

Executive summary



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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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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.

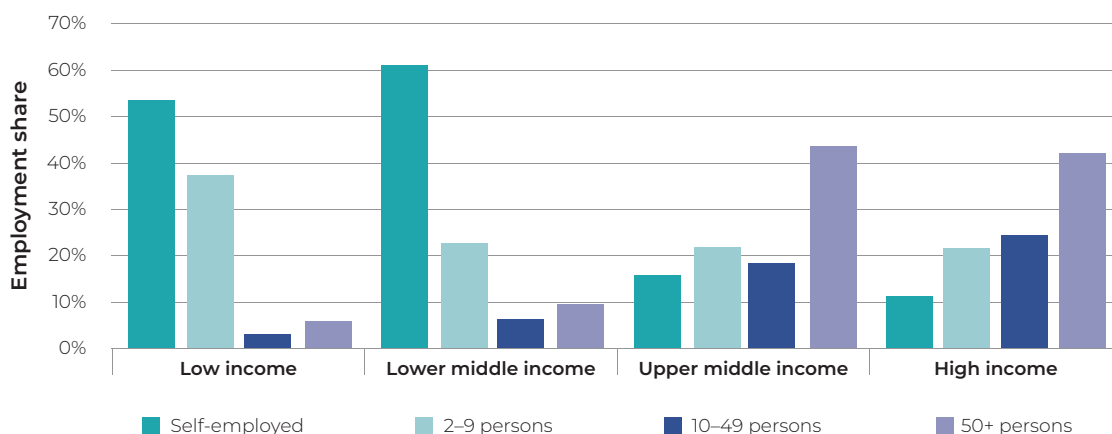
The estimates presented here are based on a new ILO database that draws on national household and labour force surveys (as opposed to firm-based surveys) from 99 countries in all the world regions except for North America. Because these surveys target people rather than firms, they are able to cover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

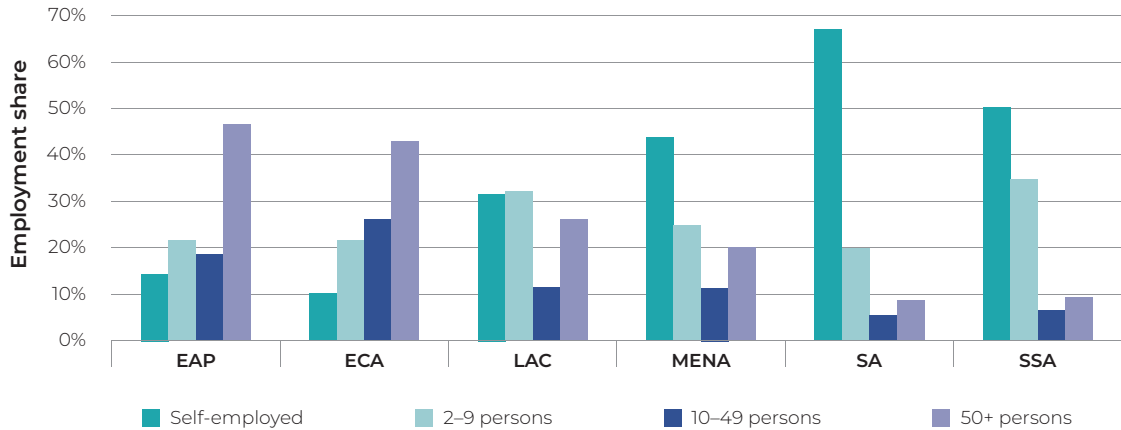
¹ In this report, the term “self-employment” refers to the subcategory of “independent workers without employees” as defined in the [Resolution concerning statistics on work relationships](#) adopted by the 20th International Conference of Labour Statisticians (ICLS) in 2018, and to “own-account workers” 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.

