



STATISTICS

Informal Economy Task Team

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Outline

- Motivation
- Informal Economy Task Team
- Tentative Workstreams

Motivation

- ✓ **The informal economy is of interest to policymaking from an economic and social perspective. Measuring the informal economy can help make policies more effective and better targeted.**
- ✓ **The informal economy is particularly large in low income economies.**
- ✓ **Increasing digitalization has created new forms and more opportunities for individuals, including those with higher skills, to engage in informal– gig economy– jobs either as their main job or to supplement their income.**
- ✓ **The informal economy is hard to measure.**



(PHOTO: HANNAMARIAH/GETTYIMAGES/ISTOCK)

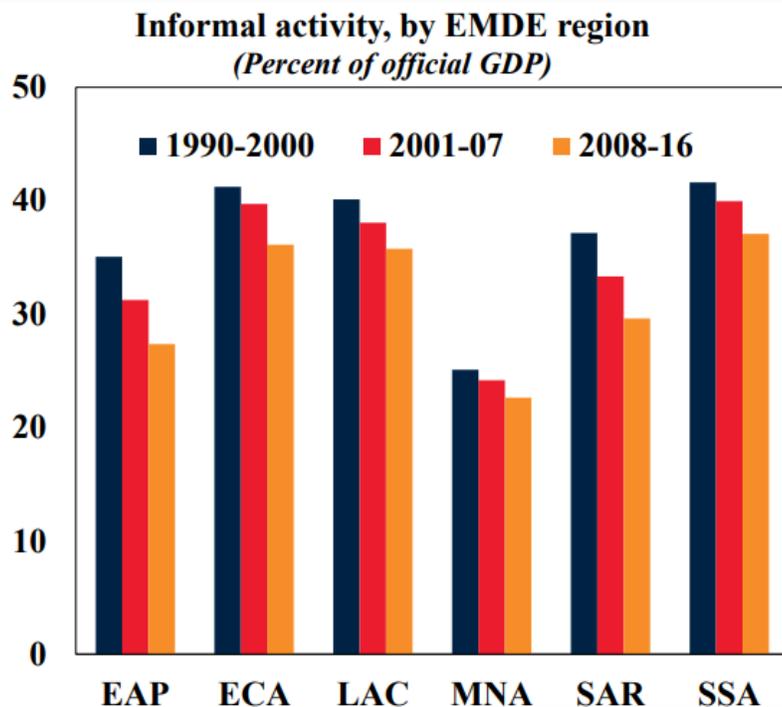
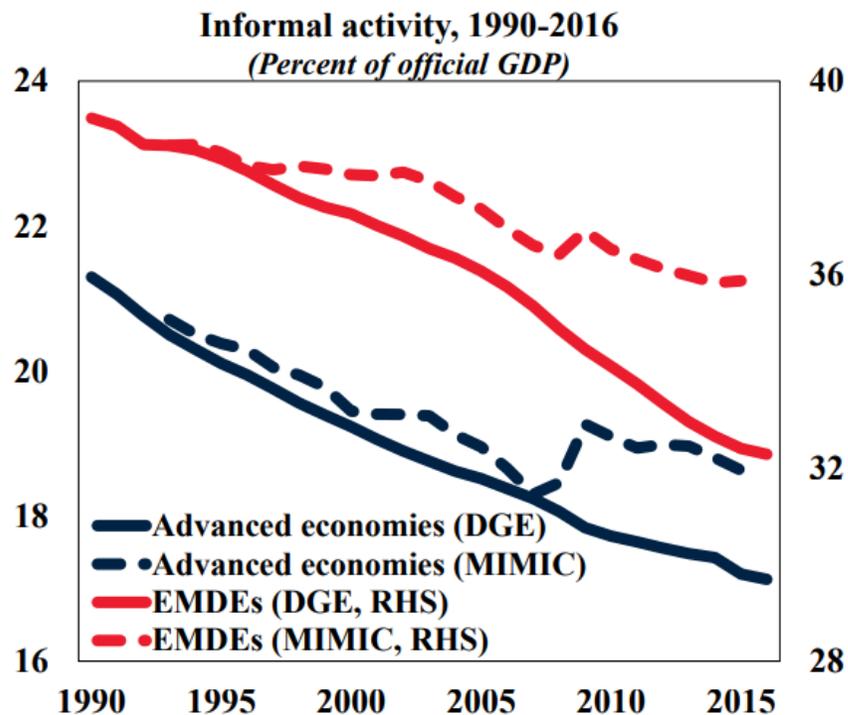
Motivation

Country	Official Estimate	Medina and Schneider 2019	Difference	Reference Year of Official estimate
Namibia	1.2	31.4	-30.2	2001
Tanzania	3.6	47.2	-43.6	2015
Botswana	5	26.9	-21.9	2007
Fiji	9.8	23.4	-13.6	2018
Sierra Leone	10	36.1	-26.1	2011
South Africa	11.2	24.1	-12.9	2013
Cabo Verde	12.1	29.3	-17.2	2015
Angola	15	39.9	-24.9	2009
Malawi	20	33.9	-13.9	2017
Gambia	21	42.5	-21.5	2013
Mali	25	32.7	-7.7	2013
Zimbabwe	25	46	-21	2017
Ethiopia	30	29.6	0.4	2013
Lebanon	30	27.1	2.9	2011
Kenya	31.4	26.7	4.7	2015
Belize	35	41.1	-6.1	2014
Nigeria	35	53.2	-18.2	2010
Burkina Faso	44.7	33.1	11.6	2017
Cameroon	46.8	29.3	17.5	2016
Congo (Democratic Republic)	48	43.1	4.9	2013
Benin	62.8	47.6	15.2	2015

Source: 2017 IMF Regional Economic Outlook: Sub-Saharan Africa; IMF survey of national statistical offices on informal economy estimates (2020)

- ✓ Measuring informal activity is of interest to policymaking from an economic and social perspective.
- ✓ Measuring informal activities can help make policies more effective and better targeted.
- ✓ Issues related to working conditions, tax revenue, and economic growth are all tied to measuring informal activity.

Motivation



- ✓ The informal economy is particularly large in low income countries.
- ✓ Some estimates place informal activity as high as 40% of GDP.
- ✓ Improved measures of informal activity have led to upward revisions of 20% of GDP in some countries.

Sources: Elgin et al. (forthcoming a and b), World Bank.

Left Panel. Unweighted group averages for advanced economies and EMDEs. Right Panel. Unweighted averages of changes in formality (DGE-based estimates) for each EMDE region. Data are period averages. EAP = East Asia and Pacific, ECA = Europe and Central Asia, LAC = Latin America and the Caribbean, MNA = Middle East and North Africa, SAR = South Asia, and SSA = Sub-Saharan Africa.

Motivation

Table 1. Share of Informal Employment in Total Employment by Age and Sex, 2016
(percent)

	Total				Men				Women			
	World	Developed	Emerging	Developing	World	Developed	Emerging	Developing	World	Developed	Emerging	Developing
Total	61	18	67	90	63	19	69	87	58	18	64	92
15–24	77	19	83	97	79	19	85	97	73	19	79	97
15–24	58	17	66	90	60	17	67	87	54	16	62	93
65 and over	77	38	88	96	78	39	88	95	75	37	88	98

Source: *Women and Men in the Informal Economy—A Statistical Brief (2019)*; ILO calculations based on national labor force or similar household survey data.

The 8 Best Sites to Find Gig Jobs of 2020

- [Upwork](#): Best Overall
- [Freelancer](#): Runner-Up, Best Overall
- [Guru](#): Best for Experienced Gig Workers
- [TaskRabbit](#): Best for Moonlighting
- [Toptal](#): Best for IT Professionals
- [FlexJobs](#): Best for Remote Jobs
- [Fiverr](#): Best for Creatives
- [LinkedIn ProFinder](#): Best for Networking

Hire the best freelancers for any job, online.

Millions of people use freelancer.com to turn their ideas into reality.

[Hire a Freelancer](#) [Earn Money Freelancing](#)

✓ Increasing digitalization has created new forms and more opportunities for individuals, including those with higher skills, to engage in informal–gig economy– jobs either as their main job or to supplement their income.

✓ An added complication includes potential cross-border flows in the delivery of services.

Motivation

Types of surveys	Northern Africa	Western Africa	Central Africa	Eastern Africa	Southern Africa	Africa
Mixed surveys	1	6	4		2	13
Mixed surveys (others)	1		1	3	4	9
Combined surveys		1		1		2
Establishment censuses and surveys	4	9	2		1	16
Living standards measurement surveys (LSMS)		6	1	2	2	11
Labor force surveys	4	2		3	8	17
Total number of countries in region	4	14	6	4	12	40

Source: United Nations Economic Commission for Africa. Xianoning Gong and Jacques Charmes. April 2016. *Incorporating Informal Sector into National Accounts: Country Experience and Practice in Africa*

- ✓ Informal activities are difficult to measure.
- ✓ Most countries rely on survey's that are only conducted on a periodic basis.
- ✓ Current estimation methods are based on strong assumptions. Unofficial estimates are often based on macro-economic models.

Informal Economy Joint Task Team

Given the importance of informal activity and the intersection between informal activity and digitalization the ISWGNA and BOPCOM agreed to establish a Joint Task Team responsible for examining the different aspects of measuring informal activity. A key part of the mandate is to ensure that:

- ✓ The guidance is based on country practices and contributes to increased global coverage and harmonization of statistics on the informal economy across countries.
- ✓ The guidance notes would contribute not only to the work related to the updates of 2008 SNA and BPM6, but also the ILO's revision of the standards for statistics on informality.

Chairpersons:

Chris Mukiza (Uganda)

Thomas Alexander (IMF)

Secretariat:

UNSD

IMF

Proposed Membership:

10 countries covering the following regions: Africa, Western Hemisphere, Asia, Europe as well as the OECD, UNECE and Eurostat.

Informal Economy Joint Task Team

- ✓ The BPM6 and 2008 SNA update processes have a five-year timeline—split into two phases—ending in March 2025. The IETT's mandate spans mostly Phase I of the update process—March 2020 to March 2022.
- ✓ Within that time frame, the IETT is expected to undertake thorough research on informal economy issues, discuss and reach conclusions, with proposals to be presented to the AEG, BOPCOM and the ILO Working Group for the Revision of the standards for statistics on informality.
- ✓ The IETT may also be consulted during Phase II on an as-needed basis, should any significant issues arise during the worldwide consultation process.

Three (proposed) workstreams

1. Clarify the definition of the informal economy
2. Clarify how the informal economy should be presented in the System of National Accounts and Balance of Payments
3. Clarify and provide guidance on the methods countries can use to measure the informal economy.

(Workstream 1) - What is the “Informal Economy”?

- **Term used broadly** to describe the part of the economy that may not be covered in official statistics, production taking place outside the regulated economy, or the production of households
- **Term has been used interchangeably with others** to describe not only the activities, but also consumers, and employment that may elude official statistics
- Diverse presentations at the 2019 IMF Statistical Forum in part shows that the **informal economy is being interpreted in different ways**
- Also sometimes used interchangeably with **informal sector**
 - Distinction in International Labour Organization (ILO) standards
- Several publications: System of National Accounts, Balance of Payments manual, several manuals/handbooks: ILO informal sector and informal employment, OECD Handbook



Informal activities



Underground activities



Illegal activities

(Workstream 1) - What is the “Informal Economy”?

2008 SNA chapter 25 outlines two approaches with different goals:

- Ensure that all activities including those that may be described as “hidden” or “underground” are encompassed in measures of total activity
 - **Goal is an accurate measure of economic activity**
- Define what is meant by the **subset of economic units** that can be considered “informal”
 - **Recognizes the analytical importance, especially in developing countries, of measuring that part of the economy that reflects the contribution of people without formal jobs to economic activity**
- The goals and concepts of the two approaches in the SNA overlap but they are **NOT** the same.
 - E.g. SNA notes that some informal activity can be observed (in a statistical sense)

Chapter 25: Informal aspects of the economy

A. Introduction

25.1 No economy is completely regulated and captured perfectly by statistical agencies. They have to be taken, therefore, to always to some unregulated activity and survey approximations as special measures. There are two approaches that, although they share a lot of common ground, are directed towards two rather different goals. The first is to ensure that all activities including those that may be described as “hidden” or “underground” are encompassed in measures of total activity. The second is to derive what is meant by the subset of economic units that can be considered “informal” and to measure the

25.2 The rationale for the first activity is obvious, to have a view of the economy as a whole that is as complete as possible and as comparable over time and across countries as possible. The part of the economy difficult to measure has become known as the Non-Observed Economy (NOE) and several publications have been dedicated to measuring it, notably the handbook *Measuring the Non-Observed Economy* (Organisation for Economic Co-operation and Development, International Monetary Fund, International Labour Organisation and ILO STAT (2002)). As the techniques in the handbook evolve, a specific measure of the NOE is not important in itself. Attention focuses on ensuring that the measurement of total activity is complete or “inclusive”.

25.3 The second alternative recognizes the analytical importance, especially in developing countries, of being able to measure that part of the economy that reflects the efforts of people without formal jobs to engage in some form of monetary economic activity. This part of the economy has become known as the informal sector. It is by estimating the size of the informal sector that it becomes possible to assess how far the benefits of development reach, for example, people living on the street or in slum areas. Those supporting the second approach do not deny the importance of the comprehensive measure of the economy but for them this is not sufficient. Despite the difficulty of doing so, attempts must be made to identify and measure an informal sector.

25.4 There is a large overlap between both concepts. However, while the NOE and the informal sector overlap, neither is a complete subset of the other. This can be seen in figure 25.1. The solid circle represents the non-observed economy and the dotted circle the informal sector. Thus the overlap consists of activities that are not observed and undertaken informally but there are some activities that are not observed but are not undertaken informally and some that are undertaken informally but are observed. The relative

25.5 Efforts to cover the NOE ensure that all enterprises are covered in statistical measures even if not covered by statistical agencies. Some of the supplementary measures may well relate to those activities of household unincorporated enterprises considered to be informal. In this chapter called informal enterprises but some will relate to large enterprises, not regarded as informal. In addition, the NOE aims to cover enterprises in large enterprises, whether they are registered or otherwise. The NOE does cover some activity by informal enterprises but also information for some formal enterprises.

25.6 Within the informal sector, some information may be captured statistically. Consider a household that lets rooms to visitors for use or several nights. The activity seems to be treated as a quasi-transaction because it is possible to make a clear separation of costs from regular household use and its position that location of the house treated as an asset associated with the letting of rooms from its main function as a family home. However, the value of the letting activity may be captured in a survey directed at tourism activities, for example.

25.7 Other examples might be considered. Street vendors or taxi-drivers may be both not observed and informal. A vehicle repair shop with 5-10 employees may be formal but too small to be covered by statistical agencies and therefore not observed. Trading assistants may be informal but observed. The situation is complicated by the

Figure 25.1: The non-observed economy and the informal sector

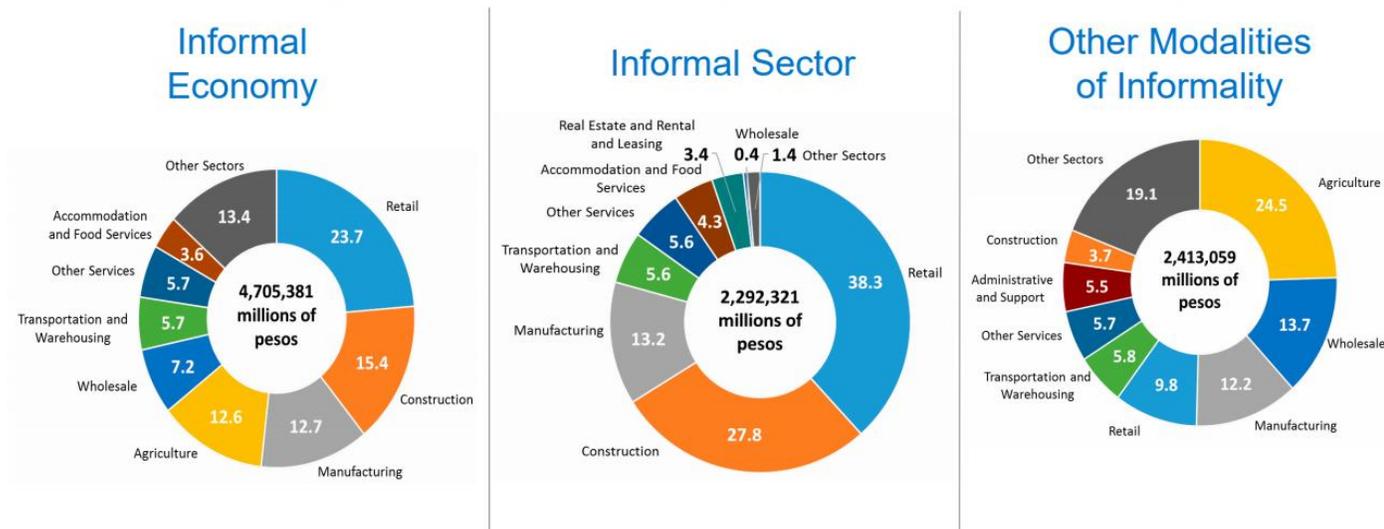
251

(Workstream 2) – Presenting informal activities

Mexico

2017 Results

Percentage structure of GVA by sector of economic activity



2019 IMF Statistical Forum - Mr. Francisco Guillen (Mexico, INEGI), *Measurement of the Informal Economy. From Basic to Derived Statistics*

1. Most countries do not publish explicit estimates of informal activity.
2. The presentation is often inconsistent from one country to the next.
3. Sometimes informal activity is presented with official estimates and sometimes it is presented as an independent estimate / study

(Workstream 3) – Measuring informal activities

Official estimation

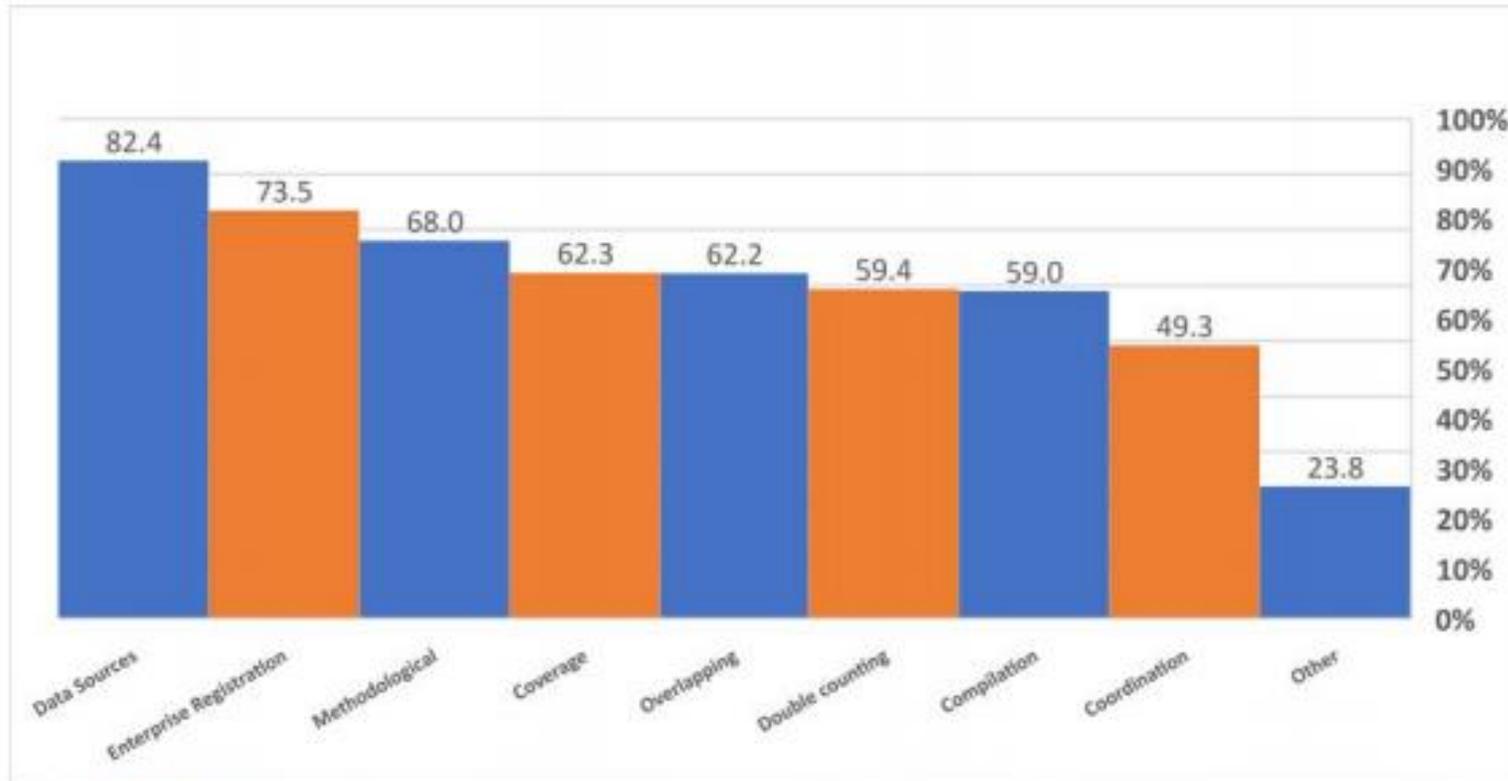
- Official statistics agencies generally do not publish specific estimates of the informal economy. **Focus instead on developing accurate (exhaustive) estimates** of economic activity.
- Even if separate statistics are not published, **countries apply various estimation techniques to account for these activities.**

Non-official estimation

Estimates vary, but show that it is large

- **Based on macro indirect approaches,** such as:
 - Discrepancy between national expenditure and income statistics
 - Discrepancy between the official and actual labor force
 - “Electricity consumption” approach
 - “Monetary transaction” approach
 - “Currency demand” approach
 - **“Multiple Indicators, Multiple Causes” (MIMIC) models**
 - **Dynamic general equilibrium (DGE) models**

(Workstream 3) – Measuring Informal Activities



Source: IMF IE Survey, 2018

- ✓ BOPCOM (2018) identified data sources as the main obstacle in developing estimates of cross-border informal activity.
- ✓ In the same study 17 respondents indicated that less than one percent of total exports and imports are accounted for by IE estimates; 11 economies noted the same percentage for imports of services, and eight economies for exports of services. Six economies indicated that over five percent of imports of goods are accounted for by IE estimates.
- ✓ See <https://www.imf.org/en/Data/Statistics/informal-economy-data>

END

Thank you!