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Panel on Measuring Informal Employment

**40 Years Later: What Has Been Done in
Terms of Measurement of Informal
Employment? What Are the Gaps? Where
Are the New Frontiers?**

Jacques Charmes

IRD

A Brief History of the Concepts and Measurement Methods (1)

- Prehistory: National accountants dealing with non-monetary and 'traditional activities (OECD, 1965; Blades, 1975)
- Birth of the concept in 1971-72 at the two extremes of African continent
 - Hart, 1971, 'informal income opportunities,' in Ghana, a job/individual-based approach, illustrated by Bromley and Gerry "casual work",
 - ILO Kenya report, 1972: informal sector, an enterprise-based approach, illustrated by the ILO works of Nihan, Maldonado in Africa, Tokman in Latin America in the 1970s-80s.

A Brief History of the Concepts and Measurement Methods (2)

- The two decades (1970s-80s) were definitely marked by economic/establishment censuses and enterprise surveys, following the anteriority and priority of national accounts for data collection on output and earnings
- But the scope and coverage of the establishment-based approach were limited to what Nihan paradoxically called the “modern” informal sector and Fields the “upper tier” of the informal sector
- The approach failed to capture activities taking place in the streets and within the households (home-based workers), and more generally outworkers (working outside the premises of an enterprise)
- The 1993 ICLS adopted an international enterprise-based definition of the informal sector but proposed a more comprehensive approach by mixed (household/enterprise) surveys, extending the notion of “economic unit” to street vendors and home-based own-account workers

A Brief History of the Concepts and Measurement Methods (3)

- The first mixed surveys were conducted in Mali(1989), Mexico (1990) and Tanzania (1991) even before the 1993 ICLS
- India (1999-2000), South Africa (2002), the 1-2-3 surveys in the capital cities of Western and Central Africa in 2001-02
- And by the end of the decade: Bangladesh, Indonesia, the Philippines, among others
- The two decades 1990s and 2000s have been the decades of mixed surveys

A Brief History of the Concepts and Measurement Methods (4)

- But in the meantime, the individual-based approach continued to contest the enterprise-based approach, fed by the growth of outworking and sub-contracting in the formal sector
- Household surveys (labour force as well as multi purpose) introduced new sets of questions or entire modules for measuring informal employment or informal sector employment and the years 2000s marked the prevalence of this approach
- The 2002 International Labour Conference defined the informal economy and the 2003 ICLS adopted guidelines for the definition of informal employment encompassing and overstepping the informal sector

Methods of data collection in perspective

		Years 1970s	Years 1980s	Years 1990s	Years 2000s	Years 2010s
Establishment/Economic Censuses and surveys	Africa	+++	+++	+	+	+
	Asia	+++	+++	+	+	+
	Latin America	+++	+++	+	+	+
Household surveys (labour force, living standards, multipurpose)	Africa			+	++	
	Asia			++	+++	
	Latin America	+++	+++	+++	+++	
Mixed surveys (household/establishment)	Africa		+	+++	++	
	Asia			++	++	
	Latin America			+++	+	

Question 1

- Why the concept/concern of informality did not succeed in generating a permanent – at least regular – harmonised system of data collection such as those achieved in other domains, with for instance the Demographic and Health Surveys (DHS) and the Multiple Indicators Cluster Surveys (MICS)?

Several reasons

- It took a long time before reaching a show of agreement between analysts and policy makers in order to accept a concept, which is an image of their powerlessness and inability to understand or to master the phenomenon,
- The size, rate and growth of unemployment, underemployment and informal employment are politically sensitive indicators and there is consequently a tendency for governments to keep an eye on them.
- The labour force surveys have mostly been designed at national level at the initiative of governments. On the contrary, health issues, and especially reproductive health issues, were mostly initiated by the international community, which greatly facilitated harmonisation (national specificities being an extra) and the putting of data sets at users' disposal.
- Finally there was no consensus on a minimum set of questions or an agreed module on the domain, probably because of its complexity. Labour force surveys in Latin America are an exception

Question 2

What should be a harmonised set of questions or module for the measurement of informal employment in permanent household surveys?

Two experiences of harmonised data collection

- The LSMS surveys or integrated/priority surveys of the World Bank conducted for poverty assessments
- The 1-2-3 surveys initiated by DIAL/IRD

Why these two experiences did not succeed as DHS and MICS did?

- The LSMS/World Bank system of surveys did not follow the international definitions and the module on non-farm activities was applied only to the main activities of the household
- As to the 1-2-3 surveys
 - They have often been limited to capital cities (with a few exceptions),
 - the third phase was rarely finalised and analysed
 - and, last but not least, the data sets were never opened to other users neither in the scientific community nor among policy makers.
 - The survey has not yet been repeated until now (except in Cameroon and in Madagascar)

What could be the harmonised content of a short module attached to a permanent/regular household survey?

- For informal employment priority should be given to social protection coverage as the universal criterion of definition rather than to the existence (or non-existence) of a signed contract, because the first criterion applies to all categories of workers (paid/unpaid/own account) while the second is only valid for paid employees.

Difficulties

- Social protection covers several domains (health, unemployment benefits, pensions, etc.) and each of these domains has several dimensions. For health for instance, it can consist in free access to health services, benefit of sick leave, etc.
- Beneficiaries of social protection are those who pay the contributions, but also the family beneficiaries: a worker in the informal sector can be covered by social protection thanks to the contribution of his/her spouse employed in the formal sector

Solution

- Consequently the question should be formulated in two sub-questions:
 - a) Are you contributing to any social protection system (public social security system, private insurance, etc.)?
 - b) Are you benefitting of any social protection system (public social security system, private insurance, any other public or NGO scheme)?

For the definition of informal sector

The criteria are those referring to the economic unit:

- The legal status of the enterprise (unincorporated firms of the household sector).
- The registration of the enterprise (tax registration, social security registration).
- The registration of the employees (social security registration).
- The size of the enterprise (less than 5 permanent employees).
- To which must be added the place of work, and the status in employment because of outworkers (home-based workers) who can be recorded as own-account workers (eventually sub-contracted) or paid employees.

Conclusions for question 2

- A permanent system of data collection on informal employment/informal sector should therefore consist in a short module attached to a permanent-annual household survey (such as preferably a labour force survey) and a more sophisticated enterprise module attached (mixed) to a regular multipurpose household survey (such as a living standards or poverty survey, or an income-expenditure/budget-consumption survey).
- In other words, it is time for informal employment/informal sector data collection to give up the ambition of conducting regular ad hoc mixed surveys and to support the idea of attaching modules to other permanent household surveys.
- Informality cannot be the chore survey with other purposes attachments: it is just the reverse: it has to accept to be one purpose in other permanent systems.

Question 3: Are we satisfied with labour force surveys results? No

- Informal employment may be as high as 93% of total employment and 85% of non-agricultural employment in India, but female activity rates remain extremely low, which is not acceptable on scientific ground
- Informal employment is low in South Africa but unemployment is as high as 25%: How do the people live?
- Labour force surveys have failed in capturing multiple jobs, secondary activities, intermittent/seasonal jobs

Which new frontier in the measurement of informality?

- It is time to try reconciliation between labour force surveys and time-use surveys
 - To reach more reliable female activity rates
 - To reach more reliable open unemployment rate
 - To measure the diversity and complexity of human economic activities
- Mexico, India and South Africa have conducted such surveys
- It is a methodological challenge because of major differences in objectives and questionnaire design



Thank you