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**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?**

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## **A brief history of 40 years of data collection on informal sector and informal employment**

There are now more than 40 years that the first attempts of data collection on informal sector and informal employment on a large scale were launched in the early 1970s. It must be noted however that national accountants were the first to propose procedures for overall estimates of the traditional sector, agricultural and non-agricultural, monetary and non-monetary (OECD, 1965; D. Blades, 1975; J. Charmes, 1989).

It is in 1971 that the concept of “informality” was born at the two extremes of the African continent: in Ghana with the notion of “informal income opportunities” (Keith Hart, 1971) and in Kenya with the multicriteria definition of the informal sector by the ILO report of the World Employment Programme (1972, with Richard Jolly and Hans Singer as main editors). The first notion was individual-based and inspired many sociological and anthropological studies in Africa and elsewhere (R. Bromley & C. Gerry, 1979); in Latin America in particular, it made the regular labour force surveys getting started the measurement of the so-called marginalisation of workers on the basis of a level of earnings under the minimum wage. The second conception was establishment- or enterprise-based and was at the origin of numerous studies and surveys by the ILO in Africa (G. Nihan et al., 1978; C. Maldonado, 1987) and in Latin America (V. Tokman, 1986), through its Jobs and Skills Programme for Africa (JASPA), or its Regional Programme on Employment for Latin America and the Caribbean (PREALC), generally at capital city levels.

The two decades 1970s and 1980s have thus been standing out for the priority given to the enterprise-based approach and this is not so surprising if we consider that the building of national accounts and the reign of GDP made of data collection on production and earnings a necessity. Economic censuses and even door-to-door censuses of establishments regularly followed by sample surveys of establishments were the rule. It is also the period when adapted and sophisticated designs of questionnaires were tested for the measurement of production, showing for instance in Tunisia (1976-1982) that direct declaration was often underestimated by half compared with other controlled methods.

But even where extended to mobile (non-sedentary) vendors the census approach of activities failed to capture the bulk of home-based workers or rather outworkers that is all these workers who do not perform their activities in the premises of an enterprise and who are not enterprise-based. This is why from the very end of the 1980s and especially further to the 1993 International Conference of Labour Statisticians, which defined the concept of informal sector, a change of methodological paradigm intervened: the first mixed household-establishment surveys were conducted in Mali (1989) and in Mexico (1991), just before the 1993 ICLS recommendation proposed this type of survey as the most appropriate for capturing all the diversity of informal sector activities. Many countries conducted such surveys at national level (Tanzania, 1991; India, 1999-00; South Africa, 2002, among others) or at capital city or urban levels (the series of 1-2-3 surveys in the 8 francophone countries of West Africa as well as in Cameroon and Madagascar) during the 1990s and the early 2000s. Asia followed in the second half of the 2000s (with mixed surveys in Bangladesh, the Philippines and Indonesia and also Cambodia, Mongolia and Armenia. The decades of the 1990s and the 2000s have thus been the decades of mixed surveys.

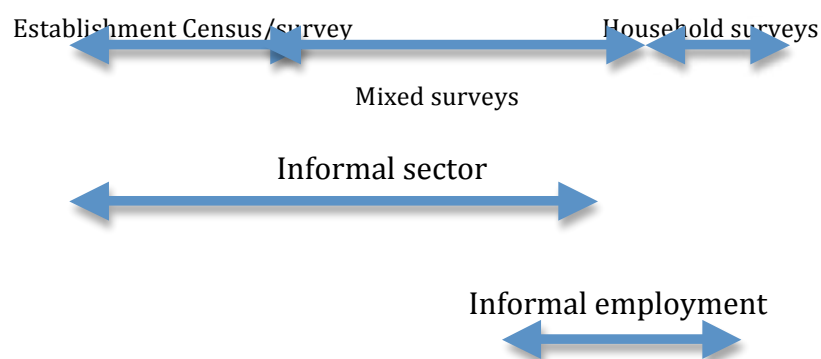
At the same time, efforts started to include adapted questions or even short sections in the questionnaires of regular household surveys (labour force surveys or living conditions surveys) in Latin America and in Asia (Pakistan, Thailand), while the LSMS questionnaires (and the surveys of the same type, for instance the GLSS in Ghana), as well as the social dimensions of adjustment surveys (“integrated” or “priority” surveys on living conditions of households), introduced a section for capturing the activities of own-account and employers’ enterprises.

With the 2002 International Labour Conference (ILO, 2002a and b) and the 2003 ICLS (ILO, 2003), the pendulum comes back to emphasise the individual-based definitions and efforts to capture information on the type of contracts and social protection for the paid employees and the benefit of some kind of social protection for all the workers and more generally for the whole population through household surveys.

To sum up (table 1 below), one can say that the first two decades (1970s and 1980s) were decades of establishment censuses and surveys, a concern that still goes on for national accounts purposes. This period allowed reaching a better knowledge of the upper tier of the informal sector (the micro and small enterprises or MSEs). The following decade (1990s) with the beginning of the 2000s has been the decade of mixed surveys, achieving the requirement of accumulating knowledge on the characteristics of the various components of the informal sector including the lower tiers, for policy purposes, especially employment creation. Finally the last decade (2000s) saw the rise of the household surveys as the main vehicle of data collection on informality, firstly because they had been conveniently the first stage of the mixed surveys, secondly because they have often become regular – if not permanent (annual or even quarterly) – and thirdly because they can accommodate a special section or module to informality in its broad sense (informal employment and informal sector).

**Table 1: 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 |             |             | +++         | +           |             |



This brief reminder of an already long history of definitions and data collection methodologies on informal sector and informal employment raises the question why this concept/concern did not succeed in generating a permanent – at least regular – 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), which to-day are powerful instruments of analysis and are used for designing appropriate policies, for measuring their impact and also for measuring the progress of the MDGs and the new Multidimensional Poverty Index.

## **Why the past efforts in measuring informal employment have not conveyed a harmonised set of questions or module in regular household surveys?**

There are several reasons explaining this failure:

- 1) It took a long time before reaching a show of agreement between analysts and policy makers in order to accept a concept, which, to a certain extent, is an image of their powerlessness and inability to understand or to master the phenomenon.
- 2) The size, rate and growth of unemployment, underemployment and informal employment are politically sensitive indicators and there is consequently a tendency to restrict direct and transparent access to them.
- 3) Generally, the labour force surveys are the first among the household surveys, to acquire a permanent (annual or quarterly) status in a country. Therefore it is difficult to make them flexible and open to change, especially to include new concepts and new dimensions.
- 4) The labour force surveys have mostly been designed at national level (with or without the support of international institutions such as the ILO) 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.
- 5) Finally there was no consensus on a minimum set of questions or an agreed module on the domain, probably because of its complexity. However a special mention needs to be made of the labour force surveys in Latin America, which succeeded in collecting sufficiently harmonised data over long periods to allow the Labour Overview ("Panorama Laboral") of the ILO in Latin America and the Caribbean) to regularly publish statistics on informal employment and informal sector, but with the missing – not systematically collected (?) - criterion of legal status of the enterprise.

## **What harmonised set of questions or module for the measurement of informal employment in permanent household surveys?**

There were only two attempts to harmonise data collection on informal sector employment and characteristics. The first one was the LSMS and Social Dimension of Adjustment surveys of the World Bank, which designed a module for non-agricultural individual enterprises in their multipurpose questionnaires. But the initiative ignored the international definitions and renounced to capture all enterprises (it was limited to the first two or three main activities of the household). The second was the so-called 1-2-3 surveys designed by the research unit DIAL of the French Institute of Research for Development (IRD): 1 stands for the first stage, a labour force survey applying the criteria of the international definition for the informal sector and informal employment, 2 stands for the second stage: an informal sector survey applied to all informal enterprises identified in the first stage and collecting data on the characteristics and main components of the enterprise production and income accounts, and 3 stands for a budget-consumption survey of a sub-sampled of the households. The survey was conducted in the 7 capital cities of the West African Economic and Monetary Union (WAEMU) with the support of the European Commission in 2000-01 (Bamako, Niamey, Ouagadougou, Dakar, Abidjan, Lomé, Cotonou: AFRISTAT, 2004), as well as in Yaoundé (then at national level in Cameroon), and also in Antananarivo (then in the 8 major cities of Madagascar), in Kinshasa (and main cities), in Burundi, in Morocco. Other surveys were conducted in Latin America (Peru) and more recently in Asia (Vietnam, Indonesia, Philippines, Bangladesh). Although it had been the first ever-harmonised systematic data collection conducted, it suffered of three shortcomings: it was generally 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. Repetition of the survey has often been limited to stage 1 (Mali) or 2 (Morocco) and rarely 1-2 (Cameroon).

What could be the contents of a harmonised – and short – module to be added to the questionnaire of on-going regular household surveys? The reason why no international agreement has been reached until now for the formulation of a common module probably lies in the complexity of the definitions:

- 1) Regarding informal employment, inclusive of all components of the phenomenon to be captured, 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. But there are two difficulties in the application of the social protection criterion:
  - 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.

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)?

- 2) As to 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, because of the status of outworkers (home-based workers) who can be recorded as own-account workers (eventually sub-contracted) or paid employees (the criterion of status in employment must be added).

The preceding remarks and suggestions deal with employment creation as the main concern of data collection on informal employment. Of course the national accounts remain a major user of data on informality and to this aim it is still necessary to collect data on production and earnings, that is on the main elements of the informal enterprise accounts: this must be done via ad hoc surveys on informal sector on a 5-year basis for example. But the new perspective should not be to focus on specific surveys on the informal sector, but rather to attach a specific dedicated module to other regular household surveys (such as living conditions surveys or income/expenditure-budget/consumption surveys).

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.

### **A recurrent but still unsolved question: the measurement of multiple jobs.**

Just like labour force surveys, the surveys on informal employment or informal sector failed in capturing the multiple jobs performed by the workers over the day, the week or the year, for the simple reason that respondents remain reluctant to declare such activities. Whatever the sophistication of questionnaire design, the most natural response to the direct question on multiple jobs or secondary activities is that no second job is performed. Secondary activity rates rarely exceed 2 to 5% of the number of occupied persons.

In this regard, Time-Use Surveys (TUS) are more appropriate because they consist in asking, hour by hour (or 15 minutes by 15 minutes) what concrete activity (economic or not economic) has been performed by the interviewed person within the course of the day, without wondering whether it is the main or secondary activity, whether it is official/formal or unofficial/informal. Moreover, the diaries of time-use surveys are less likely to be responded by proxy respondents, which is a scourge of other household surveys. In other words, there are many reasons, which make of TUS the best instrument for capturing the multiplicity, the diversity and also the non-continuous character of informal economic activities. TUS have known a rapid development during the past decade in developing countries (especially in Africa) and this should probably continue during the present decade (Charmes in Antonopoulos and Hirway eds., 2009). Priority should therefore be given to TUS for capturing the various components of informal employment and especially informal employment in multiple jobs. To this aim, it is necessary to conceive a new design of their methodology (at least an adaptation), as their current objectives are not the measurement of employment.

In time-use surveys, the record of time budgets is generally preceded by the collection of demographic and socio-economic data on the sampled households and their individual members. A minimum set of information is available on the employment characteristics of individuals, which allows the linkage and comparisons with the labour force surveys. But of course it is the linkage and the comparison with time-use itself that is interesting and this is not so easy for various reasons.

The main reason is that a principle of TUS is that a part of the sample is interviewed during non working days (weekends, special days dedicated to ceremonies or other social events) in order that these social events are represented in the time budgets in phase and in proportion with their occurrence in everyday life. Multiple jobs are therefore correctly measured only for these individuals of the sub-sample who have been interviewed during working days. That may require a correction for other individuals in the sample.

To conclude, the new decade of the 2010s could be the decade of TUS in developing countries, a movement that has started in the late 1990s and early 2000s.



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