

## TOWARDS THE CREATION OF COMPARABLE DATABASES ON INFORMAL ECONOMY

### Introduction

Informal economy is presently an important constituent of economic development strategy in most of the developing countries. Yet its contributions to the economy in terms of employment generation, value addition, income distribution and tax revenue are generally not available on an internationally comparable basis. The Expert Group on Informal Sector Statistics (Delhi Group) in its third meeting held during 17-19 May 1999 recognised the fact that the national definitions of informal sector cannot be fully harmonised at present as it manifests itself in different ways in different countries. The Group, therefore, made the following recommendations in order to enhance the international comparability of informal sector statistics:

- (a) All countries should use the criteria of legal organisation (unincorporated Enterprises), type of accounts (no complete set of accounts) and product destination (atleast some market output)
- (b) Specification of the employment size limit of the enterprise in the national definition of the informal sector is left to the country's discretion. For international reporting, however, countries should provide figures separately for enterprises with less than five employees. In the case of multiple establishment enterprises, the size limit should apply to the largest establishment
- (c) Countries using the employment size criterion should provide disaggregated figures for enterprises which are not registered as well as for enterprises which are registered
- (d) Countries using the criterion of non-registration should provide disaggregated figures for enterprises with less than five employees as well as for enterprises with five and more employees.
- (e) Countries which include agricultural activities should provide figures separately for agricultural and non-agricultural activities
- (f) Countries should include persons engaged in professional or technical activities if they meet the criteria of informal sector definition
- (g) Countries should include paid domestic services unless these are provided by employees
- (h) Countries should provide figures separately for out workers/home-workers included in the informal sector

- (i) Countries covering urban as well as rural areas should provide figures separately for both urban and rural areas
- (j) Countries using household surveys or mixed surveys should make an effort to cover not only persons whose main job is in the informal sector , but also those whose main job is in another sector and who have a secondary activity in the informal sector.

## 2. Statistics Compiled by International Labour Office (ILO)

The ILO made efforts to compile statistics of employment in the informal sector on the basis of the recommendations of Delhi Group. A well structured questionnaire was sent to different countries and the responses received were used to create a database of employment in the informal sector. There was provision in the questionnaire to collect specific details about the concepts used, source of data, periodicity of survey source, reference period, coverage, employment categories included, etc. ILO has been able to obtain informal sector employment data in respect of 54 countries. Of these 54 countries, 21 use the criterion of non-registration of enterprise either alone or in combination with other criteria such as small size or type of workplace location, while 33 countries use small size as a criterion, either alone or in combination with non-registration or workplace location.

## 3. Significance of Informal Sector

According to Statistics collected by the ILO, the contribution of informal sector to total employment is very significant in several developing countries. The figures in respect of some of the countries with significant employment in the informal sector as published by ILO are given in the following table.

Country	Year	Number (000)	Women per 100 men	% of total employment
Latin America				
Mexico	1999	9,141.6	61	31.9
Peru <sup>1,2</sup>	1999	3,606.1	90	53.8
Brazil <sup>3</sup>	1997	18,113.3	109	34.6
Africa				
South Africa <sup>3</sup>	1999	2,705.0	133	26.1
Ethiopia <sup>1,2</sup>	1999	1,149.5	137	64.8
Kenya	1999	1,881.0	73	36.4
Asia				
India	2000	79,710.0	25	55.7
Nepal <sup>3</sup>	1999	1,657.0	58	73.3

1. Agriculture
2. Urban areas
3. Paid domestic servants included.

Though the above statistics clearly bring out the contribution of informal sector in Employment generation, the shares of the sector in Gross Domestic Product (GDP), tax revenue and export earnings are also important parameters to evaluate the economic significance of the sector. The estimation of these parameters from the existing statistical activities or with minor modifications to the same in respect of each country is thus a major challenge and it has to be one of the thrust areas in the future deliberations of the Delhi Group.

#### **4. A Study Frame Work**

The compilation of informal sector statistics with a view to assess its economic significance and to evolve appropriate policy measures for directing its future growth and ensuring sustainability is extremely important in respect of developing countries. It is also necessary to establish international comparability of statistics relating to informal sector so as to assess the relative performance of various countries. There are, however, significant variations in the magnitude of informal sector between different countries and the stage of development of informal sector statistics. The first step in the development of a strategy on the informal sector statistics is to identify the countries with significant share of informal sector. This is possible from the database being maintained by ILO in respect of employment.

Having identified the countries, it would be necessary to examine the existing sources of data, the statistical methodologies employed and the feasibility of revising the survey instruments to capture the required data sets as per ICLS definitions and the recommendations of Delhi Group in respect of the identified countries. It would involve the collection of basic details from the concerned Governments and the use of the services of experts to study the details and make feasible suggestions. The consultants could also evaluate the existing data sets and attempt to generate comparable databases. A tentative format for the collection of basic details is at Annex I.

The next step would be to consolidate the reports of the consultants and present the same in the next meeting of the Delhi Group proposed to be held in Brazil during September 2002. The countries concerned could be invited to participate in the meeting so that the implementation of the recommendations can be taken up by them directly.

#### **5. The Indian Case**

In India, the concept of Informal Sector was introduced in survey operations during 1999-2000. Earlier, India has been following the concept of un-organised sector which comprised of largely the economic units outside the Public, Corporate and Co-operative sectors and also those registered under Sections 2m(i) and 2m(ii) of Factories Act, 1948. The National Sample Survey Organisation (NSSO) has been conducting periodic surveys on various segments of un-organised sector since its inception. Some of the important sources of data on informal sector are the following.

### 5.1 Economic Censuses.

The first Economic Census was conducted in 1977. The coverage of this census was confined to non-agricultural establishments only. It was followed by economic censuses in 1980, 1990 and 1998. In all these three censuses the scope and coverage were enlarged to cover all own account enterprises as well as establishments engaged in both agricultural (except those engaged in crop production and plantation) and non-agricultural activities. Although exact segregation of economic units as informal sector units is not possible but quite a close approximation is feasible in the case of last three economic censuses.

### 5.2 Follow-up Enterprise Surveys

The Economic Census were followed up by Enterprise Surveys on various economic segments like manufacturing, trade, transport, hotel and restaurant and other services. These surveys have been conducted by the National Sample Survey Organisation on various rounds as per the details given below.

S.No.	Round	Period	Subjects covered
1.	34	July' 79 – June'80	Trade,transport, hotels and restaurants, storage, warehousing and services
2.	40	July'84 – June'85	Manufacturing
3.	41	July'85 – June'86	Trade
4.	45	July'89 – June'90	Manufacturing
5.	46	July'90 – June'91	Trade
6.	51	July'94 – June'95	Manufacturing
7.	53	Jan'97 – Dec'97	Trade
8.	55	July'99 – June '00	Informal sector
9.	56	July'00 – June'01	Manufacturing
10.	57	July'01 – June'02	Services except trade and finance

In the case of all the above surveys, it is possible to identify the informal sector units as per the definitions followed in India and the unit level data relating to these surveys are available in electronic form in the case of surveys at serial numbers 4 to 8.

### 5.3 Labour Force Survey 1999-2000

An attempt was made for the first time in the history of National Sample Survey to capture informal employment through employment- unemployment survey conducted in 1999-2000. It provided information about the number of persons working in informal enterprises.

### 5.4 Informal Sector Survey 1999-2000

In the 55<sup>th</sup> round of NSS, data has been collected in respect of non-agricultural enterprises in the informal sector \*(mining &.quarrying, electricity, gas and water supply were excluded from the survey) In this survey, information on characteristics of enterprises, fixed assets, employment, expenses & receipts, value added etc. was collected from the enterprises surveyed.

\* **Informal non-agricultural enterprises:** All non-agricultural enterprises (excluding those covered under the annual survey of industries) with type of ownership as either 'proprietary' and 'partnership ' were treated as informal non-agricultural enterprises.

**SURVEY ON EXISTING DATA COLLECTION PRACTICES IN  
RESPECT OF INFORMAL SECTOR**

**PART – A**

1. Please indicate the existing sources of data on informal sector in your country

- |  |        |
|--|--------|
| (a) Population Census                      | Yes/No |
| (b) Economic Census                        | Yes/No |
| (c) Household Labour Force Surveys         | Yes/No |
| (d) Establishment/Enterprise Surveys       | Yes/No |
| (e) Mixed household and enterprise surveys | Yes/No |
| (f) Others, specify .....                  | Yes/No |

2. In the case of multiple sources, please indicate the source, which is used for preparing official estimates in respect of the following

- (a) Employment in the Informal Sector
- (b) Share of Informal Sector to GDP
- (c) Share of Informal Sector to exports
- (d) Contribution of Informal Sector to tax revenue

3. What is the definition of Informal Sector used in your country? Please reproduce the exact definition

4. If the definition used in your country is different from the definition adopted by the ICLS-1993, please indicate the difficulties in adopting the later....

5. Is it possible to compile the statistics of Informal Sector as recommended by the Delhi Group in its third meeting held at Delhi from the existing sources....

Yes/No

6. If the answer is 'No', please indicate the difficulties

7. If the answer is 'Yes' please provide the estimates for the latest available year in the following proforma.

**Table – I**

## Comparable Estimates of Employment in Informal Sector

Category		Area	Enterp rises	Year		
				WORKERS	Male	Female
A.	Un-incorporated enterprises producing all or some of their goods or services for sale or barter	Urban				
		Rural				
		Total				
(a)	Of the above, non-agricultural enterprises with less than 5 employees	Urban				
		Rural				
		Total				
(b)	Of the above, non-agricultural enterprises with 5 or more employees	Urban				
		Rural				
		Total				
(c)	Of the above, agricultural enterprises with less than five employees	Urban				
		Rural				
		Total				
(d)	Of the above, agricultural enterprises with 5 or more employees	Urban				
		Rural				
		Total				
B.	Enterprises with less than specified number of employees and producing all or some of their goods or services for sale of transfer	Urban				
		Rural				
		Total				
(a)	Of the above, registered non-agricultural enterprises	Urban				
		Rural				
		Total				
(b)	Of the above, Un-registered non-agricultural enterprises	Urban				
		Rural				
		Total				
(c)	Of the above agricultural enterprises	Urban				
		Rural				
		Total				

**Note:** Countries using the criterion of un-incorporated enterprises for defining informal sector may fill-up A part of the Table.I. Those using the criterion of a specified number of employees may fill-up B part of the Table I. Also indicate the specified number of employees.

**PART – B**

(Please provide the following details in respect of each source. Use separate sheets for each source)

1. Name of the Census/Survey :
2. Geographical Coverage : Entire Country/Urban areas only/Rural Areas only/some parts of the country (Pl. specify.....)
3. Activity Coverage :

	Activity	Coverage (Please indicate the exclusions of any specific activities)
(i)	Agriculture, hunting, forestry and fishing	
(ii)	Mining and quarrying	
(iii)	Manufacturing	
(iv)	Electricity, gas and water	
(v)	Construction	
(vi)	Wholesale and retail trade, hotels and restaurants	
(vii)	Transport, Storage & Communication	
(viii)	Financing, Insurance, real estate and business services	
(ix)	Community, Social and personal services	
(x)	Others (Please specify....)	

4. Category of Persons covered
 

Own-account workers	Yes/No
Employers	Yes/No
Employees	Yes/No
Apprentices	Yes/No
Unpaid family workers	Yes/No
Persons engaged in professional/technical activities	Yes/No
Domestic services	Yes/No
Outworkers/home workers	Yes/No
5. Whether secondary activities are included in deciding the employment status in the Informal Sector Yes/No
6. (a) Whether persons of all age groups included? Yes/No  
(b) If not, please specify the age groups excluded
7. What is the periodicity of Census/Survey :Annual/Five Yearly/Decennial/  
Others (Specify)



8. What is the reference period used for collecting data on
- (a) Employment
  - (b) Output
  - (c) Value addition
  - (d) Tax paid/payable
  - (e) Exports

(Reference period can be as on date, date of closing of account, last week, last 30 days, last year, etc.)

9. What is the definition of the household used? :
- Please give the exact definition?
10. What is the definition of enterprise/establishment used? Please give the exact definition :

(Please fill up the items 11 to 15 in the case of Sample Surveys)

- |     |  |       |       |
|-----|--|-------|-------|
| 11. | Sample Design                          | Urban | Rural |
|     | (a) Stratification, if any ....        |       |       |
|     | (b) Sub-Stratification, if any ....    |       |       |
|     | (c) Number of stages of sampling       |       |       |
|     | (d) Sampling Unit at each stage        |       |       |
|     | First stage...                         |       |       |
|     | Second stage....                       |       |       |
|     | Third stage .....                      |       |       |
|     | (e) Sampling frames used at each stage |       |       |
|     | First stage                            |       |       |
|     | Second stage                           |       |       |
|     | Third stage                            |       |       |
|     | (f) Sample size at each stage          |       |       |
|     | First stage                            |       |       |
|     | Second stage                           |       |       |
|     | Third stage                            |       |       |
|     | (g) Sampling fraction at each stage    |       |       |
|     | First stage                            |       |       |
|     | Second stage                           |       |       |
|     | Third stage                            |       |       |
|     | (h) Sampling Scheme at each stage      |       |       |
|     | First stage                            |       |       |
|     | Second stage                           |       |       |
|     | Third stages                           |       |       |

12. Period of Survey :
13. In the case of enterprise/establishment surveys, how the enterprises are identified/ listed :
14. In the case of mixed household and enterprise surveys, how the enterprises are identified/ selected?
15. Is it possible to estimate the extent of informal employment in the formal sector from the existing surveys?
- (Please enclose the copies of schedules/ questionnaires used for the latest survey)
16. Is the unit level data sets available on electronic form? :