

Panel: « Measuring Informality »

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Schedule of this presentation

1. Improving data on informal employment:
what we learnt from the 1-2-3 Surveys, a « user »
perspective
2. Overview of informal employment using 1-2-3 Surveys for 11
cities in 10 developing countries
3. Which ways forward?
The "cutting edge" work to improve labour statistics and make
users more aware of the available data and facilitate their
use...

Improving data on informal employment: what we learnt from the *1-2-3 Surveys* (1)

- IRD-DIAL's researchers developed a special class of mixed surveys in the early 90s, the *1-2-3 Surveys*, which address the informal sector in its multiple relationships with the rest of the economy, in terms of both employment and informal product supply and demand.
- IRD-DIAL researchers then backed the implementation and use of these surveys in many countries, with the idea of creating capacity building in this field.
- The *1-2-3 Survey* was designed as a general framework with a flexible structure that respects a certain number of common characteristics, but allows for actual configurations that vary depending on the needs and particularities of the information systems in the different countries.
- These surveys have now become a benchmark used in a wide range of applications (including research), and some of its contributions (sampling and questionnaires) have been gradually incorporated into other types of surveys.
- In such sense, it is now a public good and part of the common toolbox used by those addressing informal economy issues.

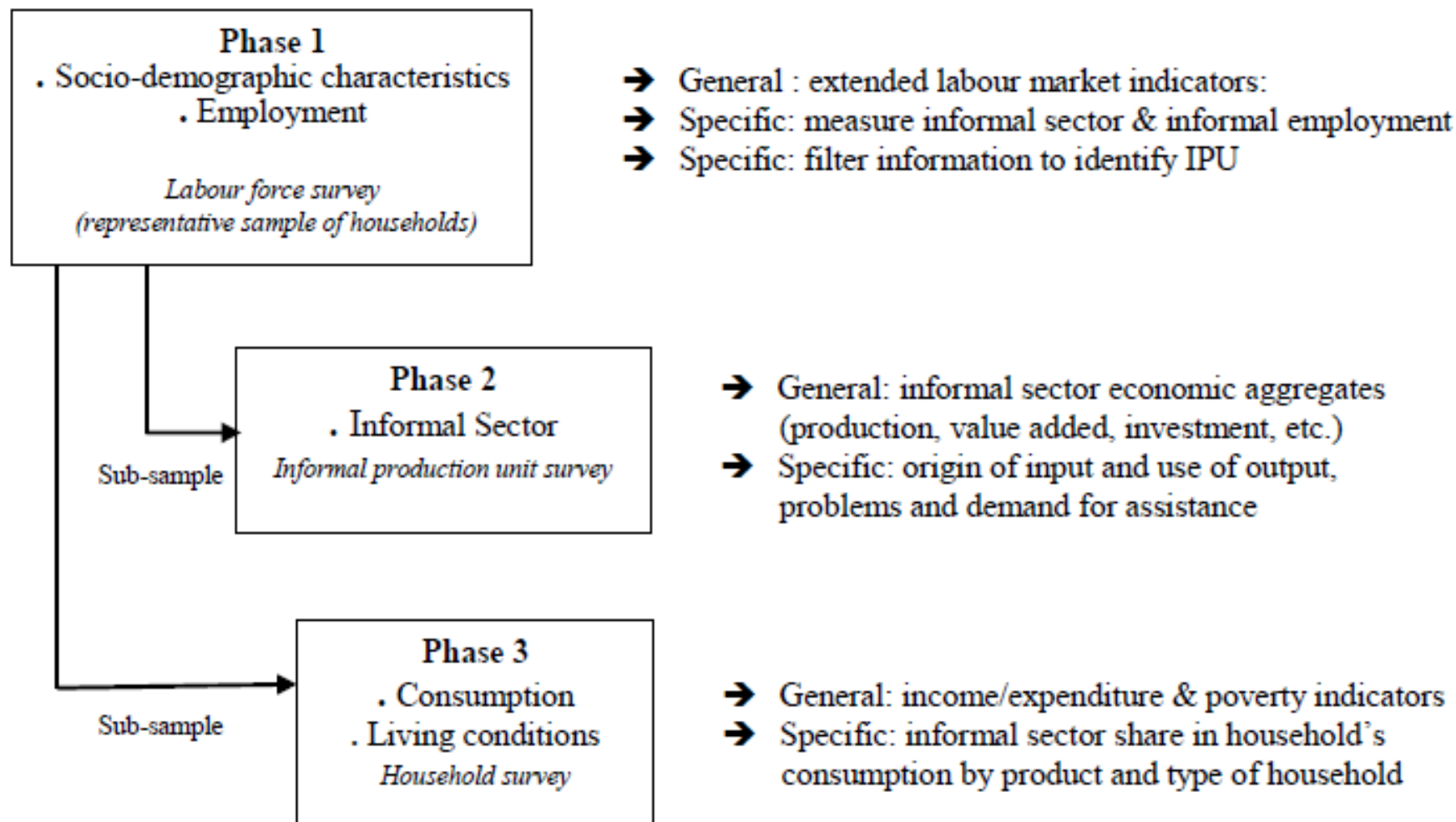
Improving data on informal employment: what we learnt from the 1-2-3 Surveys (1)

- The *1-2-3 Survey* is based on a survey grafting principle.
- It is a system of **three nested surveys** targeting different statistical populations:
 - Individuals in households
 - Production units (informal firms)
 - Households
- The survey takes up the principle of mixed (household/business) survey modularity and also proposes extensions.
- Given the characteristics of Phase 2, the *1-2-3 Survey* can also be said to be a matched employer-employee survey.

Improving data on informal employment: what we learnt from the 1-2-3 Surveys (2)

- *The first phase (Phase 1: employment survey)* is a survey of household and individual employment, unemployment and working conditions. This phase documents and analyses labour market functioning and serves as a filter for the second phase, where a representative sample of informal production units (IPUs) is surveyed.
- In the *second phase (Phase 2: survey on the informal sector)*, the IPUs heads identified in the first phase are interviewed: main economic and productive characteristics of the production units (production, value-added, investment and financing), main business development problems encountered, support informal sector entrepreneurs would like from the public authorities.
- Lastly, in the *third phase (Phase 3: survey on consumption, formal and informal demand, and poverty)*, a specific survey on income and expenditure carried out on a subsample of households selected from Phase 1 to estimate the weight of the formal and informal sectors in household consumption by product and household type.
- Phase 3 also estimates household standards of living and monetary poverty based on income and expenditure.

Figure 2: Basic scheme of the 1-2-3 survey



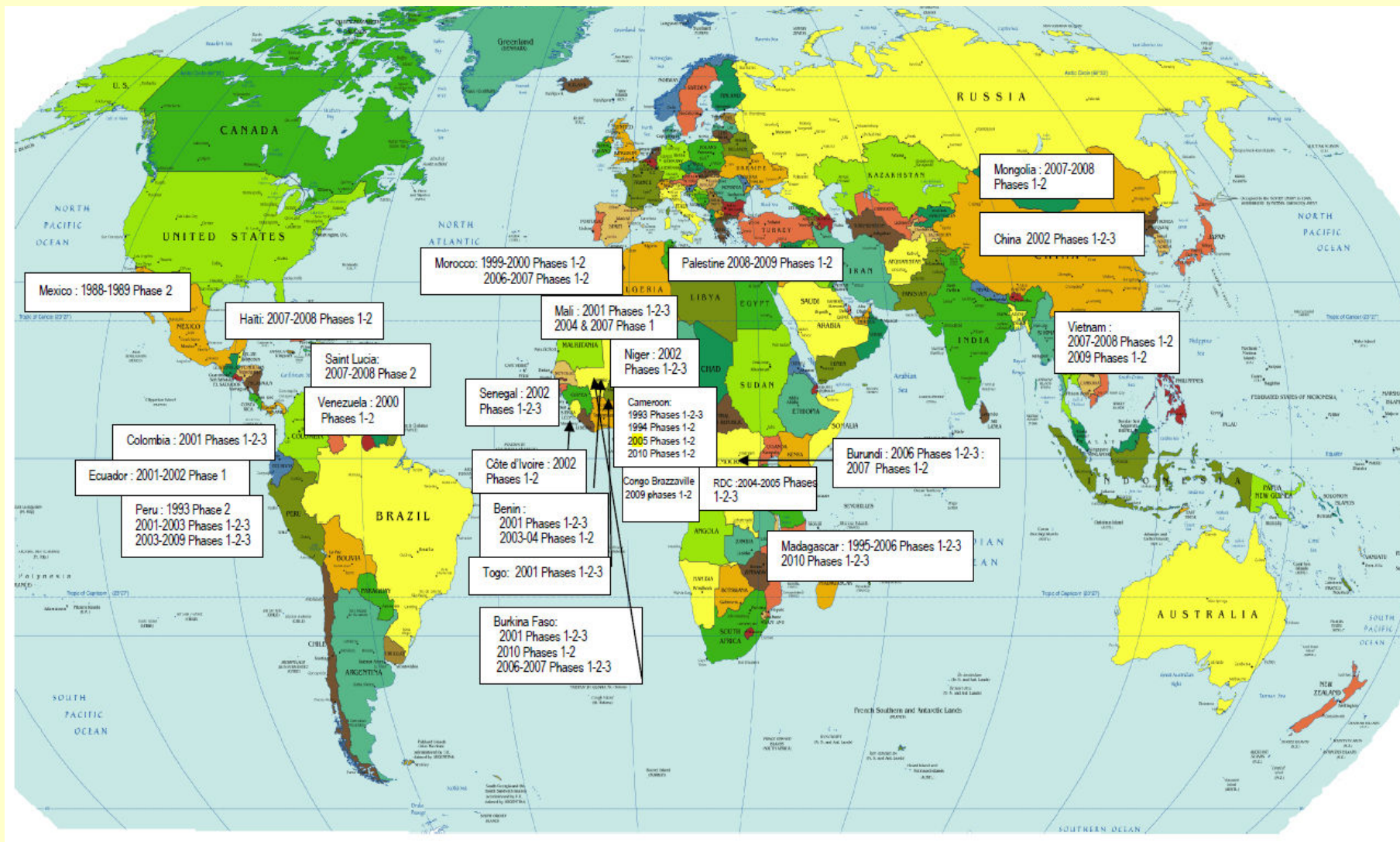
+ subject-specific modules (governance, subjective well-being)

Improving data on informal employment: what we learnt from the 1-2-3 Surveys (3)

In addition to quality and consistency of the indicators (in line with the ILO and ICLS definitions), two main advantages of the *1-2-3 Surveys*:

1. They provide comparative and harmonized indicators on labour markets (though mainly urban). These indicators are comparable not only thanks to identical operational definitions but also to similar sampling frame and questionnaires.
2. Experience has already been extended to a wide range of countries and is now part of the statistical system of many: poor, intermediate income in Africa, Latin America, Asia...

1-2-3 Surveys Worldwide



Source: Nordman and Roubaud (2010), *DIALOGUE*, 31, October.

The 1-2-3 Surveys in Africa, 1993-2008

| Countries | Date | Sample size | | | Coverage |
|--------------------|-------------|------------------------|------------------|------------------------|--------------|
| | | Phase 1 (Household) | Phase 2 (UPI) | Phase 3 (Household) | |
| Benin | 2001 | 3,000 | 1,000 | 600 | Cotonou |
| | 2003 & 2004 | 3,600 | 1,200 | No | Urban Areas |
| | 2006 & 2007 | 18,000 | 6,200 | 18,000 | National |
| | 2008* | 1,000 | No | 1,000 | Cotonou |
| Burkina Faso | 2001 | 2,500 | 1,000 | 1,000 | Ouagadougou |
| | 2008* | 1,000 | No | 1,000 | Ouagadougou |
| Burundi | 2006 | 1,600 | 700 | 900 | Bujumbura |
| | 2007 | 3,300 | 600 | No | Urban Areas |
| | 2008 | 3,300 | No | 3,300 | Urban Areas |
| Côte d'Ivoire | 2002 | 2,500 | 1,000 | No | Abidjan |
| | 2008* | 1,000 | No | 1,000 | Abidjan |
| Mali | 2001 | 2,400 | 1,000 | 1,000 | Bamako |
| | 2004 | 2,500 | No | No | National |
| | 2006 | 4,500 | No | No | National |
| | 2007 | 3,000 | No | No | National |
| | 2008* | 1,000 | No | 1,000 | Bamako |
| Morocco* | 1999/2000 | 45,000 | 8,900 | 15,000 | National |
| | 2006/2007 | 60,000 | 10,600 | No | National |
| Niger | 2002 | 2,500 | 800 | 600 | Niamey |
| | 2008* | 1,000 | No | 1,000 | Niamey |
| Senegal | 2002 | 2,500 | 1,000 | 600 | Dakar |
| | 2008* | 1,000 | No | 1,000 | Dakar |
| Togo | 2001 | 2,500 | 1,000 | 600 | Lomé |
| | 2008* | 1,000 | No | 1,000 | Lomé |
| Madagascar | 1995-2006 | 3,000 | 1,000 | 600 | Antananarivo |
| | 2000 & 2001 | 6,000 | No | No | Urban areas |
| Cameroon | 1993 | 2,500 | 1,000 | 400 | Yaoundé |
| | 1994 | 2,500 | No | No | Yaoundé |
| | 2005 | 8,500 | 5,100 | No | National |
| | 2007 | 12,000 | No | No | National |
| Dem. Rep. of Congo | 2004/2005 | 13,700 | 6,300 | 13,700 | National |

Note: In Morocco, The phases 1 and 2 on one side and the phase 3 are disconnected. The first two phases are drawn from the LFS, while the third correspond to the 2000/2001 I/E survey.

The phases 2 and 3 were not always conducted in some countries.

*"IHPC survey": The main questionnaire is similar to the phase 3 of the 1-2-3 survey ; the module on employment is similar to the phase 1 of the 1-2-3 survey.

The 1-2-3 Surveys in Latin America, 1987-2007

| Countries | Date | Sample size | | | Coverage |
|-------------|------------------------|--------------------------|------------------|------------------------|------------------|
| | | Phase 1 (Household) | Phase 2 (UPI) | Phase 3 (Household) | |
| Bolivia | 2000-2002 | 9,800 | No | No | Urban Areas |
| Colombia | 2001 | 48,000 | 9,000 | 1,700 | Urban Areas |
| Ecuador* | 2001 & 2002 | 14,000 | No | 10,800 | Urban Areas |
| El Salvador | 1992 | | | | |
| Haiti | 2007/08 | 8,100 | 4,400 | 5,200 | National |
| Mexico | 1987 | | | No | Mexico |
| | 1988/89 | | 2,800 | No | 7 largest Cities |
| | 1992-2002 | | | No | Urban |
| Peru | 1993 | | 4,300 | No | Urban Areas |
| | 2001 & 2002 | 18,000 | 8,000 | 18,000 | National |
| | 2003-2007 (continuous) | 20,000 (1,600/ month) | 12,000 | 20,000 | National |
| Venezuela | 2000 | 7,600 | 521 | No | National |

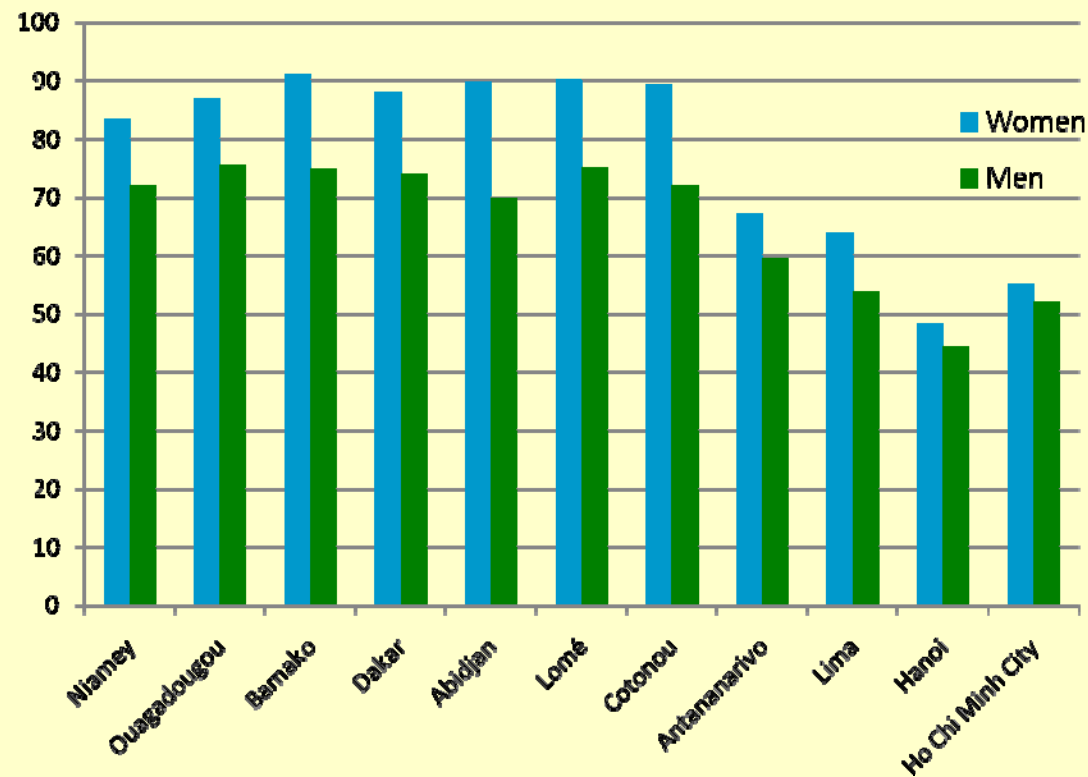
Overview of Informal Employment using 1-2-3 Surveys for 11 cities in 10 developing countries (1)

In all cities, except Hanoi, more than half of the employed labour force is in informal employment.

In West African cities, this share is much higher.

In all cities, there are proportionally more women than men in informal employment.

Informal employment as % of total non-agricultural employment

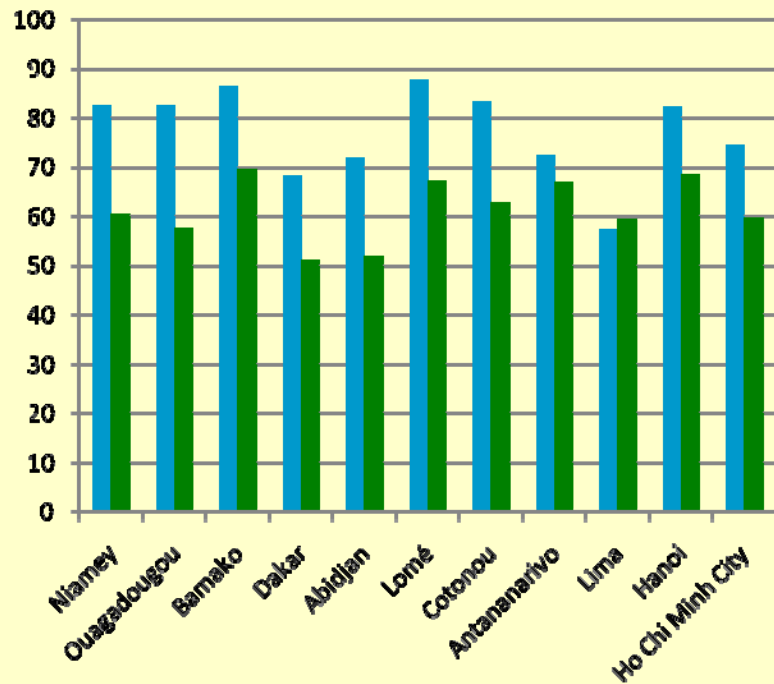


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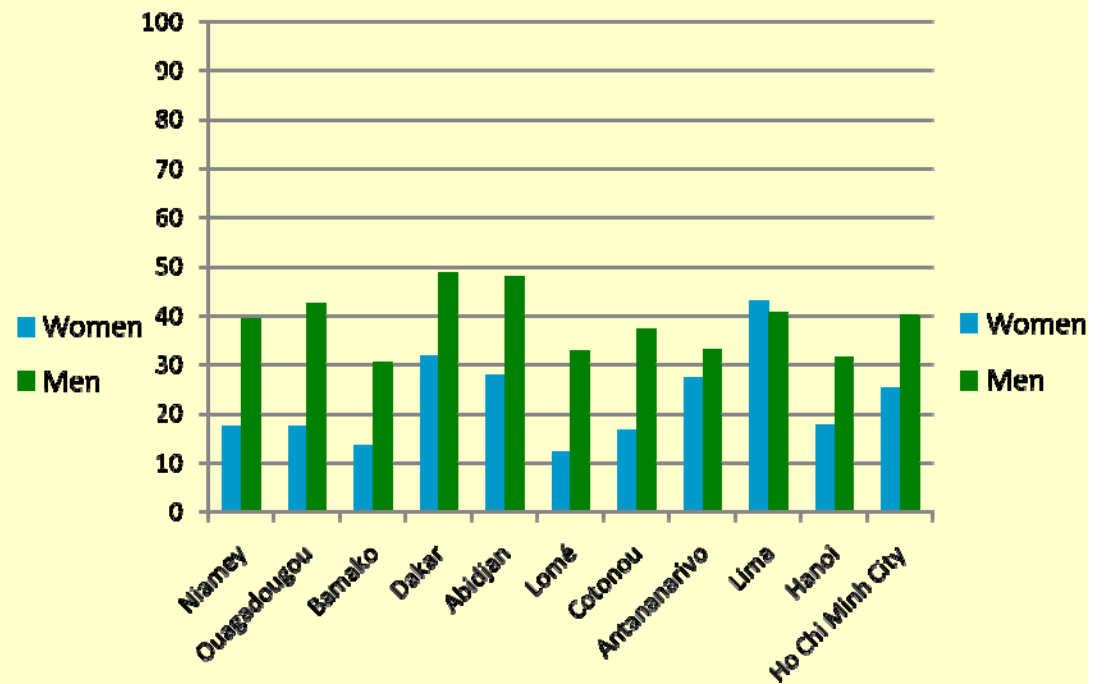
1-2-3 Surveys (2002-03 for West Africa; 2006 for Madagascar; 2007 for Vietnam; 2008 for Peru)
Herrera, Kuépié, Nordman, Oudin and Roubaud (2011), "Informal Sector and Informal Employment: Overview of Data for Eleven Cities in Ten Developing Countries", Report prepared for Inclusive Cities Project and WIEGO, March, 170 pages.

Overview of Informal Employment using 1-2-3 Surveys for 11 cities in 10 developing countries (2)

Self-employment as % of non-agricultural informal employment



Wage employment as % of non-agricultural informal employment



People in informal employment are more generally self-employed, i.e. employers, own-account workers or contributing family workers, but this proportion is not homogeneous across cities.

In all cities, except Lima, the proportion of female self-employed is higher than that of males. Women are less likely to be paid employees than men in general.

In cities where female informal employees are more numerous, such as Lima or Dakar, the number of domestic female workers is also more important.

Overview of Informal Employment using 1-2-3 Surveys for 11 cities in 10 developing countries (3)

To summarize....

Our statistics then show that women are more numerous working as own-account workers or contributing family workers.

By contrast, they are less likely to be employers or informal employees in the informal sector than men.

There are relatively fewer women with an informal job in the formal sector than men.

Informal employment in the formal sector is not an important component of women's informal employment.

By contrast, women are overwhelmingly more numerous than men in informal employment in households. This type of job is a significant component of women's employment.

Which ways forward? (1)

Two recent and current initiatives

Integrating the informal sector in the national accounts

- IRD-DIAL with its partner CEPS-INSTEAD (Luxembourg) organize a second conference on “Informal Sector and National Income Accounts”. This line of work will result in the proposal of a “Satellite Accounts of the Informal Sector (SAIF)” which will be very soon available for a wide range of countries.
- The idea is to find ways of integrating the informal sector in national accounts by producing employment matrix (formal/informal) by status, branches of activity for 7 pilot countries.
- A methodological manual will be produced.
- There are still some room for institutions willing to be associated in this work.

Which ways forward? (2)

The RECAP Project:

“Strengthening the capacity to devise and analyse decent work indicators”

- Main partners: **ITC-ILO**, **IRD-DIAL**, Statistics Office of Morocco (DS-HCP), CEPAL, Statistics Office of Peru (INEI)
Funded by the European Commission
Other contributors: INSEE (France), INEI (Spain), AFRISTAT, ILO (Department of Statistics)
Three year project with main goal is to strengthen the capacity to collect and analyse decent work indicators and thereby improve decision-making.
- The beneficiary countries are:
 - **Latin America** : Costa Rica, El Salvador, Nicaragua and Panama
 - **West Africa** : Benin, Burkina Faso, Mali and Senegal
- This project should have an impact on the agencies responsible for the collection of information on labour statistics (statistics offices, the statistics departments of ministries of labour and social protection) and their analysis (research institutes and research departments of public bodies and the social partners).

Which ways forward? (3)

IRD-DIAL's task in RECAP project consists of

- Reviewing the national LFS questionnaires for the 8 RECAP countries in the light of the technical materials from the ILO departments of Statistics and Social protection and their integration in a standalone template.
- Proposing alternative Decent Work indicators for selected dimensions that could be measured in LFS (working conditions, social security protection, etc.)
- Pilot testing of integrated draft questionnaires in two selected countries
- Prepare methodological documents and organize training sessions directed to technical staff of the beneficiary countries' national statistics offices.

"Cutting edge" work to improve statistics on informality (1)

There are a number of possible improvements ... (here is a non exhaustive list)

- Considering extending *1-2-3 Surveys* at the national level, as it has been done in Cameroon (2010, 3rd edition), Morocco (2008, 2nd édition), Peru (yearly since 2003).
 - The challenge is to find operational definitions of informal employment in rural areas...
- Designing special sampling in order to take into account the geographic clustering of informal sector production units. This means using more thoroughly the results of Phase 1 in order to stratify the sample and obtain more precise estimators of informal sector employment by branch: branch (2 digits) using pre-stratified (phase-I) sample
- Avoid attrition between Phases 1 and 2. One option is doing simultaneously Phase I and Phase II (already applied in Cameroon and Peru).

"Cutting edge" work to improve statistics (2)

- What to do with individuals holding multiple jobs?
LFS in general need to include questions allowing identifying informal employment in secondary jobs. If multi-activity is high among workers and if informality is higher in secondary jobs, not considering secondary jobs amounts to underestimating the extent of informality in the considered population.
- More precise data on social protection: In particular one needs to distinguish in LFS social protection obtained from other family members from that one can obtain in the own job.
- The ILO defines all own-account workers and employers employed in formal sector enterprises as formal employment. This is tantamount to assuming that there are no informal jobs in these categories. However, in Vietnam, more than 95% of them (around 2 million people) are not covered by the SS system. Should they be classified as informal workers?
- Conversely, all contributing family workers, informal sector own-account workers and employers are assumed, by definition, to be informal workers.

But some may hold protected jobs.

"Cutting edge" work to improve statistics (3)

- New categories of activities (or more details) are needed in the LFS questionnaires to improve the branch classification of activities, in order to precisely identify certain categories of informal workers: informal traders such as street vendors (itinerant or not), informal non-trade workers such as waste pickers and recyclers, home-based workers, etc.
 - In the LFS (2007) for Vietnam for instance, home-based workers comprise both those workers who work at home and those who exert at their clients' home.
- Panel samples of households and IPU's should be considered in order to look at dynamics and labour market transitions (formal/informal)

Example:

Panel Madagascar from 1995 to 2009 : 1/3 rotating LFS panel every year

- Dynamics available for informal firms (1995, 1998, 2001, 2004, 2007) but no panel dimension at the firm level

"Cutting edge" work to improve statistics (4)

A final word on data dissemination and use...

- Research and users community should increase the awareness of the national statistics office (NSO) that the data collected on labour markets in general are public goods, not private. NSOs should facilitate data access to the research community, including the local researchers and analysts.
- The IRD-DIAL has done some work in this direction with its partners by trying to 'institutionalize' the implemented surveys (capacity building), but continuing efforts are necessary as freeing information and data access appears to be a long-term process.
- Property rights of the data: whether surveys have been funded by research institutions, by bilateral or multilateral organizations, or by the countries themselves, property rights appear to be an issue, a constraint for data dissemination and therefore improvement.
- Procedures of dissemination have to be planned beforehand, be organized, which also requires funding (data cleaning and management, internet protocol, etc.)

Thank you!