APPLICATION OF DEFINITION AND METHODS IN MEXICO

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Rodrigo Negrete
Lilia Guadalupe Luna

INEGI
INSTITUTO NACIONAL
DE ESTADÍSTICA Y GEOGRAFÍA

Why informality matters so much in Mexico

◎ Mexico is a heterogeneous country, with different modes of production (automobile, air & space industry, vigorous manufacturing export sector coexisting alongside subsistence agriculture, street vendors, cottage industries and the like).

◎ Mexico was one of the first countries to be fully incorporated in the wave of globalization in the nineties; big pressure to make as flexible as possible intra-industry labor relationships.

◎ Mexico historically has had problems in terms of making effective the rule of law: on one hand this means the state has a rather weak fiscal/tax base; on the other that vast numbers of the population cannot make effective labor and social rights enshrined in the constitution.

Why informality matters so much in Mexico

◎ Many transactions are undetected; thus individuals so involved operate without contractual guarantees.

◎ A society moving faster towards aging demographics poses the imminent problem of all those who have been operating outside pension schemes and whose families are no longer large enough to function as a de facto social protection net, as before.

◎ The unemployment rate as the leading labor indicator clearly is not the key signal to understand what is going on in Mexico's labor market.

On what follows, the strategy adopted by Mexico in measuring informality and its impact on policies, triggering a sequence of measures and reforms.

CONCEPTUAL FRAME

Conceptual Frame

◎ The 17th ICLS sets a classification mechanism which identifies the part of employment that is formal, the part informal and the modalities of the latter cases to achieve a holistic classification of the labor landscape with no exceptions. That mechanism is the H matrix.

Conceptual Frame

◎ The underlying logic of the Matrix is to apply operational criteria depending on the status of employment.

₪ *Independent workers are classified under an enterprise based approach (informal sector).*

₪ *Dependent workers (either jure or de facto) are classified based on their current employment relationship, i.e. whether it provides them (in law or in practice) basic or standard employees guarantees.*

The key unifying factor

◎ If not explicit in the 17th ICLS or in the Manual, the informal concept in its broadest sense encompasses those forms of labor market insertion where risks are personal *stricto sensu*; not diffused nor buffered by any institutional way of protection.

◎ Therefore the concept points to situations where certain economic insertion modalities do not provide persons with the basic or standard guarantees relating to either their transactions or labor relationships.

The key unifying factor

◎ While informality is a diverse phenomena, the final outcome or situation ought not to be confused with whatever causes it (breaking the law; not knowing the law; blind spots in the law; ways to circumvent the law; new realities not yet covered in law, etc.).

◎ Another point is that the informal concept becomes a practice or set of practices that in principle might be widespread throughout the economy and no longer takes place only in a part of it.

Measurement objectives and methods of data collection

◎ Household surveys (i. e. LFS)

◎ Establishment surveys and censuses

◎ Mixed household and enterprise surveys

₪ *Mixed modular surveys*

₪ *Mixed independent surveys*

◎ Methods of indirect estimation

₪ *Residual balance techniques*

₪ *Macro-economic estimation techniques*

The LFS approach: Mexico's strategy

Chapter 4.

Household surveys on informal sector employment and other types of informal employment

From: *Measuring Informality: A Statistical Manual on the Informal Sector and Informal Employment*

The LFS approach: Mexico's strategy

◎ Three elements of the INEGI (Mex) approach in its LFS (ENOE).

   ₪ *Sample size (120 thousand dwellings).*

   ₪ *Continuity (Quarterly basis).*

   ₪ *Special design of its section 4, which has questions on certain characteristics of the economic unit the person is working for, to give some inkling of its nature.*

Strengths

◎ Fills out the H Matrix cells in one stroke, each Quarter.

◎ Yields statistical series amenable to both short term and structural data analysis.

◎ Makes easier any contrast with formal employment.

◎ Gives the sociodemographic context of the individual as well his household.

◎ Supplies the labor matrix input needed by national accountants to calculate the informal economy size (share of GDP) on an annual basis.

◎ No additional costs in collecting and disseminating data available at national level (including rural areas) as well at states (provinces) level.

Weaknesses

◎ Proxy respondents (in some cases the person may not know or answer inaccurately questions on characteristics of the economic unit).

◎ The Industry structure of the Informal sector in particular at certain levels of disaggregation (i. e. beyond two digit level) should be taken with caution, because the LFS sample was not designed to take into account that specific structure.
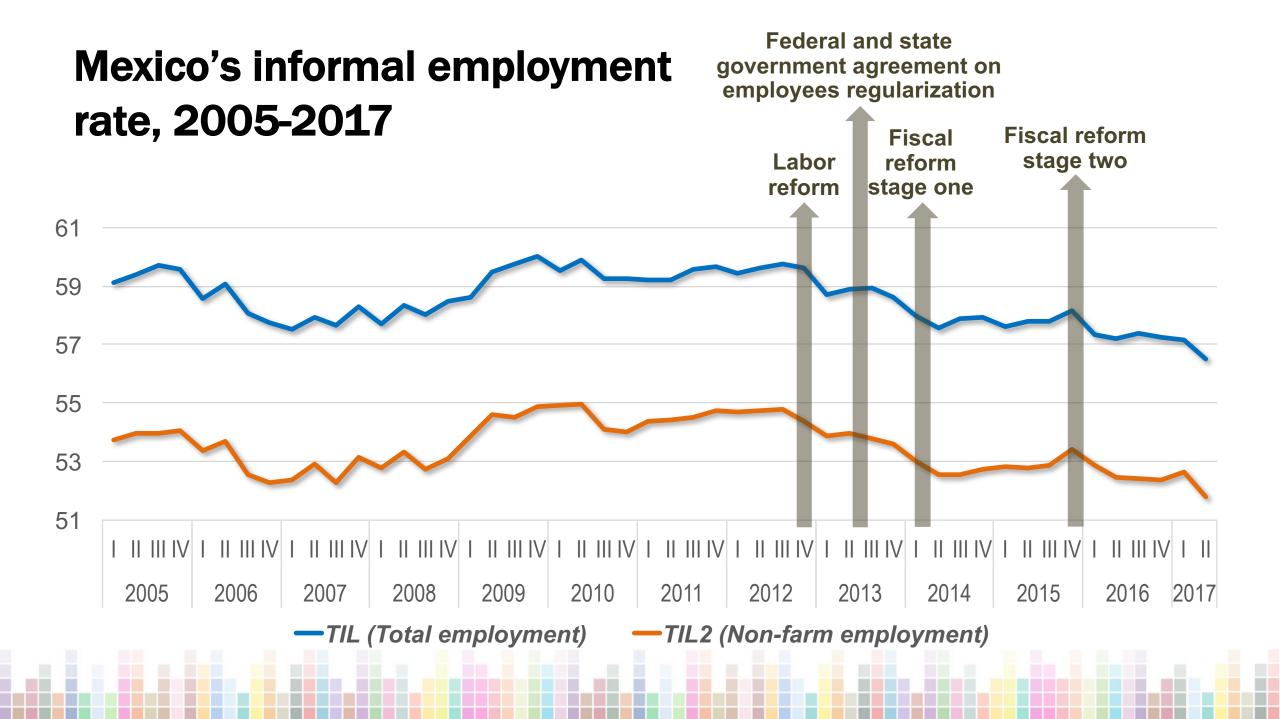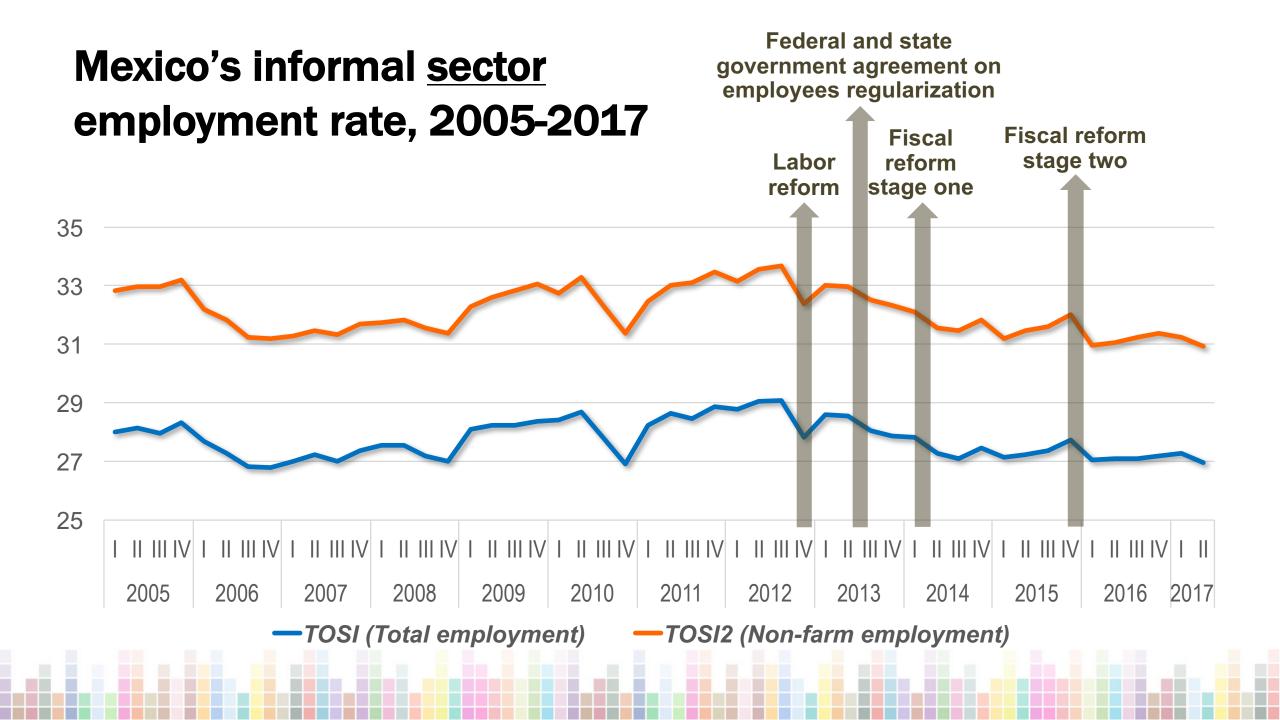
DATA ON EMPLOYMENT

Matrix H
Second Quarter 2017 (millions)

Classification according to type of economic unit	Classification by status in employment										Total	
	Paid dependent workers				Employers		Own account workers		Auxiliary non-paid workers			
	Salary workers		Dependent workers not salary paid									
	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal
Informal sector	3.92		0.79		0.88		7.50		0.98		14.08	
Paid domestic work	2.27	0.07	0.02	0.00							2.29	0.07
Corporations, Government and Institutions	5.72	18.84	0.89	0.21		1.15		1.66	0.60		7.20	21.87
Agriculture	2.41	0.38	0.15	0.02		0.37	2.46		0.91		5.93	0.77
Subtotal	14.32	19.29	1.85	0.24	0.88	1.52	9.97	1.66	2.49		29.50	22.70
Total	33.60		2.08		2.40		11.63		2.49		52.20	

Note: Totals may not match with their components sum due rounding.

Mexico's informal employment rate, 2005-2017

Mexico's informal sector employment rate, 2005-2017

Absolute figures

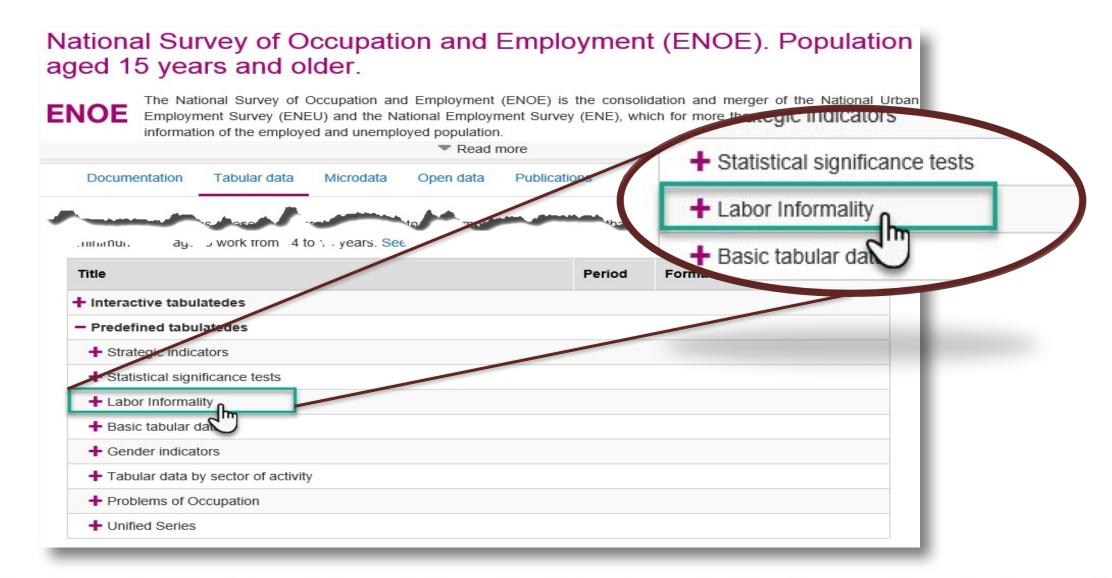## Employment distibution by sociodemographic & socioeconomic characteristics
Second Quarter, April-June, 2017
National

Characteristic	Total employment	Formal employment	Total				
			Informal employment				
			Subtotal	Informal Sector Employment	Other forms of informal employment		
					Subtotal	Non-farm	Farm
Employed population by	**52,198,611**	**22,702,104**	**29,496,507**	**14,077,063**	**15,419,444**	**9,490,122**	**5,929,322**
1.1 Age groups	**52,198,611**	**22,702,104**	**29,496,507**	**14,077,063**	**15,419,444**	**9,490,122**	**5,929,322**
From 15 to 24 years	8,779,146	2,901,612	5,877,534	2,246,365	3,631,169	2,428,147	1,203,022
From 25 to 44 years	24,989,199	12,334,843	12,654,356	6,129,225	6,525,131	4,353,544	2,171,587
From 45 to 64 years	15,731,535	6,844,806	8,886,729	4,691,918	4,194,811	2,343,620	1,851,191
65 onwards	2,665,504	602,567	2,062,937	1,002,655	1,060,282	358,696	701,586
Not specified	33,227	18,276	14,951	6,900	8,051	6,115	1,936
1.2 School attainment	**52,198,611**	**22,702,104**	**29,496,507**	**14,077,063**	**15,419,444**	**9,490,122**	**5,929,322**
Non-finished grammar school	6,077,270	822,685	5,254,585	2,211,509	3,043,076	899,212	2,143,864
Grammar school	9,563,994	2,210,678	7,353,316	3,646,743	3,706,573	1,929,869	1,776,704
Junior high school	17,758,190	7,261,449	10,496,741	5,399,941	5,096,800	3,561,913	1,534,887
High school and College	18,753,036	12,388,178	6,364,858	2,804,762	3,560,096	3,088,143	471,953
Not specified	46,121	19,114	27,007	14,108	12,899	10,985	1,914
1.3 Status on employment	**52,198,611**	**22,702,104**	**29,496,507**	**14,077,063**	**15,419,444**	**9,490,122**	**5,929,322**

How to find data on Mexico's informal employment

National Survey of Occupation and Employment (ENOE). Population aged 15 years and older.

ENOE The National Survey of Occupation and Employment (ENOE) is the consolidation and merger of the National Urban Employment Survey (ENEU) and the National Employment Survey (ENE), which for more th... information of the employed and unemployed population.

▼ Read more

Documentation | Tabular data | Microdata | Open data | Publications

...ag... work from 4 to ... years. See...

Title	Period	Form...
+ Interactive tabulatedes		
− Predefined tabulatedes		
+ Strategic indicators		
+ Statistical significance tests		
+ Labor Informality		
+ Basic tabular dat...		
+ Gender indicators		
+ Tabular data by sector of activity		
+ Problems of Occupation		
+ Unified Series		

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+ Statistical significance tests
+ Labor Informality
+ Basic tabular dat...

http://www.beta.inegi.org.mx/proyectos/enchogares/regulares/enoe/

DATA ON INFORMAL ECONOMY

GDP: informal shares

Source: INEGI. SCN. Participación de la economía informal por componente en el PIB: http://www.inegi.org.mx/est/contenidos/proyectos/cn/informal/default.aspx

How to find data on informal economy

http://www.inegi.org.mx

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How to find data on Mexico's informal economy

Summing up

◎ Mexico (INEGI) produces regular data on informal employment and its components with national coverage, distinguishing urban from rural areas and also state-regional levels. All are disseminated on a quarterly basis.

◎ Both sample size and special design of Mexico's LFS (ENOE) provides this information and also supply the national account system with the labor base required to achieve completeness and infer the size of the informal economy within GDP.

Summing up

◎ It is easier to identify the size of informal employment than its composition. Informal Sector still remains the most challenging segment to delimitate within the realm of informal employment.

◎ There are many measurement approaches to the phenomena. All in all there always will be some trade-offs between scope and timeliness and accuracy (especially in structural terms).

The future

◎ Given the conceptual frame, a key point for this statistic is the outcome of the ILO expert group updating the classification of status in employment (ICSE). That is because certain labor market insertion modalities such as dependent contractors could be classified as informal, insofar as they are seen as *de facto* employees (thus lacking labor rights). However if they are considered as independent workers or self-employed, then in the H Matrix, they will be part of formal employment.

◎ *De Jure and de Facto* distinctions becomes more than ever a hot issue to deal with, creating an explicit tension between legalistic and non-legalistic ways of understanding informality.

Thanks' for remaining awake!

Conociendo México

01 800 111 46 34
www.inegi.org.mx
atencion.usuarios@inegi.org.mx

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