Unified Data Collection for the Informal Sector

Workshop on Economic Statistics & the Informal Sector
Tehran, 10-13 November 2007
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Flow of Discussion

- Background
- A unifying definition of the IS
- Elements of the UDCIS
- Instruments
(Obvious?) Need …

- Still very limited data on the informal sector …
  - What is the informal sector’s contribution to economic growth?
  - How is this changing or evolving?
- Where data is, or becomes, available …
  - How are these being analyzed?
    … and made available for policy use?
  - How to make these internationally comparable?

Problem …

- Limited national as well as regionally and internationally comparable data on the informal sector (employment, contribution to GDP)
- What are some of the main reasons?
  - No unified definition of the informal sector
  - Limited experience in applying data collection methodologies for obtaining informal sector data
  - Data collection is ‘expensive’; not a priority; etc
... to objectives

- Develop a *unifying definition* of the informal sector
- Formulate an integrated data collection methodology on *household unincorporated enterprises*
- Design implementation strategy and tools for data collection, processing and analysis

Developing a unifying definition of the informal sector (IS)

- *Use existing guidelines*
- *Challenges to unifying*
- *Interregional and country study*
Start with existing guidelines

- Resolution on statistics on employment in the informal sector (15th ICLS, 1993)
- Guidelines concerning a statistical definition of informal employment (17th ICLS, 2003)
- Harmonized definition of the informal sector (3rd Delhi Group meeting, 1999)
- IRIS and IRTDS harmonized with SNA needs and coverage of household enterprises *(discussed in this workshop)*

IS Enterprises & Household Enterprises

<table>
<thead>
<tr>
<th>Household Enterprises</th>
<th>Producing at least some goods &amp; services for market</th>
<th>Producing goods &amp; services for own final use</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-agricultural</td>
<td>Agricultural</td>
</tr>
<tr>
<td></td>
<td>Formal sector</td>
<td>Informal sector</td>
</tr>
</tbody>
</table>

Household Unincorporated Enterprises with some Market Production (HUEMs)
Identifying Criteria: HUEM

- **HUEM1. Legal organization**
  - Production units that are not constituted as separate legal entities independently of their owners

- **HUEM2. Book-keeping or accounting practice**
  - Production units that do not keep a complete set of accounts

- **HUEM3. Product destination**
  - At least some of the products are sold/bartered in the market

Criteria for Identifying IS Enterprise

**Essential: Subset of HUEMs**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal organization and Ownership</td>
<td>Unincorporated enterprise Household</td>
</tr>
<tr>
<td>Type of accounts</td>
<td>No complete set of accounts</td>
</tr>
<tr>
<td>Product destination</td>
<td>At least some market (for sale or barter) output</td>
</tr>
</tbody>
</table>
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**Household Enterprises & the IS**

- Informal own-account enterprises
- Enterprises of informal employers
- Other own-account enterprises
- Other enterprises of employers
- Own-account enterprises
- Enterprises of employers
- Informal Sector

**How is this boundary defined?**

**Criteria: Additional**

**Additional: Informal own-account enterprises**
- Include all
- Exclude those registered in specific agencies

**Additional: Enterprises of informal employers**
- Employment size: Specify a cut-off size
- Non-registration: Of enterprise, Of employees
Criteria: Additional & Optional

<table>
<thead>
<tr>
<th>Additional: Scope (How to unify?)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment size</td>
</tr>
<tr>
<td>Non-registration</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Optional (How to harmonize?)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kind of economic activity</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>Geographic area</td>
</tr>
</tbody>
</table>

Challenges: Unifying definition

- Systematically, find answers to **WHY?**—
  - Analyze metadata on country practices contained in ILO database
  - Analyze differences in implementing the size and the registration criterion
Results: Limited Convergence

- Divergence in concepts, definitions, coverage in implementation of guidelines
  - Need further information from countries about why
- Some commonalities at sub-regional level
  - Attributed to donor influence
- Points to specific areas critical to harmonizing implementation of the criteria of registration and employment size

Issues: Registration Criterion- 1

- Registration requirements vary widely across countries
- Not clear with which institution the production unit should be registered
  - factories or commercial acts
  - tax authorities
  - social protection institutions
  - regulatory institutions
  - statistics agency
Issues: Registration Criterion- 2

- Registration requirements can change over time within the same country
- Possible inconsistency with the book-keeping practice criterion
  - In some countries all production units are required to be registered and to pay taxes -lump sum- even if they lack a complete set of accounts
- Information difficult to collect, both in household and establishment surveys

Issues: Employment size criterion- 1

- Variations in threshold value distinguishing small from medium and large enterprises
  - Sometimes set by national legislation for industrial policy purposes
  - Issue: statistical versus policy needs
- Variations across industries within the same country
**Issues: Employment size criterion - 2**

- Conceptual—
  - Small unincorporated enterprises can be very dynamic and endowed with very advanced technology—“informal”??
  - Again, statistical measurement vs policy needs

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**Issues: Coverage**

- Legal organisation (household unincorporated enterprise)
  - Is substituted by ‘micro-' and ‘small-' enterprises
  - Substituted by ‘unorganized’ sector
- Inclusion/exclusion of small-scale agriculture activities
- Inclusion/exclusion of professionals and technical occupations
- Inclusion/exclusion of secondary jobs
**Study on Unifying Definition of IS**

- Start data collection with the HUEM as the statistical unit applying the three criteria (see slide)
- Obtain data from HUEM on—
  - *All forms of registration, according to country laws and regulations*
  - *Employment size, disaggregated by: owner, partner and paid employees*
  - *Characteristics commonly associated with informal sector activities*
- Comparative analysis of national data to identify commonalities that can be used as the basis for a unifying definition

**Study is being undertaken**

- UN Development Account Project—*Interregional Cooperation on Measurement of the Informal Sector and Informal Employment*
- Six countries from 3 regions (ECLAC, ESCWA, ESCAP)
- Data collection and estimation in 2007-08
- Training in 2008-09
LDCC: Main Elements

- Scope of data collection
- Survey design and organization of data collection
- Data items
- Questionnaires

Scope of Data Collection

Starting point of data collection: HUEM

- Cover all HUEMs
- Collect data, including IS-criterion related variables, on HUEMs
- Cover all ‘relevant’ economic activities
  - Including agriculture, forestry, fishing
- Cover whole country
  - Including urban and rural
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Universe of Enterprises

List-frame segment
- Large units
- Public Sector
- In business register

Small units
- Private Sector
- In business register

Nonlist-frame segment
- Large units
- Public Sector
- Not in business register

Small units
- Private Sector
- Not in business register

With fixed premises
- With fixed premises
- Without fixed premises

Contains HUEM units

Cover through area frames
**HUEMS in area sample**

- **Small units in business register**
  - Capture at business premise

- **‘Owners’ whose households are within sample area**
  - In fixed premises
  - In non-fixed premises
  - Capture through household

- **‘Owners’ whose households are outside sample area**
  - In fixed premises
  - In non-fixed premises
  - Capture at premise
  - Do not capture

**Second stage sampling frame: Complete listing of all enterprises**

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**“1-2-” Survey Approach: Basic Idea**

Data is collected in two phases

- Identification of IS enterprise is done in the data analysis stage

- First phase— Household Survey
  - Select area sample units (PSU of a household survey)
  - Identify HUEMs through household survey

- Second phase— HUEM Survey
  - Use first phase data to construct sampling frame for HUEMs
  - Select sample HUEMs
  - Collect data on sample HUEMs
HUEMS in area sample

- are associated with …

- Small units in business register
  - Capture at business premise
  - HUEM Survey

- ‘Owners’ whose households are within sample area
  - In fixed premises
  - In non-fixed premises
  - Capture through household
  - ‘1-2’ Survey

- ‘Owners’ whose households are outside sample area
  - In fixed premises
  - In non-fixed premises
  - Capture at premise
  - Do not capture

‘1-2’ Survey Approach: ESCAP

- Utilize existing data collection vehicles
  - Use labour force survey as base survey
  - Introduce modifications
    - Inclusion of data items to identify HUEM and IS through employed persons
    - Inclusion of data items for sample design considerations for enterprise units
  - Introduce a HUEM Survey
  - Integrate modifications and HUEM survey into regular data collection system
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“1-2” Survey Approach-- ESCAP

Phase I:
Labor Force Survey +
Informal employment module

Phase II:
HUEM Survey

HUEM identification module
IS enterprise identification module

Informal employment and employment in the informal sector
Informal sector GDP
Employment
Capital formation
Policy-related issues

LFS as ‘1-’ Survey: Implications

Small units in business register
Households within area
Households outside area

Fixed premises Non-fixed premises
Fixed premises Non-fixed premises

• Need to identify these units separately from LFS– e.g., listing of all fixed premises in sample area; cover small units separately
• Need to check for duplicates in small units in business register and fixed premises associated with households
Survey Design Considerations

- Questionnaire design
- Spread of sample across months/quarters of the year
  - Seasonality
  - Estimation of annual aggregates
- Sequence and timing of the two surveys
  - HUEM as additional module to LFS
  - HUEM is conducted after the LFS but within a short lapse of time

Sample Design Considerations

- Frame construction for both phases
- Selection of sample areas
  - Consider the distribution and density of economic activities
- Selection of sample HUEM units in sample areas
  - Determine estimation domains (e.g., industry; geographic subdivisions)
Data Items

- Criteria for identifying HUEMs and IS enterprises
- Labour force and employment costs
- Production, income and markets
- Consumption of materials, expenditures and sources
- Fixed assets

Qualitative information (policy-related)
- Financing
- Energy consumption
- Environmental aspects of operations

Questionnaire Modules

- To be introduced to existing LFS
- Refer to handout: Generic Questionnaire for Phase 1 of ‘1-2’ Survey
Objectives being met

- To identify and construct a sampling frame of HUEMs among the enterprises in which employed persons work;
- To provide data for estimating employment in informal sector enterprises through the LFS; and
- To provide data for estimating informal employment.

Pre-requisites

- Standard questions to classify persons as employed, unemployed, or not in labour force
- Standard questions to classify all jobs of employed persons
  - Status in employment
  - Main activity (ISIC) of enterprise where employed
**HUEM Module**

*To be obtained from all employed persons*

- Place of work
  - Fixed premises
  - Non-fixed premises
- Legal organization of enterprise
- Type of accounts
- Whether at least some market production

**Informal Sector Module**

*To be preceded by HUEM module questions*

*Refers to enterprise in which person has a job*

- Employment size
- Registration
**Informal Employment Module**

*For employees only*

*To be obtained from all employees*

- Whether or not employee enjoys specific types of benefits (8 items included)

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**Generic Enterprise Questionnaire**

- For HUEM Survey
- Refer to handout “Generic questionnaire on household unincorporated enterprises”
Components: Core Questions

- Business organization
  - Main activity
  - Place of work
  - Registration
  - Type of accounts
- Employment & compensation
- Production & sales
- Expenditures
- Fixed assets

Components: Additional

- Business environment
- Financing
- Environmental protection
- Problems and prospects
In Summary

- We talked about—
  - Issues related to the need for a unifying definition of the informal sector
  - Survey method—‘1-2’ survey approach
  - Questionnaires

- What can be learned from your experiences?