

APPLICATION OF DEFINITION AND METHODS IN MEXICO

WIEGO 20th. ANNIVERSARY RESEARCH CONFERENCE

Cambridge Mass. November 10-12 2017

Rodrigo Negrete
Lilia Guadalupe Luna



INSTITUTO NACIONAL
DE ESTADÍSTICA Y GEOGRAFÍA

Conceptual Frame

© As we all know there are two key concepts related to informality

© The first the 15th ICLS (1993) focuses on the Informal Sector or an enterprise-based approach, and is relevant especially for developing countries.



Conceptual Frame

© The second, the 17th ICLS (2003) or Informal Employment approach has a wider perspective including both traditional as well as new informal ways of insertion in the labor market. It is relevant to all economies-- developing/emergent and developed.



Conceptual Frame

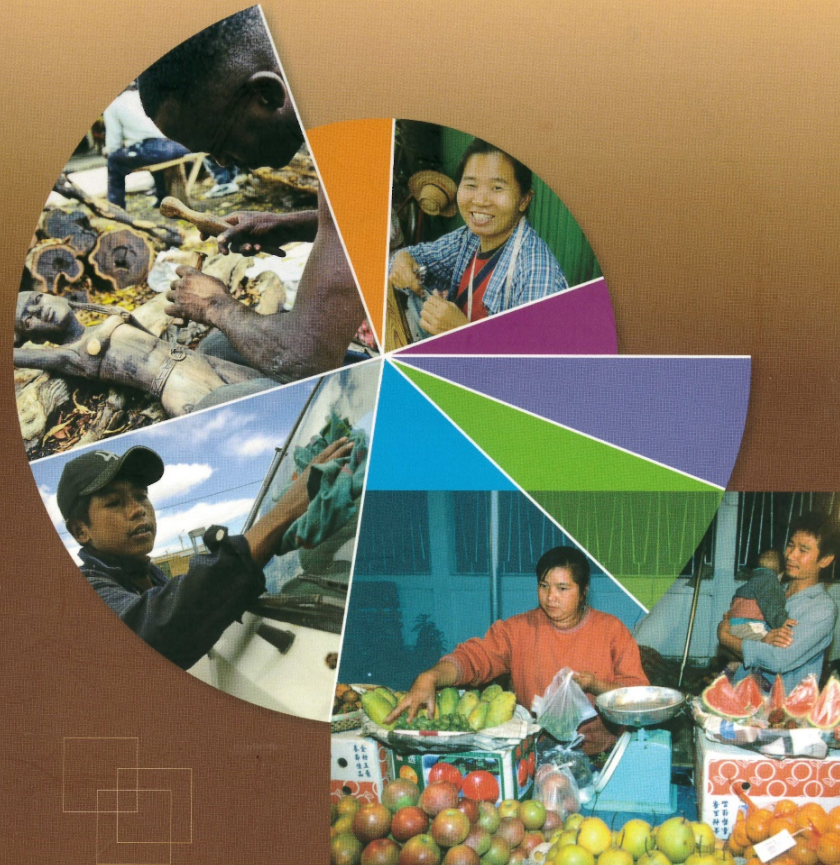
- © The Delhi Group, in which both WIEGO and INEGI (Mex) are active members, compiled and analyzed strategies in collecting, measuring and disseminating data related to all informal modalities (including of course informal sector).
- © Working alongside ILO and other international experts a Manual on the different ways and approaches in measuring informality was published in 2013: *Measuring Informality: A Statistical Manual on the Informal Sector and Informal Employment*

The Manual...

Measuring informality: A statistical manual on the informal sector and informal employment



International
Labour
Organization



Conceptual Frame

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



Conceptual Frame

- © The underlying logic behind 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 the jure or the 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 never explicit in the 17th ICLS Guidelines 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 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 point is that 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 covered in law, etc.).
- © The other point to highlight is that the informal concept becomes a practice or set of practices that in principle might be widespread all over the economy and no longer takes place only in a part of it.

The operational challenge

- © **General:** to fill out the Matrix H cells with data.
- © **Specific:** to distinguish informal sector within informal employment without dissolving the former in a wider undistinguishable phenomena of people operating without the legal protection or standard set of rights and guarantees they require given their situation.
 - *In other words, which parts of the most vulnerable ways of labor insertion pertain to the informal sector and which ones goes beyond it.*



Informal sector still remains a challenge

- © It is less difficult to identify informal employment in gross terms than to distinguish components or specific modalities such as the informal sector.
- © Employment gravitating around informal sector is not always easy to identify because of the enterprise-based criteria it demands, namely the issues of registration/ type of accounts of the activity.



Informal sector still remains a challenge

- © Therefore the statistical approach (filling up the H Matrix) runs in parallel alongside two tracks: situation of the worker and the situation of the economic unit.
- © Statistical systems are organized either around household surveys (persons) or establishment surveys, each with their own sample frames and statistical design thus different sets of weighting factors.
- © How to coordinate two different approaches in a complementary way is not easy. The manual contemplates many strategies to do so, each with respective pros and cons.



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



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 consists of questions on certain characteristics the economic unit the person is working for to give some inkling of its nature.*



Strengths

- © Fills out the Matrix H cells in one stroke, each Quarter.
- © Yields statistical series amenable to both short term and structural data analysis.
- © Facilitates easy contrasts with formal employment.
- © Gives all the sociodemographic contexts of the individual as well his/her household.
- © Supplies the labor matrix input needed by national accountants to calculate the size of informal economy (share of GDP) annually.
- © No additional costs in collecting and disseminating data available at national level (including rural areas) as well at states (provinces) level.

Weaknesses

- © Proxy respondent (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 used cautiously because the sample of the LFS was not designed to take into account that specific structure.

The LFS approach: Mexico's strategy

- © The sample size of ENOE (LFS) guarantees error compensations for misclassified individual cases due to inaccuracies in their declarations, so that macro level aggregates are sound.
- © There are ways to deal with cases where a respondent intentionally provides incorrect or misleading information (a bias incentive).



Tricks

- © On Informal Sector the core question is not if the economic unit is registered, nor directly the type of accounts, but rather whether the services/advice of an accountant or another expert were required in conducting the activity.
 - ▮ *Given the intricacies of Mexico's fiscal system, it is difficult to be registered with tax authorities without having such advice.*
- © Correction can also be made through another question about basic ways of keeping accounts



4g. In this business or activity,

(Read the options and circle the one specified by the informant)

1 does it use an accountant's services?

2 does it use, only, a notebook or a booklet to save the business records?

3 You are enrolled in any contributory scheme Of the SAT: Fiscal Incorporation Regime (RIF); it uses the system "My SAT accounts"; pay VAT and/or ISR or delivery invoices

4 Does not keep any accounting records

9 Does not know

Go to
5

This questions is placed after others exploring if the economic unit has a brand name as well type of premises.

IV.CHARACTERISTICS OF THE ECONOMIC UNIT

4. What is the name of the enterprise, business or institution you are working for?

(Listen and circle the option specified by the informant)

1 _____

(Write the complete name of the enterprise, business or institution)

- 2 The business doesn't have a trade name
- 3 It is a domestic unit or works for another worker → Go to 5
- 4 Works abroad → Go to 8
- 9 Do not know

4c. Is this...

(Listen and circle the option specified by the informant)

- 1 an independent, personal or family business? → Go to 4e
- 2 a private firm or enterprise? (*trading company: corporation or corporations under other modality, commercial firm, banking company, service industry*)? → Go to 4h
- 3 None of the above

4f. Where do you do your work?

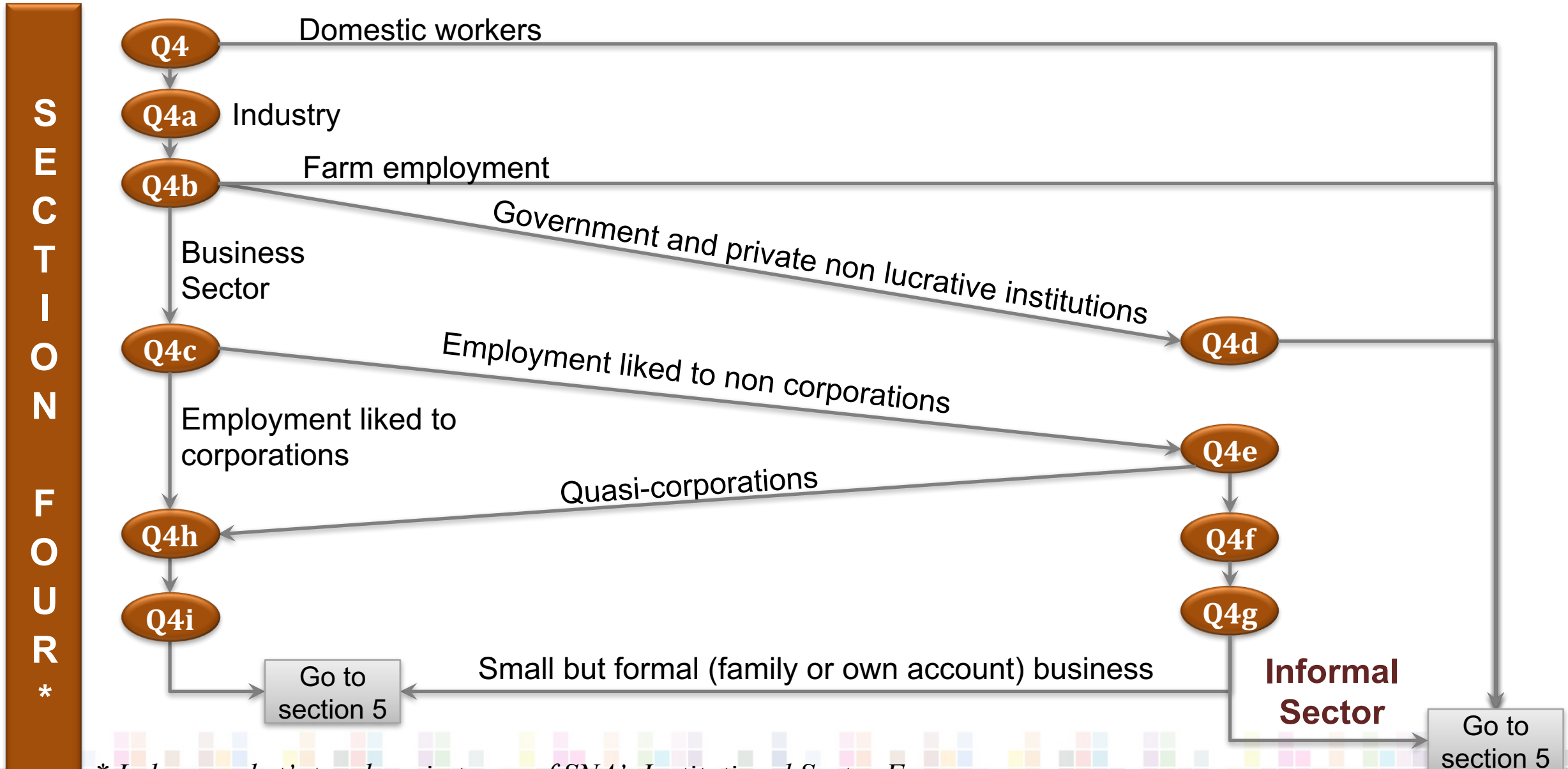
(Listen, write down and circle the option specified by the informant)

- 01 At the countryside, at open, in a dyke, well, at the sea
- 02 Door to door, or at the streets
- 03 At no fixed place
- 04 Non motor vehicle (bicycle, tricycle, cart, boat, etc)
- 05 *Motor vehicle, automobile, motorcycle, light truck, etc.*
- 06 At your own address without any special equipment
- 07 At your own address with special equipment
- 08 At the owner's address or the owner's property, or at the client's request place
- 09 Semi-fixed premise
- 10 Fixed premise
- 11 Other site
- 99 Do not know

- © Since there are always respondents with no clue at all on answers to questions regarding either accountants or accounts, additional questions are needed. Qualitative clues on the scale of operation of the activity which are often better known to respondents are also collected
- © These questions provide information –especially from those with a “not know” answer at the critical cross roads– which under circumstantial evidence assists in identifying the probability that a household member operates in the informal sector.



Flux design enterprise-based approach (Informal Sector)



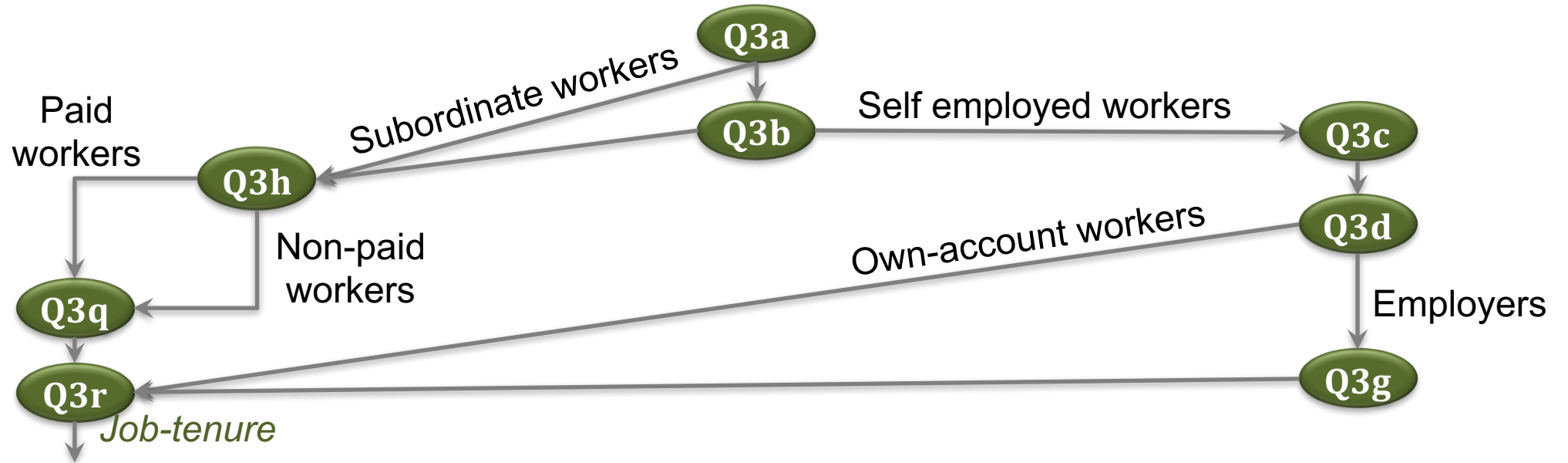
* Labor market's typology in terms of SNA's Institutional Sector Frame

© Beyond this there are also sections relevant on status in employment and access (or not) to social security protection in virtue of their jobs.



Flux design labor vulnerability approach (dependent workers either within or beyond IS)

S
E
C
T
I
O
N



S
E
C
T
I
O
N



Subsistence agriculture

3c. Do you offer your products or services to...

(Read the options and draw a circle in the selected ones specified by the informant)

- 1 a single enterprise, business or an intermediary?
- 2 several enterprises, businesses or intermediaries?
- 3 the public directly?
- 4 It is self consumption of farm products
- 9 Do not know
- 0 To be used only for data capture

3q. How many persons, including the employer, work at the place where you work?

(Listen and circle the option specified by the informant)

- 01** 1 person
- 02** 2 to 5
- 03** 6 to 10
- 04** 11 to 15
- 05** 16 to 20
- 06** 21 to 30
- 07** 31 to 50
- 08** 51 to 100
- 09** 101 to 250
- 10** 251 to 500
- 11** 501 and more persons
- 99** Do not know

6d. Does this job give you access to health care at...

(Read the options and circle the specified by the informant)

- 1 the Social Security** (The Mexican Institute of Social Security IMSS)?
- 2 the hospital or clinic of the Ministries of Navy and Defense, or the State Oil Company (PEMEX)?**
- 3 the Institution devoted to the Social Security and Services for Local or Federal Workers (ISSSTE)?**
- 4 the Institution devoted to the Social Security and Services for Local or State Workers (ISSSTELEÓN, ISSEMYM)?**
- 5 Other Health Care Institution?** _____
- 6 Do not have health care** Specify
- 9 Do not know**

DATA ON EMPLOYMENT



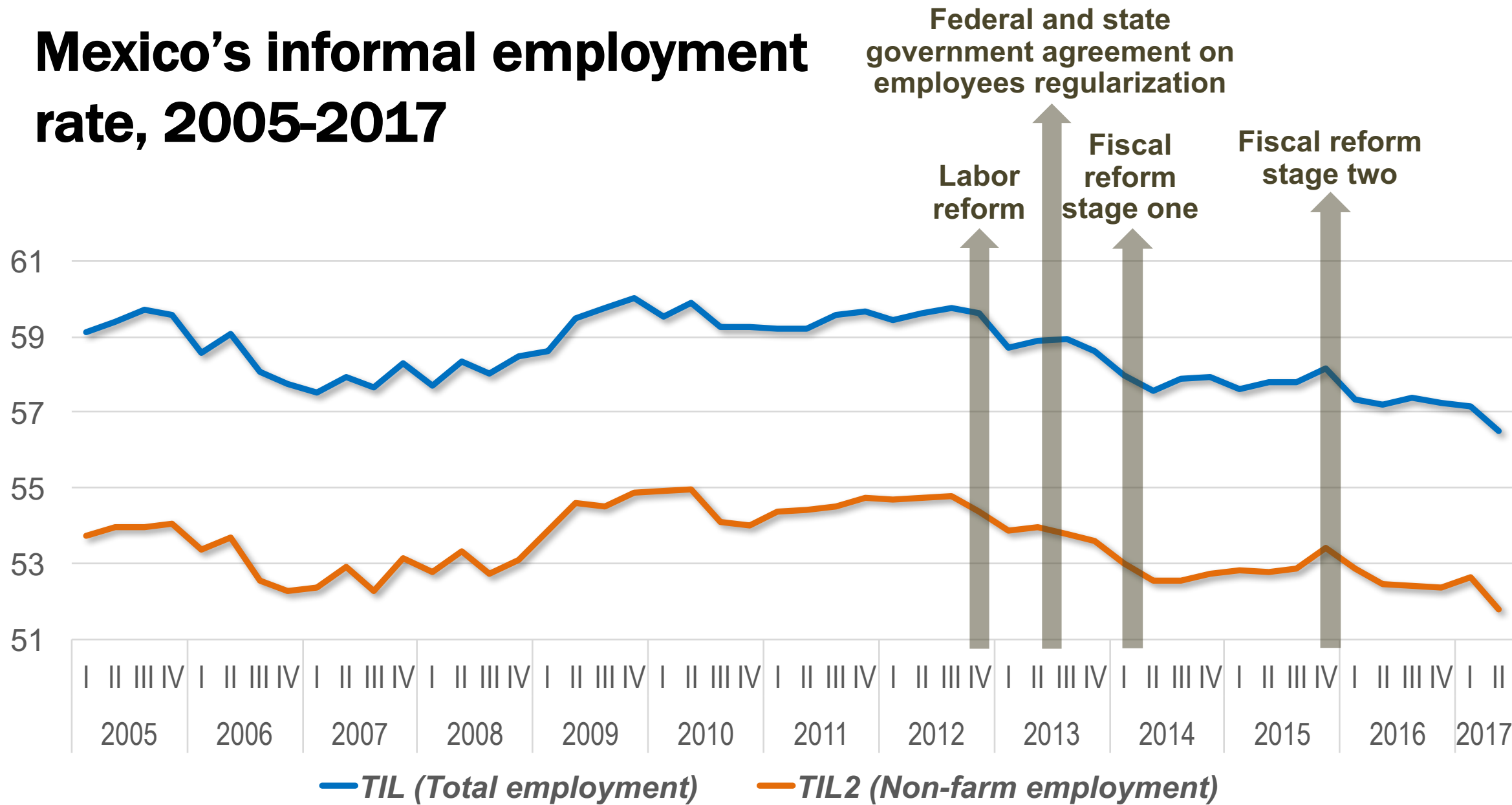
Matrix H

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	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

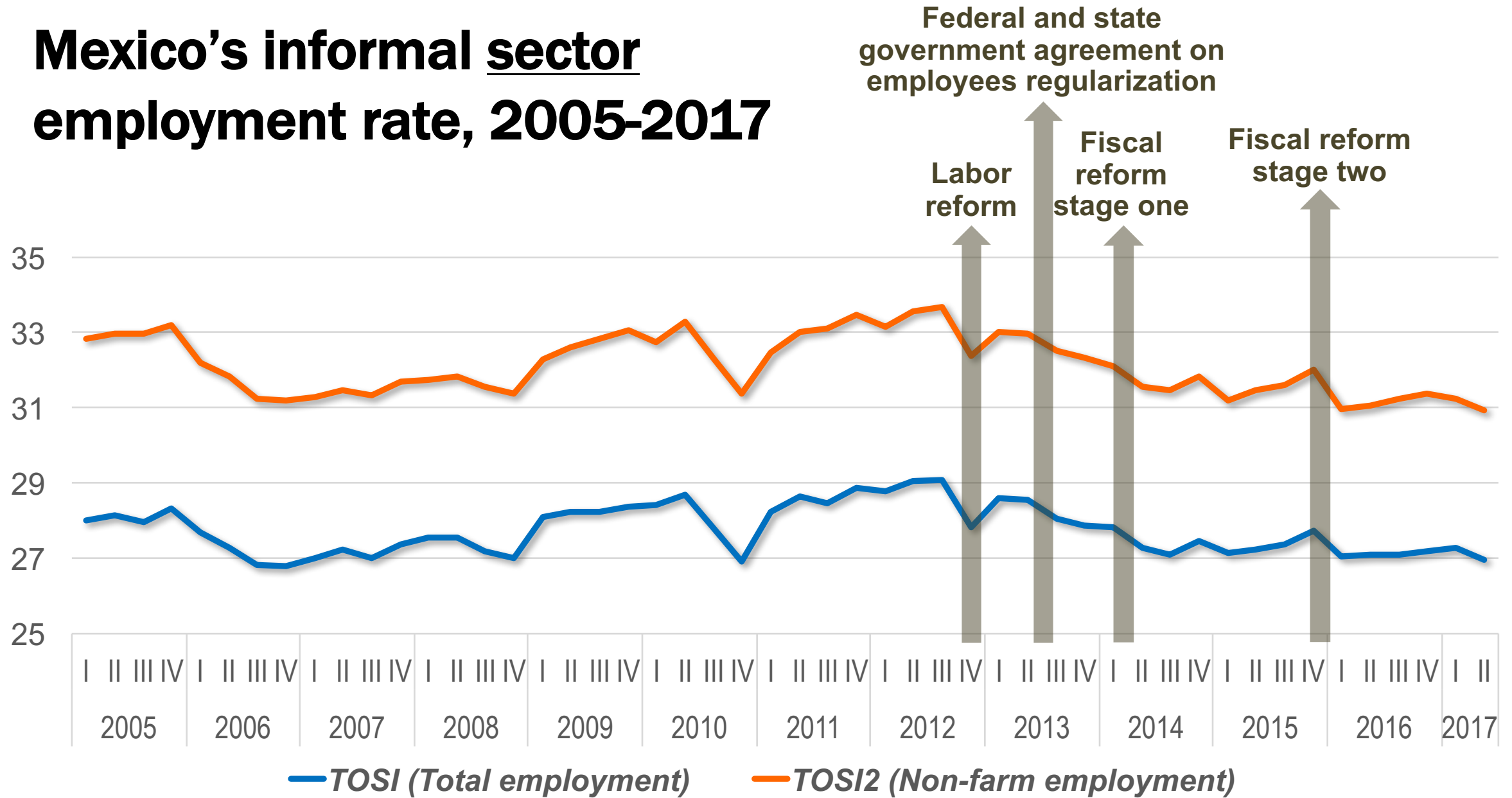


— TIL (Total employment)

— TIL2 (Non-farm employment)



Mexico's informal sector employment rate, 2005-2017



— TOSI (Total employment)

— TOSI2 (Non-farm employment)

Absolute figures

INEGI. Encuesta Nacional de Ocupación y Empleo. Informalidad laboral. Indicadores estratégicos. Segundo trimestre de 2017.

Employment distribution by sociodemographic & socioeconomic characteristics

Second Quarter, April-June, 2017

National

Characteristic	Total						
	Total employment	Formal employment	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

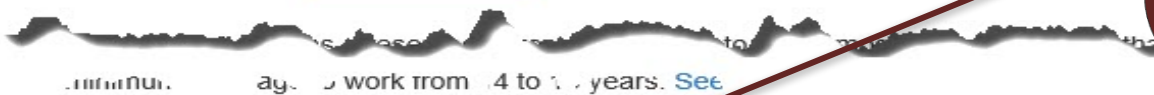
How to find data on Mexico's informal employment

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 (ENU) and the National Employment Survey (ENE), which for more than 20 years has provided the most comprehensive information of the employed and unemployed population.

Read more

Documentation **Tabular data** Microdata Open data Publications



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

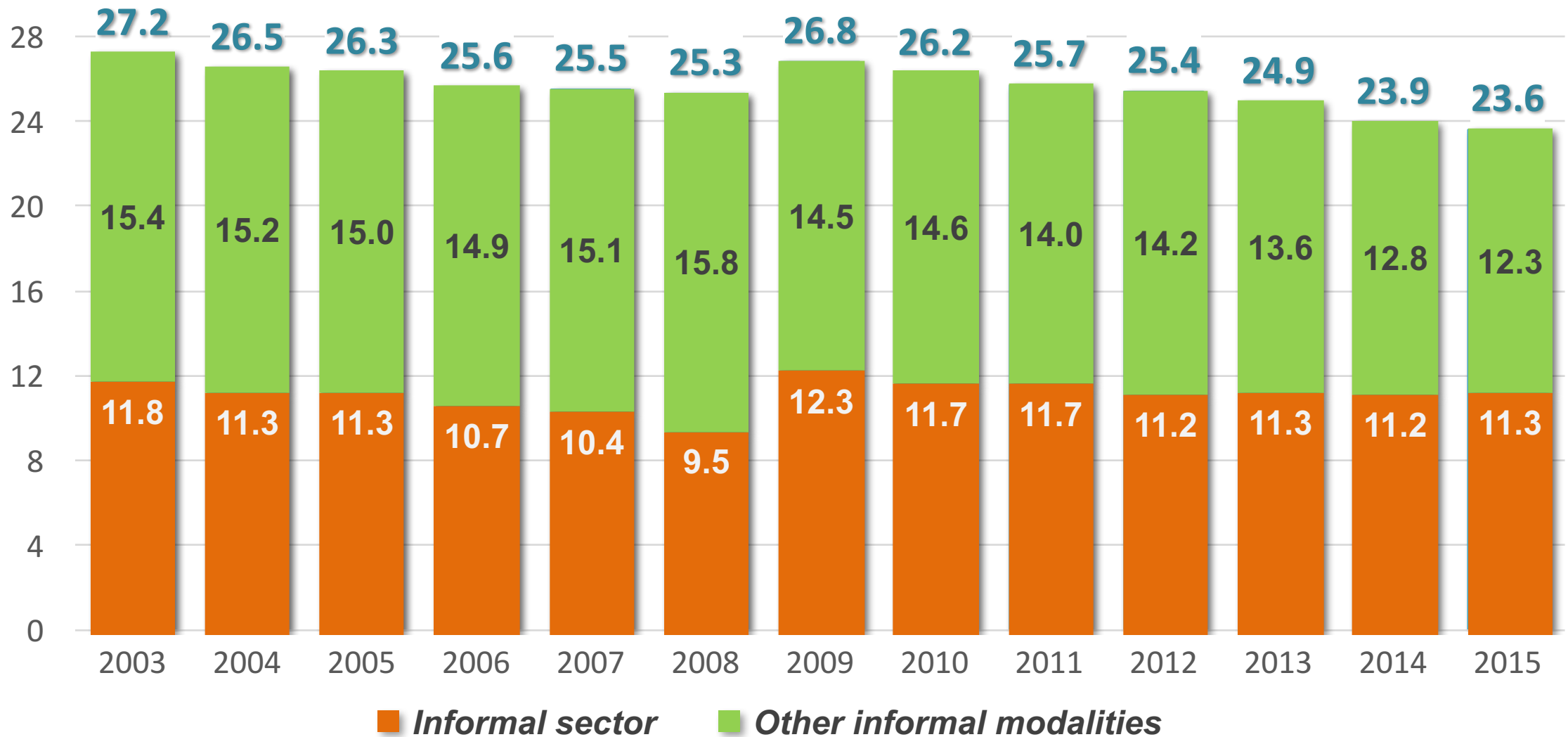
- + Statistical significance tests**
- + Labor Informality**
- + Basic tabular data**

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

DATA ON INFORMAL ECONOMY



GDP: informal shares



How to find data on Mexico's informal economy

The screenshot shows the INEGI website interface. The top navigation bar includes 'Inicio | Contacto' and social media links for RSS, Twitter, Facebook, YouTube, and a search icon. The main navigation menu is on the left, with 'Estadística' highlighted in red. A sub-menu is open under 'Estadística', with 'Fuente/Proyecto' highlighted in red. A list of categories is shown, with 'PIB y Cuentas Nacionales de México' highlighted in red and a mouse cursor pointing to it. The main content area displays a banner for the 'Encuesta Nacional de Ingresos y Gastos de los Hogares 2016' and a section for 'Ciclos económicos' with a line graph. Below that is the 'SNI=EG' logo and a '2016 REPORTE ANUAL' banner. The search results for 'PIB y Cuentas Nacionales de México' are visible, including the title, date (05 de septiembre de 2017), and a brief description of the indicator.

INEGI INSTITUTO NACIONAL DE ESTADÍSTICA Y GEOGRAFÍA

Inicio | Contacto | Síguenos: RSS Twitter Facebook YouTube

Estadística Geografía Investigación Productos y Servicios Acerca del INEGI

Temas Bancos de Datos Fuente/Proyecto Aspectos normativos y metodológicos

De interés

- Anuario estadístico y geográfico de los Estados Unidos Mexicanos
- Censos Económicos 2014
- Índices de Precios
- DENUE
- Microdatos
- Gobierno
- Ocupación y empleo
- PIB y Cuentas Nacionales de México
- Encuesta Intercensal
- Para desarrolladores
- Catálogo Único de Claves de Áreas Geoestadísticas Estatales, Municipales y Localidades

Unidad de Medida y Actualización (UMA), 2017

Diario \$ 75.49

Me... 2,294.90

Encuesta Nacional de Ingresos y Gastos de los Hogares 2016 / Nueva serie histórica

Contiene la muestra más grande en la historia del país para una encuesta de ingresos y gastos: ... 01,000 ... as.

... información con representatividad estatal y para ámbitos rural y urbano. ... más precisa del ingreso.

Ciclos económicos

SNI=EG
Sistema Nacional de Información Estadística y Geográfica

2016 REPORTE ANUAL

International Institute for Applied Systems Analysis

Véndale al INEGI

PIB y Cuentas Nacionales de México

para determinar posiciones con mayor exactitud, en beneficio de los usuarios

El INEGI estableció tres nuevas estaciones de la RGNA en Tlaxcala, Tamaulipas y Ciudad de México...

05 de septiembre de 2017

Indicador Mensual de la Inversión Fija Bruta
(Cifras durante junio de 2017)

La Inversión Fija Bruta reportó una disminución real de (-)1% en junio...

[+] Ver nota completa

[+] ... completa

<http://www.inegi.org.mx>

How to find data on Mexico's informal economy



The image shows a screenshot of the INEGI website. At the top left is the INEGI logo and the text 'INSTITUTO NACIONAL DE ESTADÍSTICA Y GEOGRAFÍA'. To the right are social media icons and a search bar. Below the navigation bar, there are tabs for 'Estadística', 'Geografía', 'Investigación', 'Productos y Servicios', and 'Acerca del INEGI'. The main content area is titled 'PIB y Cuentas Nacionales DE MÉXICO' and features a banner for '2008 CAMBIO AÑO BASE SCNM'. On the left, there is a 'Presentación' section with text about the modernization of the National Accounts System (SCNM) and a change of base year to 2008. On the right, under 'Base 2008', there is a list of categories. The 'Medición de la Economía Informal' link is highlighted with a red box and a mouse cursor.

INEGI INSTITUTO NACIONAL DE ESTADÍSTICA Y GEOGRAFÍA

Inicio | Contacto | Síguenos: RSS, Twitter, Facebook, YouTube, LinkedIn

Estadística ▾ Geografía ▾ Investigación ▾ Productos y Servicios ▾ Acerca del INEGI ▾

Inicio > Estadística >

PIB y Cuentas Nacionales DE MÉXICO

2008 CAMBIO AÑO BASE SCNM

Base 2008

- ▶ Producto Interno Bruto (PIB)
 - Estimación Oportuna Trimestral
 - Trimestral
 - Por actividad de los Bienes y Servicios, anual **[nuevo]**
 - Por Entidad Federativa, anual
 - Del Sector Público y Privado, anual
 - De los Gobiernos Estatales y Locales, anual
 - Valor Agregado de Exportación de la Manufactura Global
 - **Medición de la Economía Informal**
- ▶ Corto plazo
 - Actividad Industrial
 - Total de las Actividades Económicas (IGAE)
 - Inversión Fija Bruta

Presentación

La modernización del Sistema de Cuentas Nacionales de México (SCNM) incorpora los últimos lineamientos del SCN 2008 de ONU, el FMI, el BM, la OCDE y la EUROSTAT, al mismo tiempo presenta el Cambio de Año Base a 2008 (CAB 2008); con ello, se actualiza la estructura económica del país y de los precios que se usan para medir las variables macroeconómicas, sin el efecto de inflación.

Las Cuentas Nacionales con un esquema de

<http://www.inegi.org.mx/est/contenidos/proyectos/cn/>

How to find data on Mexico's informal economy



**INSTITUTO NACIONAL
DE ESTADÍSTICA Y GEOGRAFÍA**

México

Inicio | Contacto
Síguenos:     

Estadística ▾
Geografía ▾
Investigación ▾
Productos y Servicios ▾
Acerca del INEGI ▾

Inicio > Estadística > PIB y Cuentas Nacionales de México >

PIB y Cuentas Nacionales DE MÉXICO



Presentación

El Instituto Nacional de Estadística y Geografía (INEGI) pone a disposición del público en general la medición de la Economía Informal, Base 2008, la cual se presenta en una serie de cuadros y tabulados por sector de actividad económica de acuerdo al Sistema de Clasificación Industrial de América del Norte 2007 (SCIAN 2007).

La aportación más importante que hacen estas mediciones al Cambio de Año Base 2008, además de la amplia implementación del SCN 2008, consiste en la incorporación de las hojas de balance y cuentas de otras variaciones en el volumen de los activos, en las que se han incorporado mediciones de stocks de activos no financieros y financieros, por sector institucional. Siendo esta la primera vez que se ofrecen mediciones de este tipo dentro del marco contable del SCNM, aportándole una mayor congruencia a las transacciones que se registran o calculan como flujos y como saldos, al inicio y al final de cada período de estudio.

Atendiendo la demanda de información, reconociendo la necesidad de contar con nuevas

[Más informa](#)

Medición de la Economía Informal, 2015 preliminar. Año Base 2008

Participación de la economía informal en el PIB Serie 2003-2015							
AÑO	2003	2004	2005	2006	2007	2008	2009
VAB Economía total ¹	7,302,821	8,299,895	9,028,899	10,120,003	10,962,144	11,941,199	11,568,456
VAB Economía informal ¹	1,984,233	2,199,161	2,373,403	2,590,500	2,793,589	3,017,060	3,105,229
Contribución (%)	27.2	26.5	26.3	25.6	25.5	25.3	26.8



^RCifras revisadas.
^PCifras preliminares.
VAB: Valor agregado bruto.
¹Cifras en millones de pesos a precios corrientes.

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 all of this information and also supplies the national account system the labor base required in order to achieve completeness and infer the size of the informal economy within GDP.



Summing up

- © It is easier to identify the sheer size of informal employment than its composition. Informal Sector still remains the most challenging segment to delimitate in the realm of informal employment.
- © There are many measurement approaches to informality. All in all there will always be some trade-offs between scope and timeliness on one hand and accuracy (especially in structural terms) on the other.



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 become more than ever a hot issue to deal with, creating an explicit tension between legalistic and non-legalistic ways of understanding informality.



Conociendo México

01 800 111 46 34

www.inegi.org.mx

atencion.usuarios@inegi.org.mx



INEGI Informa



@ INEGI_INFORMA



INSTITUTO NACIONAL
DE ESTADÍSTICA Y GEOGRAFÍA

