



INFORMALITY AND BEYOND

WHAT WE REALLY KNOW

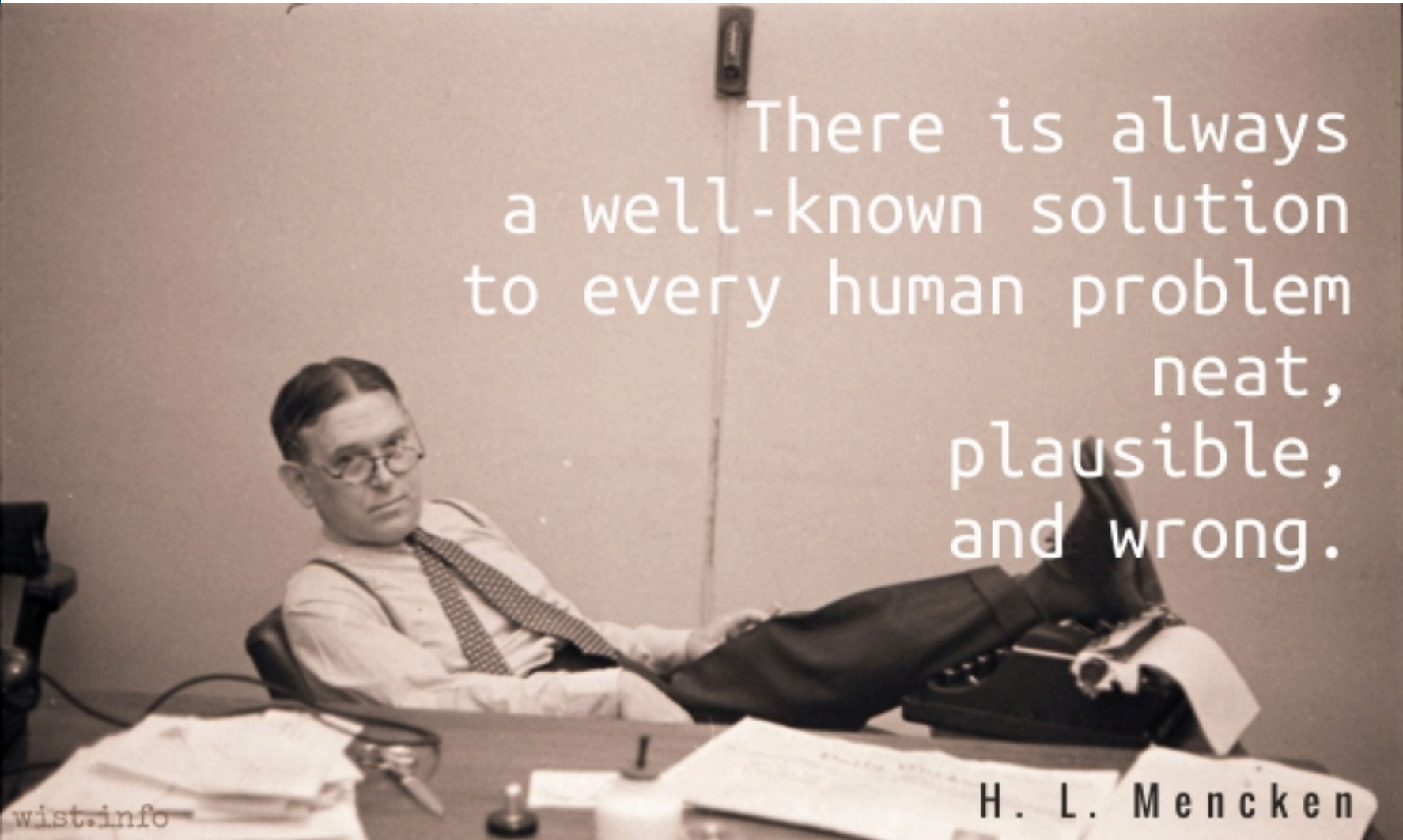
THE FOURTH IMF STATISTICAL FORUM

LIFTING THE SMALL BOATS: STATISTICS FOR INCLUSIVE GROWTH”

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Diretor de Pesquisas

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A black and white photograph of a man sitting at a desk. He is wearing glasses, a light-colored shirt, a patterned tie, and suspenders. He is leaning back in his chair, looking towards the camera. On the desk in front of him is a typewriter, several sheets of paper, and a pair of glasses. The background is a plain wall with a door handle visible.

There is always
a well-known solution
to every human problem
neat,
plausible,
and wrong.

H. L. Mencken

Observability Border: non-observed economy/social relations => It is not the same for all the countries. The border is defined by the statistical system and institutional arrangements of each country.

Enterprises => more or less we can find them (but affected by under declaration, absence from register, corruption, non-response ...)

Households => where they are
how they are
they have to be uncovered

The non-observed economy:

Enterprises => more or less we can find them (under declaration, no register, lack of updates files for sampling, no response)

Households =>
Leaving no one behind
where they are
how are they
they have to be found out

The r

Informal

Unemployment

Vulnerables

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Despair

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k of

And other forms of organization

Leaving no one behind



where they are
how are they
they have to be found out

Conceptual Framework: Informal Employment

Production units by type	Jobs by status in employment									
	Own-account workers		Employers		Contributing family workers	Employees		Members of producers' cooperatives		
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal	
Formal sector enterprises					1	2				
Informal sector enterprises ^(a)	3		4		5	6	7	8		
Households ^(b)	9					10				

- (a) As defined by the Fifteenth International Conference of Labour Statisticians (excluding households employing paid domestic workers).
- (b) Households producing goods exclusively for their own final use and households employing paid domestic workers.

Note: Cells shaded in dark grey refer to jobs, which, by definition, do not exist in the type of production unit in question. Cells shaded in light grey refer to formal jobs. Un-shaded cells represent the various types of informal jobs.

Informal employment: Cells 1 to 6 and 8 to 10.

Employment in the informal sector: Cells 3 to 8.

Informal employment outside the informal sector: Cells 1, 2, 9 and 10.

The 2008 SNA presents a concept of the **informal sector** as a subset of household unincorporated enterprises.

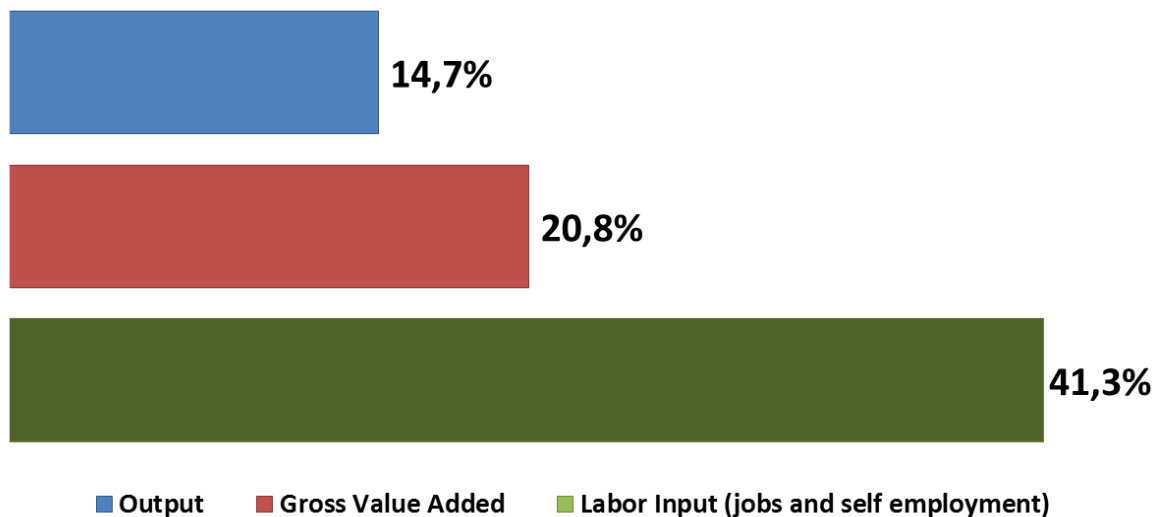
The 2008 SNA recommendation is, whenever possible, to compile two data sets, one about production and income generation and another with the employment. **However, the manual admits that measuring the informal sector is not a simple task and that the criteria for measurement employed depends on each country statistical system and data availability.** The criteria to classify informal enterprises may refer to the enterprise registry, legality or size, to the activity legality, localization, as well as to the statistical system coverage specific to each country.

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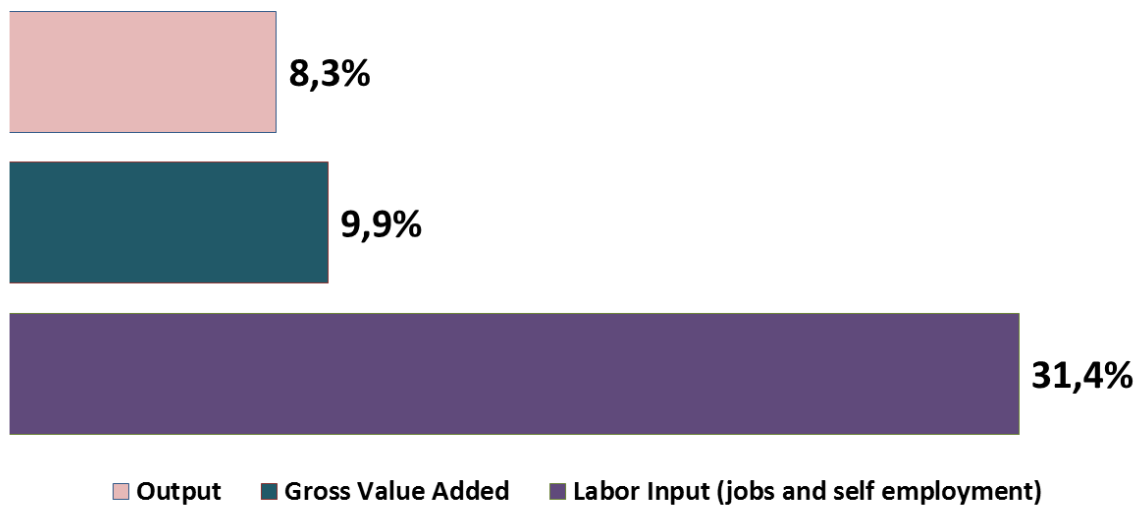
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GROSS MIXED INCOME

Households Sector/Total



Informal Sector/Total



Households Sector/Total

Industry		Output	Gross Value Added	Labor Input*
Agriculture, forestry and fishing		44,1%	50,9%	69,6%
Mining and quarrying		0,2%	0,2%	6,1%
Manufacturing		2,2%	4,9%	23,5%
Electricity, gas; water supply **		0,6%	1,7%	26,4%
Construction		31,0%	28,1%	60,4%
Wholesale and retail trade; repair of motor vehicles		14,4%	14,3%	38,2%
Transportation and storage		14,9%	14,1%	37,0%
Information and communication		3,9%	5,4%	19,3%
Financial and insurance activities		0,7%	0,9%	6,1%
Real estate activities		92,1%	92,9%	53,2%
***Professional, scientific and technical activities...		21,6%	27,1%	48,9%
Public administration and defence; compulsory social security		0,0%	0,0%	0,0%
Total		14,8%	21,0%	40,5%

* Labor Input (jobs and self employment)

** Electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation

***Professional, scientific and technical activities; administrative and support service activities; accommodation and food service activities; arts, entertainment and recreation, repair of household goods and other services; private education and human health and social work activities

How can national accounts measure the informal sector better?

1. **Ignore** -some countries where informal sector activity is *grossly underestimated in GDP*,
2. **Be creative** - some countries assume that output per worker in the informal sector is the same as in **formal employment in the same industry** => Hypothesis land
3. **Household surveys**
4. **Informal surveys**

Tools available

- Population Census
- Household Surveys
- Surveys about informal employment or sector
- Specific/special surveys
- Geosciences + statistics

Tools

- Population Census
 - Household Surveys
 - Informal Surveys
 - Specific/special surveys
 - Geosciences + statistics
- Expensive
 - Periodicity
 - Expertise in household surveys

- How to ask



How to go there





Images to support subnormal communities

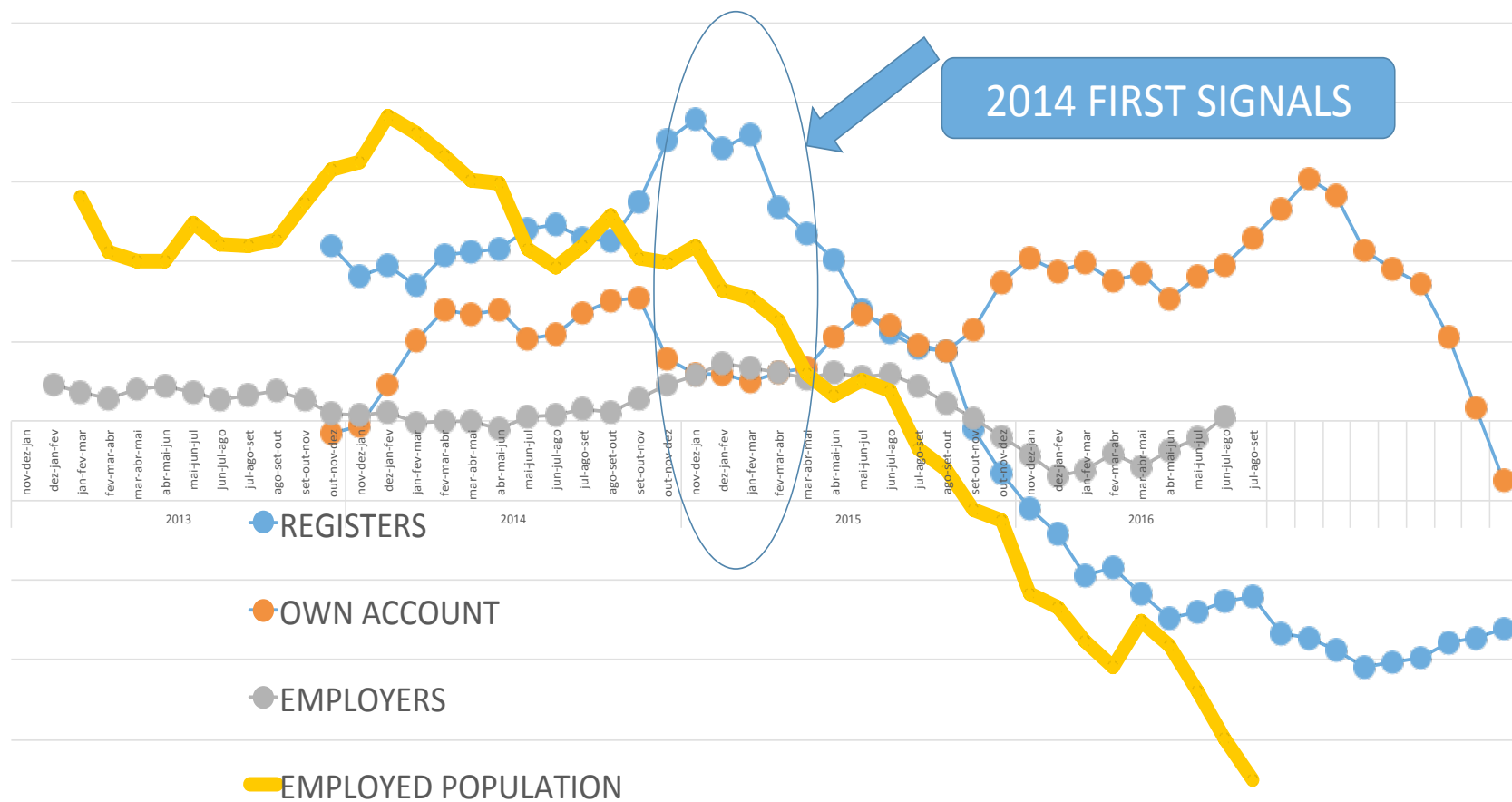


Some questions/concerns/legends

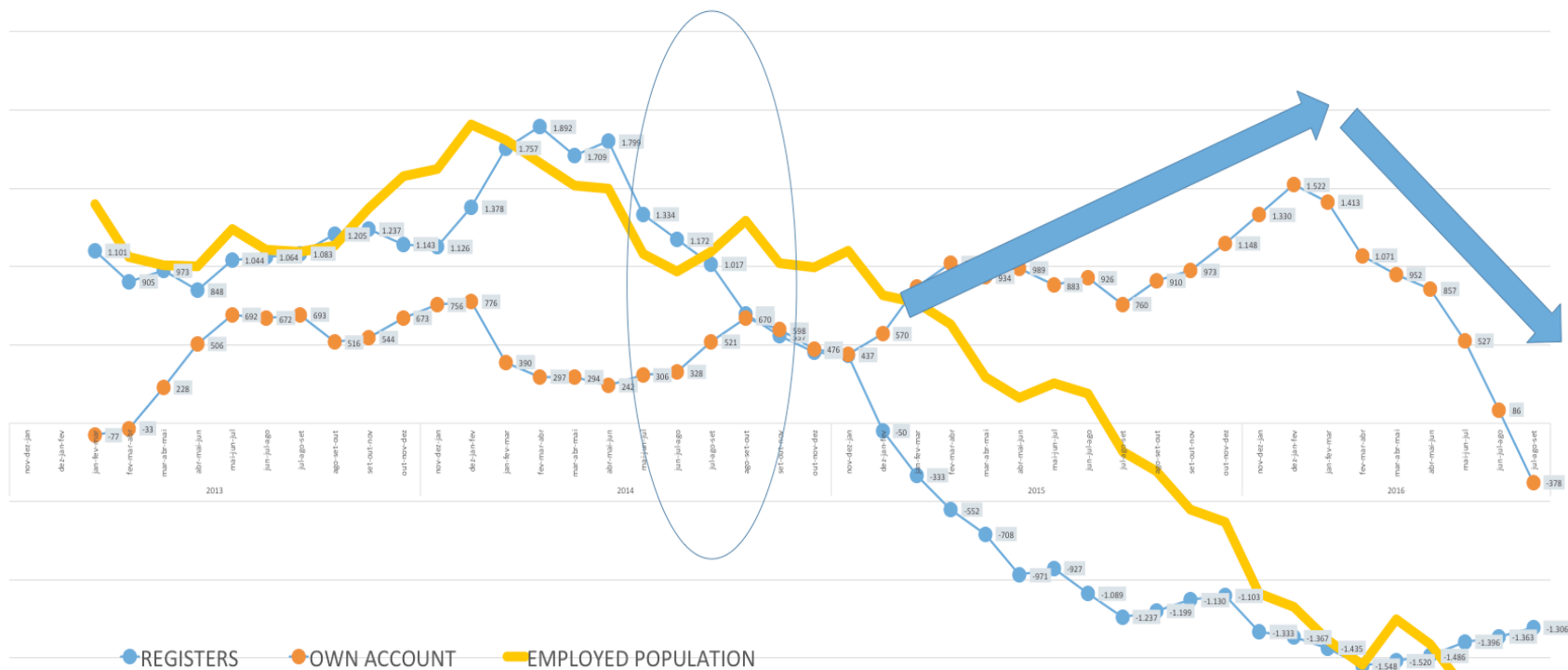
Does participation in informal sector activity vary over the business cycle in ways that aren't fully measured in GDP statistics?

For example, if informal activity rises during recessions and falls in booms, and these changes are not fully measured by our surveys, the volatility of GDP over the cycle could be exaggerated.

Quarter over Quarter Brasil - Fonte PNAD Contínua 2012 - 2015



Quarter over quarter
 Brasil - Fonte PNAD Contínua 2012 - 2015



Smuggling

The BoP compilers tend to exclude trade in illegal or undeclared products because they are not so comfortable with imputations for missing data, but national accounts compilers tend to be more comfortable with imputations and to want to include undeclared items in estimates of foreign trade and economic activity in general.

How can we reconcile differences in approach between BOP statistics compilers and national accounts compilers?

Probably my time is over.

I let here some issues about informality ...

What is the role of illegal goods and services in informal sector activity?

Should we make more effort to include them in GDP, as recommended in the SNA?

Does the household survey collect data on illegal employment, production or consumption?

Does variation in country practices badly distort international comparisons of GDP per capita?

Do inaccurate estimates of income from informal activity typically distort the poverty rate estimates?

If we improve our estimates of informal sector activity, how can we explain the changes in methodology to data users?

Are digital economy innovations such as the gig economy, and the sharing economy increasing or decreasing the size of the unobserved economy? Or is the story mixed, with Uber drivers included in GDP, while people who make money buying and selling on eBay excluded? Do digital services like WhatsApp help to raise productivity in the unobserved economy?

If we include informal sector activity inside the production boundary for GDP, are these activities hard to distinguish from unpaid services for consumption by other household members, which are excluded?

Obrigado

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