministry of Economic Development and Trade of Ukraine [Electronic resource]. Access mode: [www.me.gov.ua/Documents/List?lang=uk-UA&tag=docs\\_project](http://www.me.gov.ua/Documents/List?lang=uk-UA&tag=docs_project).

informal employment based on jobs. In this regard, a direct comparison of indicators of employment in the informal sector during 2000–2013 with indicators of informal employment during 2014–2015 should be done carefully. In particular, with certain reservations, we can compare the overall level of employment in the informal sector and the general level of informal employment; assess the dynamics within a certain period. Moreover, it is completely incorrect to compare individual subcategories of employment in the informal sector of the sample 2000–2013 with individual subcategories of informal employment of the sample 2014–2015.

The new methodology of the study of informal employment in Ukraine allows a detailed assessment of the two main forms of undeclared work: (1) informal employment in the formal sector and (2) informal employment. Informal employment generally combines both of these forms of undeclared work.

The number of working population in the informal sector of Ukraine, according to the State Statistics Service [17] in 2018 amounted to 3,541.3 thousand people, that is 21.6% of the total number of employed people aged 15–70 years. For 18 years, since 2000, the number of informally employed population increased by 23%, and its maximum value is reached in 2013 – 4805.9 thousand people, from which it took place a gradual annual reduction. Level of informal employment in the 2000–2018 period rose from 14.8% to 21.6%, while the level of employment of the population aged 15–70 years in 2018 after periods of oscillation down to the level of 2000.

Among men, the rate of informal employment in the two years was significantly higher than among women. The level of informal employment in rural areas was significantly higher than in cities. If the total number of informally employed people in 2018 41.5% were women, and, accordingly, 58.5% were male, and 44.9% of women were employed, and 55.1% – self-employed, for men, hired and non-hired labor is divided almost equally (see Table 1).

The settlement difference between the levels of informal employment is much larger. The rural population, compared with the urban population, is more involved in informal employment – 54.8%, since in rural areas labor prevails in private farms and farms, the urban population is 45.2%, respectively, since cities have a more developed labor market structure and the availability of vacancies in the formal sector of the economy. In urban areas 73.4% of informally employed wage earners in rural settlements on the contrary – the majority of informally employed are self-employed (74.0%). In urban areas, the level of informal employment in the formal sector is significantly higher than the level of employment in the informal sector.

Analyzing the distribution of informal employment by age groups, it can be seen that in 2018, informally employed people aged 40–59 years (see Table 2) occupy 44.8%. The most vulnerable categories of the working population again led in terms of labor in the informal sector of the economy in 2018 – young people aged 15–24 years (34.4% of the total number of employed people in the corresponding age group) and people of retirement age (33.1%).

Table 1  
Informally employed population of Ukraine by gender, place of residence and employment status in 2018

	The number of informally employed people aged 15–70 years		Including			
	Thousand people	% of the total number of employed people aged 15–70 years	Worked for hire		Self-employed	
			Thousand people	% of the total employed population of the corresponding status	Thousand people	% of the total employed population of the corresponding status
Total	3541.3	21.6	1678.1	12.2	1863.2	71.9
Women	1469.5	18.6	659.8	9.7	809.7	74.6
Men	2071.8	24.5	1018.3	14.7	1053.5	70.1
Urban settlements	1599.6	14.2	1172.9	11.4	426.7	42.2
Countryside	1941.7	38.2	505.2	14.4	1436.5	91.0

Source: Official site of the State Statistics Committee of Ukraine [Electronic resource]. Access mode: [www.ukrstat.gov.ua](http://www.ukrstat.gov.ua).

Table 2  
Informally employed population of Ukraine by gender, place of residence and age groups in 2018 (thousand people)

	Total	Including by age groups (years)						
		15–24	25–29	30–34	35–39	40–49	50–59	60–70
The number of informally employed people aged 15–70 years	3541.3	344.6	451.9	515.5	444.4	864.6	722.0	198.3
Women	1469.5	128.7	153.6	187.2	172.4	375.7	341.2	110.7
Men	2071.8	215.9	298.3	328.3	272.0	488.9	380.8	87.6
Urban settlements	1599.6	126.5	212.2	271.7	236.8	406.5	288.4	57.5
Countryside	1941.7	218.1	239.7	243.8	207.6	458.1	433.6	140.8

Source: Official site of the State Statistics Committee of Ukraine [Electronic resource]. Access mode: [www.ukrstat.gov.ua](http://www.ukrstat.gov.ua).

Table 3  
Informally employed population of Ukraine by type of economic activity in 2018

The number of informally employed people aged 15–70 years – total, thousand people	3541.3
Including by type of economic activity, % of the total: agriculture, forestry and fisheries	42.9
Industry	5.5
Construction	15.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	18.2
Transport, warehousing, postal and courier activities	4.2
Temporary accommodation and catering	2.2
Other types of economic activity	11.1

Source: Official site of the State Statistics Committee of Ukraine [Electronic resource]. Access mode: [www.ukrstat.gov.ua](http://www.ukrstat.gov.ua).

In 2009–2018 the age structure of informally employed underwent certain changes. According to the State Statistics Service of Ukraine, the share of informally employed among the employed population of working age has increased, and among the population after working age (60–70 years) – on the contrary decreased. The highest level of informal employment was recorded among young people (15–24 years old) and older people (60–70 years old). Note that the representatives of precisely these age groups are the least socially protected in the countries of peripheral capitalism, to which Ukraine belongs. Discrimination of youth and retirees in access to official jobs, as well as the small size of state social transfers (scholarships, pensions) they receive, makes us look for informal sources of additional livelihoods.

Among the economic activities the largest share of informal employment is in agriculture, forestry and fisheries – 42.9%, in the sphere of wholesale and retail trade, repair of motor vehicles and motorcycles account for 18.2%, construction 15.9% industry 5.5% (see Table 3). No significant changes have occurred in the industrial structure of informal employment over the past five years.

#### 4. Limitations of data comparability in international comparisons

The concept of “informal sector” in the Recommendations of the 17th ICLS was deliberately kept flexible so that specific circumstances and needs of individual countries could be taken into account. In practice, this

means that countries compile and disseminate national statistics of employment in the informal sector on the basis of the criteria set selectable their proposed resolution of the international conference. Some countries apply a criterion for the lack of registration of enterprises, although registration requirements differ from one another in different countries.

For example, in Russia, to employment in the informal sector are defined as those that have been occupied, at least in one of the production units of the informal sector, regardless of their employment status and of whether this is a job for which a primary or subsidiary. As a criterion for determining units of the informal sector, a criterion for the absence of state registration as a legal entity was adopted. Until 2017, information was provided for the population aged 15–72 years, from 2017 – for the population aged 15 years and older. Data for 2017 is recalculated due to the abolition of the upper age limit [21].

Other countries apply only the employment criteria (which varies by country), and some countries still apply both criteria. Differences in the national definitions and coverage is limited to the international comparability of data on employment in the informal sector. In general, problems with the comparability of informal sector employment data are most often caused by the following factors:

- differences in data sources;
- differences in geographical coverage;
- differences in the studied sectors of economic activity;
- differences in the criteria used to define the informal sector, such as the size of the enterprise or institution, or the absence of registration of the company or an employee;
- differences in enterprise size limits;
- inclusion or exclusion of paid domestic workers;
- inclusion or exclusion of persons who have a second job in the informal sector, and most of the work outside the informal sector, for example, in agriculture or in the public service.

The Recommendations of the 17th ICLS specified that “practical criteria for defining informal jobs of employees should be determined in accordance with national conditions and available data”. For example, in Ukraine, as noted earlier, informal employment is defined as the total number of informal jobs in enterprises in the formal or informal sectors or in households during the reporting period.

The flexibility inherent in the statistical concept, for all its undoubted benefits and the need to develop a new

concept, in fact limits the comparability of statistics from different countries. Statistics can become more comparable in the long run when effective methods crowd out less effective ones. In an effort to alleviate the urgency of the problem of comparability and increase the availability and quality of data, the ILO, together with members of the Delhi Group, published the manual “Measuring informality: a Statistical Manual on the informal sector and informal employment”. It has two goals: 1) assist countries in planning programs for the compilation of statistics on the informal sector and informal employment in the review and analysis of available alternatives; 2) provide practical advice on technical matters relating to the design and conduct of surveys used to collect relevant information, as well as drafting, table view, and dissemination of statistics.

To illustrate the possibilities of such international comparisons, we compare the age-sex structure of the employed (in the working age of 25 to 60 years) in the informal sector of the economy of Ukraine and Russia in 2017. For a reference country, for such a comparison we take Ukraine. At the first stage, we will choose the relevant data for Ukraine about the structure of people employed in the informal sector of Ukraine by age groups 25–29, 30–34, 35–39, 40–49, 50–59 and gender in 2017. They are published in absolute terms. Since the cross-country comparisons structure parameters in absolute terms has no meaning to carry out, recalculate it in relative terms, in %. At the second stage, we bring the age structure of people employed in the informal sector of Russia in line with the Ukrainian age structure. For this data by age groups 40–44 and 45–49 are arranged in groups of 40–49, and the data on age groups 50–54 and 55–59 are arranged in groups 50–59. Then, we compare the age-sex structure of the employed (in the working age of 25 to 60 years) in the informal sector of the economy of Ukraine and Russia using the similarity coefficient of structures:

$$P = 1 - \frac{1}{2} \sum_1^m |d_a - d_b|$$

where:  $d_a, d_b$  – shares of the distribution of elements of countries A and B,  $m$  – amount of elements.

If the structures are the same,  $P = 1$ . The more the structures differ, the lower the value of the coefficient  $P$ .

The Rosstat (Federal State Statistic Service of Russia) publications supplied information about employment in the informal sector of the economy as opposed to the publication of Ukrstat (State Statistics Service of Ukraine), where there is information on the total

Table 4  
The structure of employees in the informal sector of Ukraine and Russia by age group and by gender in 2017 (in percentages)

Age groups	25–29	30–34	35–39	40–49	50–59
<i>Women</i>					
Ukraine	9.9	10.6	9.6	24.6	25.4
Russia	13.9	13.7	14.1	25.1	19.1
Deviation, p.p.	–4.0	–3.1	–4.5	–0.5	6.3
The similarity coefficient of structures	90.9				
<i>Men</i>					
Ukraine	13.2	13.8	12.6	23.9	21.1
Russia	15.5	15.2	14.1	23.3	18.7
Deviation, p.p.	–2.3	–1.4	–1.5	0.6	2.4
The similarity coefficient of structures	95.9				
<i>Total</i>					
Ukraine	11.8	12.5	11.4	24.2	22.9
Russia	14.8	14.6	14.1	24.1	18.9
Deviation, p.p.	–3.0	–2.1	–2.7	0.1	4.0
The similarity coefficient of structures	94.0				

Source: calculated by the authors according to data of State Statistics Service of Ukraine [Electronic resource]. Access mode: [www.ukrstat.gov.ua](http://www.ukrstat.gov.ua), State Statistics Committee of Russia, Access mode: <https://www.gks.ru/>.

number of informal jobs in formal or informal sectors or in households during the reporting period. At the same time, Ukrstat will allocate people employed in the informal sector of the economy, which allows for cross-country comparisons of these indicators. In addition, there are other differences in the structure and form of the statistical data of the countries in question. For example, Rosstat uses the grouping of people employed in the informal sector by age groups with equal five-year intervals, and Ukrstat) with unequal 5 and 10 year intervals. When comparing the age structures of workers in the informal sector of these two countries, it is necessary to bring age structures into a comparable form, which was done on the basis of the Ukrainian age structure (see Table 4).

As a result of a comparative analysis of the age structure of the employed (in the working age of 25 to 60 years) in the informal sector of the economy of Ukraine and Russia, it can be argued that it has a minimal difference. The similarity coefficient of structures is 94%. A somewhat different picture is observed when comparing similar indicators by gender. The coefficient of similarity of structures among women (90.9%) is significantly lower than that of men (95.9%). This difference is especially noticeable among women in the age group of 50–59 years, where the proportion of women in this group in Ukraine is 6.3 percentage points more than in Russia.

## 5. Discussion and conclusion

Thus, the adaptation of international recommenda-

tions on informal employment in Ukraine allows us to solve not only the problems of measuring and analyzing informal employment, but also to make international comparisons of indicators of informal employment.

The reasons for the informal activities of the Ukrainian population are quite obvious. Firstly, the irregular, random nature of such employment stimulates the consent of both the employee and the employer to relationships that are easy to break off. Secondly, this is a significant advantage of unregistered employment, which allows self-employed to avoid paying taxes. In fact, depending on the type of informal work – informal employer, self-employed, casual worker or home worker – informal employment is remunerated at vastly different levels, further contributing to distributional concerns [22].

Unregistered side jobs usually bring more income to the employee, and the employer gets the opportunity to reduce labor costs, avoid paying a number of taxes and mandatory contributions, and simplify the procedure for dismissing an employee. As show by Kucera, standard poverty measures are closely related to the share of informal employment in a cross-country analysis [23]. However, such an aggregate picture masks differences among informal workers at the microeconomic level as the measured wage gap varies substantially between different segments and tiers of the informal economy [24].

Either way, informally employed workers are less protected, remain more vulnerable to sudden changes in market conditions, have to accept severe cuts in their wages when fortunes change and are less likely to take

part in (formal) education and training programs financed by public authorities [25].

To adapt international recommendations on informal employment in Ukraine, it is necessary first of all to bring the structure of informal employment in Ukraine to terms of the status of employed in accordance with the provisions of the seventeenth ICLS.

Another important aspect that should be constantly kept in mind when defining and assessing employment in the informal economy is the need to take into account the national characteristics and national practices of each individual country.

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