



## Conference on the informal economy

Measuring Issues: Mexico

Cape Town, South Africa, March 24-26 2011

# What is your organization doing?

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- The National Institute of Statistics and Geography of Mexico (known as INEGI by its Spanish acronym) organized an event in August 2010 with the assistance of academia, public as well private organism having two objectives: 1) to explain the ILO-Delhi Group conceptual frame on informality 2) to show national figures for the country under that scheme.
- The idea was to collect reactions, feedback and observations on the results shown.

# What is your organization doing?

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- As it was expected some reactions make clear that under that scheme terminology by itself pose an uphill battle for it is a key thing to make users understand the difference between Informal Employment as a broad concept (XVII ICLS) in one hand and the specific concept of Employment in the Informal Sector (XV ICLS) in the other and to be clear as well that the latter has not been derogated but integrated in the broader scheme.

# What is your organization doing?

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- INEGI has been disseminating so far data on Employment in the Informal Sector on a Quarterly basis with both national and state (provinces) representativeness since 2005. This can be done because INEGI undertakes a reform on the model of LFS so to identify the segment of employment engaged in IS activities; a reform explained in detail in chapter 4 of the Delhi Group Manual. So the figure so far in the back of the mind of users and media on informality is that it signifies about 28% of total employment. Now the challenge is to convey that IS is just a part of a wider phenomena amounting around 60% of total employment.

# What is your organization doing?

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- By law (on effect since July 2008) INEGI cannot release without consulting or just by its own initiative new statistical indicators. This has to be discussed first by specialized committees in which participates other public institutions and ministries (*Secretarías de Estado*) depending on the subject. The corresponding committee on Labour Statistics in a session that took place in November 2010, chaired by the Ministry of Labour, accepted the challenge to take the additional step in adopting the broader scheme on Informality.

# What is your organization doing?

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- The resolution was that the official dissemination according to the lines shown by INEGI in August should be adopted in 2011. In doing so this data will become of national interest and be part of the “National Catalog of Indicators” which use is mandatory in both programs and evaluations of public institutions at any level (state or national). This means that if some category or concept in the catalog defined, no official organism can ignore it nor decide an alternative measure or definition just because somebody in there decides to.

# What is your organization doing?

- However, the committee identified some specific issues to clarify between Jan-February 2011. Those issues were:
  - » The classification of employers and own account workers engaged in agriculture (How to determine who are informal and who are not). .
  - » The treatment of special cases from whom the economic informal unit classifies as one belonging to the Informal Sector however being registered as a paid workers in the Social Security (this is the case of some construction workers)
  - » The treatment on respect the so called trans border workers (those resident in the Mexico's side of the border however working in the US' side by daily or weekly commuting from one side to the other).

# What is your organization doing?

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- The treatment of these cases was agreed on. However an additional consideration of a bigger magnitude has to be faced on March 4<sup>th</sup> when the 2010 Population Census released its definitive data. It results rather in a bigger surprise because it happens to be more population in Mexico than expected. This in turn implies that new population projections must be estimated with a new population ceiling for the past years, including those so far covered by Mexico's household surveys (ENOE foremost).



# What is your organization doing?

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- To have the new population estimations for inter census years and to adjust to the new “ceiling” implies in turn a recalibration of the entire set of a household survey’s weighting factors. These technical issues have delayed the official dissemination of data on informality agreed on November. So in April 12 is going to be a Committee session to agree on i) a release date ii) formats and templates to disseminate data iii) press release and other texts conveying the new concept of informality and why it is important to be adopted. It is expected that the release date is going to be set somewhere in June.

# What is your organization doing?

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- On regard formats and data templates, they will consist in two families: those centered in individuals (head count) produced in a quarterly basis and the others having jobs as unit of account produced on a yearly basis. The information will be available from 2005 on.
- Once disseminated in the web, INEGI's will let know Delhi Group's Chair, ILO and WIEGO about the official availability of this data. All the data and metadata will be in both Spanish and English. In doing this Mexico will become the first country in Latin America to produce statistics on Informal Employment under the Delhi Group standard on a regular basis.

# What your organization should be doing?

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- During the ENOE's era was conducting twice in 2008 and 2010 a special module addressed to those conducting micro business (either as employers or as own account workers) known as ENAMIN. The role of this module is to characterize in deep the activity, to collect some information about its context as well as the economic flows it generates so to have an idea of both wages paid (if were the case) and the so called mixed income corresponding to those conducting the activity. With these elements, national accountants have a "floor" reference to estimate from there the gross value added generated by the informal sector so to produce an updating of Satellite Account 1993-2003. However, it seems that at least in 2011 this not ranks amongst their priorities. At best, they may consider updating the Satellite Account till 2012.

# What your organization should be doing?

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- In parallel from ENOE it is obtained a labour matrix which includes subsistence agriculture as well all the other modalities of not protected jobs operating outside the Informal Sector. Because the System of National Accounts is in the process of changing its base year from 2003 to 2008, there is a unique opportunity that they reconsider both levels of activities and structures using these inputs of information at the core of the new estimations. In doing so, the contribution of informality to the economy has a chance of be integrated in the foundations of the system, rather than be to this day a peripheral calculation with no business in the estimation of the main levels or macroeconomic aggregates as such.

# What your organization should be doing?

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- Because the well-defined concepts that constitute the labour matrix obtained from ENOE is a complete map of the labour inputs of the economy, specified by industry, it would be feasible to have not just an updated estimation of the share of the Informal Sector in Mexico's GDP, but also of the whole of the Informal Employment. In doing so this amount to an estimation of the underground economy; the concealed production of goods and services excluding those whose mere trade and acquisition constitutes a criminal act. This will be in turn a step forward in discerning the composition of the Non-Observed Economy.

# What your organization should be doing?

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- Stubborn conservatism and mere inertia on behalf National Accountants may miss these opportunities. It can be said that at least within Mexico's statistical system statistical sources evolve more quickly than the methods to integrate them, so the gap between the two is as wide as ever.

# Cutting edge work

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- It is basic to produce data on informals also linked or disaggregated by a typology of households. Most of the time the survival unit it is not the individual but the household as a whole. For instance it is quite important to distinguish between those households with just one (informal) breadwinner from those other with more than one ¿how often do we get in one household a combination of formals and informals? ¿How often do we got a combination of incomes (informal ones plus transferences such as remittances).

# Cutting edge work

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- Close linked with the previous point is to combine concepts on informality with those of poverty. Because there is a conceptual connection between ENOE in one hand and Mexico's Household Survey on Household's Income and Expenditures ( known as ENIGH by its Spanish acronym) this can be done. To know once and for all in which extent informality and poverty are coextensive.
- It is necessary to have a better understanding how informals cope with risk and contingency so to have more realistic assessing of them as potential tax contributors.
- In the same token it is important to know better how do they asses the social security system and services as well as alternatives in the labour market instead of speculate about it.



# Cutting edge work

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- The notion that equates Informal Sector with micro scale activities deserves second thoughts. At least in trade activities there is a tendency to operate by means of increasing complex nets, blurring in no few cases the borderline between the criminal and the not criminal. It is needed a better understanding of this new complexity and its implications. This also may demand a revision of the XV ICLS notions and concepts on status in employment. Even between those leading a business or an activity are degrees of independency: first and second order entrepreneurs so to speak. The Informal sector is a thing that also evolves and we just have to be aware of some rules of identification that are becoming a kind of straitjacket or preconception narrowing our field vision.

**Thanks for your attention**

