



THEORETICAL BASIS FOR REDUCING THE LEVEL OF INFORMAL EMPLOYMENT OF THE POPULATION IN RURAL AREAS

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ABSTRACT	KEY WORDS
The main purpose of the research in this articleThe aim of the project is to identify theoretical and methodological foundations for reducing the level of informal employment in rural areas based on a scientific study of the economic nature of informal employment and the evolution of its description in international statistical standards..Accordingly, the following tasks are solved in the article: first, the content, differences and evolution of the concepts of "informal sector", "informal economy" and "informal employment" in international statistical standards are revealed; secondly, the main theoretical approaches explaining informal employment are comparatively evaluated according to rural labor market criteria; thirdly, the author's multi-criteria approach to assessing the informal employment of the rural population is justified.	Informal employment, international statistical standards, informal sector,informal economy, with workemployment, labor market,rural labor market,informal employment of the rural population.

Introduction

Informal employment in the global labor market is a fundamental socio-economic problem that is inextricably linked to economic development, labor productivity, population incomes, poverty, social protection, and the fiscal capacity of the state.

Forming a unified conceptual apparatus and methods for calculating informal employment indicators is one of the important tasks facing the world statistics community. The leading role in the formation of a unified methodology for calculating indicators of labor statistics belongs to the International Labor Organization (hereinafter - ILO), which every five years holds the International Conference of Labor Statistics (hereinafter-(ICLS) will conduct.

The main goal of these conferences is to develop uniform methodological standards and to formulate recommendations on the calculation of indicators that allow international comparison of official statistical indicators in the field of labor statistics. According to ILO data, in 2025, 57.9 percent of the

world's employed population will be informally employed, a significant increase from 57.4 percent in 2015. This indicates that informal employment is not a short-term phenomenon, but a persistent phenomenon associated with the institutional and structural characteristics of the labor market [1].

The terminology on informal employment in the materials of the ICLS of the ILO and other international organizations has changed over time as a result of the theoretical and practical refinement of the interrelated concepts of "informal sector", "informal economy", "employment in the informal sector" and "informal employment outside the formal sector".

The terms "informal economy" and "informal sector" were introduced into scientific circulation in the early 1970s. According to literature sources, these concepts were first used in the research of British sociologist Keith Hart, who studied the employment of the urban population in developing countries [2]. The concept of "informal income opportunities" advanced in his work considered the informality of labor from the perspective of the worker [2].

The definition of the informal sector, which focuses on the institutional features that characterize an enterprise as an economic unit, was presented by Richard Jolly and Hans Singer in the 1972 report of the ILO Mission on Employment Strategy in Kenya [3]. The most common mistake in studying informal employment is to understand it as a separate sector of the economy, a set of specific professions, or a group of low-income jobs. In fact, this category does not indicate a sector, a profession, or an income level. It reflects the legal status of the workplace, that is, whether the labor relationship falls within the framework of formal regulation.

The 15th International Conference of Labor Statisticians discussed two related, but distinct, approaches to the review and definition of the informal sector. According to the first approach, the informal sector consists of enterprises that are not registered according to the current legal and administrative regulations.

The second approach is based on the view that the informal sector cannot be equated with the unregistered sector. In this case, the informal sector is considered as a specific form of production, determined by the characteristics of the organization of enterprises and the procedure for carrying out their activities [4].

The difference is not just a matter of terminology. If informal employment is viewed as a sector, the task of reducing it becomes a general economic policy. If it is viewed as a status of employment, the task looks different: while preserving the same employment, its legal form must be changed. The second approach is crucial for rural conditions, because here a large part of informal activity is the only source of livelihood for the population, and it can be formalized rather than eliminated.

Literature review

From the perspective of assessing and reducing informal employment in rural areas, the studies of leading scholars such as F. Schneider and D. Enste; W. Maloney; I. Günther and A. Launov; R. La Porta and A. Shleifer; G. Ulyssea; C. Meghir, R. Narita, J.-M. Robin have been widely studied. F. Schneider and D.H. Enste explain the expansion of the informal economy by the high burden of taxes and social payments, the complexity of state regulation, administrative restrictions in the labor market, low trust in state institutions, and low tax culture [5]. I. Guenther and A. Launov substantiates the fact that informal employment does not have the same content in an econometric way, and shows that there are voluntary and compulsory segments in it at the same time [6]. The authors argue that treating informal workers as one general group hides real differences in the labor market.

R. La Porta and A. Shleifer shows that most informal enterprises in developing countries are run by small-scale, low-productivity entrepreneurs with relatively limited human capital. The model proposed by G. Ulyssea in the American Economic Review shows two distinct boundaries of informality: the lack of registration of the enterprise and the hiring of employees without formalization.

Research Methodology

In the process of research economic nature of informal employment and its definition in international statistical standards characteristics, in terms of assessing and reducing informal employment in rural areas the works of foreign and domestic scientists were studied and analyzed. The article effectively used methods such as theoretical observation, systematic approach, observation, generalization, analysis, and synthesis, as well as assessment and reduction of informal employment. Conclusions and proposals were formed regarding the problems and their solutions.

Analysis and results

The resolution on employment statistics in the informal sector was adopted in January 1993 at the 15th International Conference of Labour Statisticians (15th ICLS) was adopted. This resolution reflected the definition of the informal sector, as well as the substantive and methodological issues of conducting surveys on the informal sector [7]. The need to develop this definition was associated with the task of including the contribution of the informal sector to gross domestic product (GDP) in the methodology for forming the 1993 System of National Accounts (SNA-93).

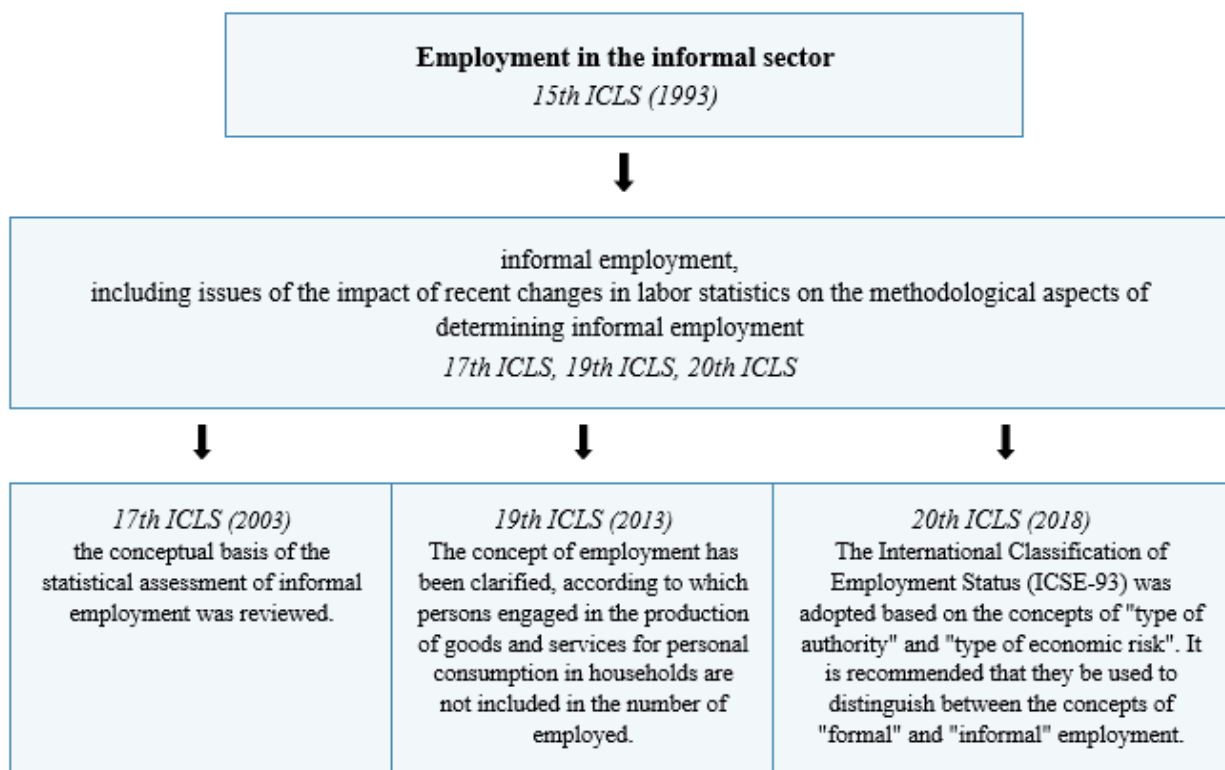


Figure 1. Scheme of development of the concept of "informal employment" in international standards of ILO.

Source: compiled by the author.

The boundaries of the informal sector according to the definitions of 15th ICLS are presented in Figure 2. According to the definition, 15th ICLS Resolution uses a distinction between “employers’ enterprises” and “own-account workers’ enterprises” to define the informal sector. This distinction, in accordance with the recommendations of the International Classification of Employment Status, 1993 (ICES-93), is defined by the presence of at least one permanent/long-term employee in “employers’ enterprises” (as opposed to casual employment or employment of persons operating in a family enterprise).

Figure 2. Informal sector boundaries according to 15th ICLS definitions.

Types of enterprises	Informal sector enterprises		Other unincorporated businesses owned by households
	Self-employed informal enterprises	Employing enterprises	
Self-employed businesses	Self-employed informal enterprises		Other self-employed businesses
Employing enterprises	Enterprises of informal employers		Other employer businesses

Source: Compiled by the author based on the information of the 15th ICRC Resolution (Geneva, 1993).

One of the important clarifications of 15th ICLS was that it considered all enterprises in the informal sector to be unincorporated enterprises belonging to households, although not all of those in this latter category were classified as informal (Figure 2).

Relying on the above-mentioned theoretical approaches, the 15th ICLS Resolution defined the concept of employment in the informal sector of the economy as the initial concept for the subsequent formation of the internationally recognized interpretation of "informal employment".

Summarizing the above, the following definition can be given: employment in the informal sector is the totality of all persons employed in at least one enterprise in the informal sector during the reporting period under consideration, regardless of their employment status and whether this work is their main or additional work [7].

The definition of informal employment did not take into account work activities carried out on an informal basis outside this sector, which created the need to supplement the concept of informal employment with the definition and measurement of informal employment. In 2001, the International Group of Experts on Informal Sector Statistics (Delhi Group) decided to develop a conceptual framework for the definition of informal employment. These frameworks were prepared in the ILO report “Decent work and the informal economy” for discussion at the 90th session of the International Labour Conference in June 2002. Based on the results of testing the conceptual definition of informal employment, in December 2003, 17th ICLS adopted the “Guidelines for the statistical definition of informal employment”, endorsing the developed concept as an international statistical standard and supplementing the resolution of 15th ICLS on employment statistics in the informal sector.

It is methodologically incorrect to use the concepts of "informal sector", "informal economy", "hidden economy" and "informal employment" interchangeably in the scientific literature.

The concepts of informal sector and informal employment do not replace each other, but complement each other. Because in the concept of the informal sector, productions (enterprises) are the unit of observation, and in the concept of informal employment, jobs are shown.

According to Paul Bangasser's classification, the 1970s were the "incubation period" when the concept of the informal sector was developed and firmly established, and the following decade was the period of its widespread dissemination [8]. The period that followed (1990–2000) should be described as the stage of international recognition of the concept of informal employment, which is confirmed by the following decisions:

- 1) In 1993, the adoption of the 15th ICLS resolution, which includes the definition of the informal sector [8];
- 2) In 2001, the Expert Group on Informal Sector Statistics (Delhi Group) decided on the need to expand the definition of employment and its measurement to include informal employment in the formal sector of the economy;
- 3) In 2003, the adoption of the guiding principles for determining informal employment as an international statistical standard in the 17th ICLS.

Below is an analysis of the formation of these concepts (Figure 3):

- employment in the informal sector,
- informal employment.

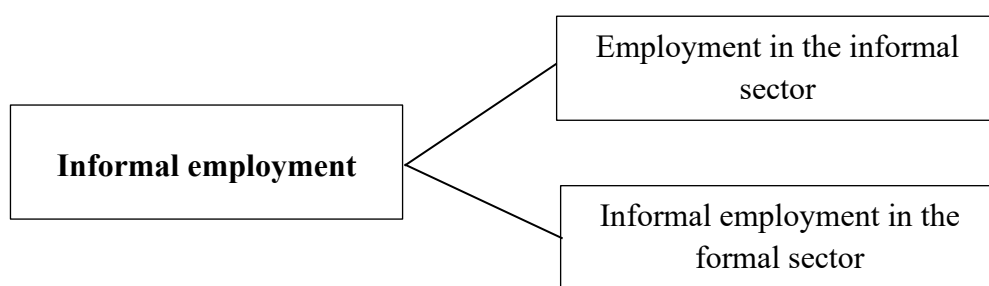


Figure 3. Structural and logical scheme of analysis of the concept of "informal employment".

Source: compiled by the author.

According to the International Labour Organization (ILO) 21th ICLS, adopted in 2023, the informal economy is the set of productive activities of individuals and economic units that are not fully covered by formal mechanisms, either in law or in practice. Informal employment can exist both in formal enterprises and in informal economic units [9].

This standard updated the previous approaches in two ways: firstly, the concept of "informal production unit" was introduced as a unit of observation, which expanded the concept of "informal sector" of 15th ICLS; secondly, the informality of the workplace was determined by the criterion of being outside the framework of formal regulation, separate from the status of the production unit. Based on this, in this study, the 17th ICLS matrix is kept as a basic analysis tool, and the 21th ICLS standard is used as its updated form.

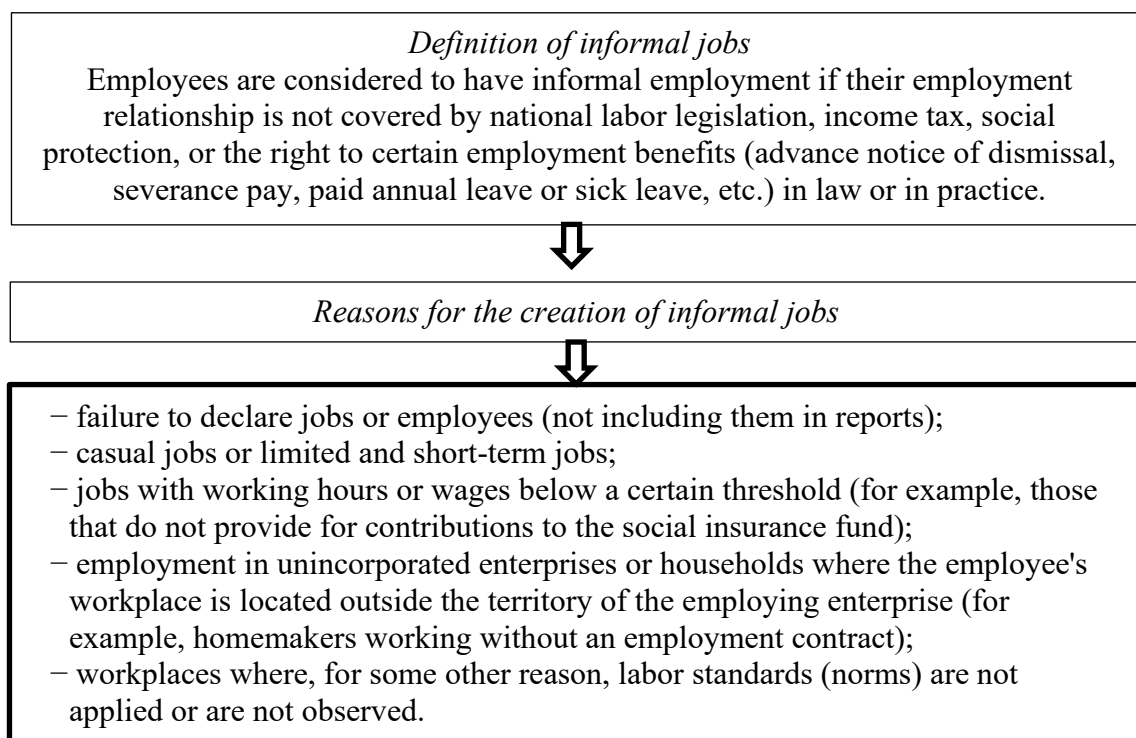


Figure 4. The definition of informal jobs and the grouping of the causes of their occurrence in accordance with the document "Leading principles on the statistical determination of informal employment" adopted in the 17th ICLS

Source: It was compiled by the author on the basis of the ILO document "Guidelines for the Statistical Determination of Informal Employment" (17th ICLS, 2003).

Therefore, the formality of the enterprise does not automatically mean that the job is formal. For example, an employee working in an officially registered enterprise without an employment contract, pension or social insurance contributions may be considered informal.

This document of 17th ICLS adopts jobs as the unit of employment observation, rather than employed persons, because one person can have several formal and/or informal jobs at the same time.

The structure of informal employment is formed according to:

- 1) according to the type of production unit (various characteristics of enterprises: legal status, number of employees, etc.);
- 2) by type of work (based on descriptions related to the work performed and employment status).

Those employed in the informal sector are classified according to the following criteria:

- demographic characteristics (gender, age, education level, marital status);
- place of residence (urban and rural residents);
- number of working hours during the week;
- employment status (salaried workers / unemployed workers);
- types of economic activities;
- type of employment (main and/or additional job).

In order to ensure international comparability, among those employed in the informal sector, two groups are additionally distinguished by type of activity:

1. Those engaged in agriculture, hunting and forestry, fishing and fishing (aquaculture);
2. Those engaged in other activities.

Summarizing the above, we can define informal employment as follows: informal employment is the set of all persons who hold informal jobs in both the formal and informal sectors, whose employment relationships are not legally or de facto covered by national labor legislation, income tax, social protection, or certain employment benefits (advance notice of termination of an employment contract, severance pay, paid annual leave or sick leave, etc.).

Based on this, the concept of informal employment in rural areas can be interpreted as follows: Informal employment of the rural population is the economic activity of the population who receive income from labor or entrepreneurial activities, but are not actually fully covered by labor relations, tax obligations, the list of entrepreneurs, or all or part of social protection mechanisms.

To operationalize this definition, first of all, the concept of "rural territory" should be clearly defined. In the study, rural territory is understood as territories that do not have the status of a city, town or urban settlement according to the administrative-territorial structure of the Republic of Uzbekistan, and whose settlement is part of a rural citizens' assembly. On this basis, informal employment of the rural population is recorded according to the following four criteria: 1) the absence of a written employment contract or entrepreneurial status; 2) non-payment of social insurance (pension) contributions; 3) non-reflection of income in tax accounting; 4) inability to use the guarantees of labor legislation - paid vacation, sick leave, dismissal procedure.

A study conducted in 2025 by the United Nations Development Programme (UNDP) and the Center for Economic Research and Reform (CERR) noted that informal employment will be particularly important in agriculture, construction, trade, and services, with youth, women, and rural populations particularly affected [10].

From this perspective, it is appropriate that reforms to reduce informal employment in rural areas should not be limited to job registration or strengthening tax policy, but should be based on a comprehensive economic mechanism that includes increasing labor productivity, developing human capital, expanding social protection, improving the business environment, diversifying the rural economy, and reducing the costs of entering the formal labor market for the population.

Based on the international standards outlined above, the main goal should not be to completely eliminate informal rural employment, but to ensure its transition to a productive, sustainable, and socially protected form.

Based on the above analysis, the following author's approach is adopted in this study: informal employment in rural areas is considered not as a binary - "formal or informal" - situation, but as a multi-level situation, measured by the criteria of legal formalization, social protection coverage, income adequacy and job stability. The advantage of this approach is that it allows for the assessment of informality not on the basis of "presence - absence", but rather by its depth, and allows for the targeted stratification of formalization policies.

The statistical definition of informal employment, reviewed on the basis of international standards of labor statistics, and the analysis of the methodology used to determine informal employment will allow us to form a comprehensive basis for the methodology and analysis of approaches to the statistical assessment of informal employment in the Republic of Uzbekistan.

Conclusion/Recommendations

In conclusion, it was found that informal employment is not a sector, profession or income level, but a category that reflects the legal status of a job. This is of fundamental importance for rural areas: the policy objective is not to eliminate the activity, but to change its legal form.

Secondly, the concepts of "informal sector" (unit of observation - enterprise) and "informal employment" (unit of observation - workplace) do not replace each other, but complement each other. Therefore, the level of informality of enterprises and the level of informality of labor relations in rural areas should be measured separately.

Thirdly, none of the analyzed theoretical approaches fully explain informal employment in rural areas: F. Schneider and D. Enste's approach to the cost factor, U. Maloney - voluntary choice, I. Guenther and A. Launov - segmentality, R. La Porta and A. Shleifer - low productivity, K. Megir and co-authors reveal the effects of control and redistribution. Their synthesis creates a comprehensive theoretical framework for rural conditions.

Fourthly, informal employment in rural areas was divided into three types - forced (subsistence), voluntary (micro-business) and hidden wage labor types; a separate mechanism of formalization was proposed for each type. This justifies the abandonment of the "one-size-fits-all" approach.

Therefore, the effectiveness of reducing informal employment in rural areas is determined not by the intensity of enforcement measures, but by the institutional conditions that ensure that the economic benefits of formalization - increased income, social protection coverage, access to credit and markets - outweigh the disadvantages of informal activity.

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