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**Items for information: Report on the work of  
the secretariat on informal sector and informal  
employment statistics**

**Report on the work of the secretariat on informal sector  
and informal employment statistics**

**Note by the secretariat***Summary*

This note provides information on the secretariat's work and the results achieved on the improvement of informal sector and informal employment statistics as a subject area of strategic priority for the Asia-Pacific region. It describes the secretariat's activities to improve the measurement of, and the availability of data on, the informal sector and informal employment through the experimentation of a common data collection methodology, which contributed directly to the global work on developing related international statistical standards. Further interregional work is currently being formulated to provide continuity to this work and to broaden its scope.

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## I. Background

1. The measurement of employment in and contribution to gross domestic product (GDP) of the informal sector continues to be a major challenge for developing countries and for economies in transition. Surveys to measure employment in this sector are rarely conducted on a regular basis, and even fewer countries measure its contribution to GDP. Most developing countries, therefore, do not have data to monitor employment trends, structural changes in, and the contribution of the informal sector to economic growth.

2. Some of the main reasons that explain the lack of comparable data across time and countries are limited resources of national statistical systems; the lack of international guidelines to assist countries in selecting an affordable data collection methodology; and the lack of consensus on a harmonised statistical definition of the informal sector.

3. The integration of the collection of data into regular statistical programmes requires considerable additional resources in terms of initially setting up the system and subsequently for the periodic conduct of surveys. Regular data collection on the informal sector and informal employment generally involves intensive additional work on the construction of sampling frames and survey design, the development of questionnaires with specific probing questions, and additional data collection operations. Besides, survey design and operations, in particular, are usually more complex given the nature of informal sector units, which can be mobile or difficult to locate and their business is often seasonal and sometimes temporary.

4. A variety of survey tools have been used for measuring the informal sector, including independent ad-hoc surveys, mixed household-enterprise surveys, labour force or other household surveys, enterprise/establishment surveys and economic censuses.<sup>1</sup> In setting up a system for regular collection of data on the informal sector, the diversity of possible options can be confusing. There is insufficient information on the merits and the caveats of these various methodologies, and comparative discussions of the different survey tools in the literature are often only at the theoretical level. Thus, there still remains the need for assessing these methodologies with respect to challenges and the utility of results.

5. Besides, the scope and coverage of conducted informal sector surveys have varied between different countries which complicates their comparison. Countries have also employed different methods for different informal sector surveys making comparison over time difficult as well.

6. A series of international efforts have been made since 1993 to promote the development of a standard definition and measurement tools for the informal sector and informal employment. In 1993, the Fifteenth International Conference of Labour Statisticians (ICLS) adopted an international statistical definition of the informal sector, which defined the informal sector in terms of characteristics of the enterprises (production

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<sup>1</sup> A detailed account of the survey tools and their main characteristics can be found in the draft chapters of the Delhi Group's Manual on Surveys of Informal Employment and Informal Sector at [http://mospi.nic.in/draft\\_manual\\_11th\\_meeting.htm](http://mospi.nic.in/draft_manual_11th_meeting.htm).

units) in which the activities take place, rather than in terms of the characteristics of the persons involved or of their jobs. The definition was included in the 1993 System of National Accounts (SNA).

7. Subsequently, the Seventeenth ICLS (2003) introduced the conceptual framework on informal employment to complement the concept of the informal sector in which the enterprise-based concept of employment in the informal sector was related in a consistent manner with a broader job-based concept of informal employment.

8. Based on the framework of international definitions, the United Nations Expert Group on Informal Sector Statistics (the Delhi Group), constituted in 1997, endeavoured to harmonize national definitions of the informal sector to improve international comparability. However, recognizing the limits of harmonization, only a subset of the informal sector that could be defined uniformly and for which countries could produce internationally comparable data was identified.

9. The United Nations Statistics Division updated the SNA in 2008 which includes guidance on the treatment of the informal sector in national accounts.

10. Despite these efforts, the practical implementation of the standards in official statistics has been very slow. It is hampered by the lack of consensus on an internationally accepted definition for the informal sector and the several methodological difficulties in capturing such a dynamic and diverse sector.

## **II. Recent activities**

11. As an effort to contribute towards the global work on developing international standards in the measurement of the informal sector and informal employment, as well as making such data collection part of regularly compiled economic and social statistics, the Economic and Social Commission for Asia and the Pacific (ESCAP) led the implementation, in collaboration with the Economic and Social Commission for Western Asia (ESCWA) and the Economic Commission for Latin America and the Caribbean (ECLAC), of a Development Account project “Interregional Cooperation on the Measurement of Informal Sector and Informal Employment” during 2006-2009. The overall objective of the project was to improve data on the informal sector and informal employment for the promotion of evidence-based policies at the national and interregional levels, which is particularly significant for developing countries with the informal sector as a significant contributor to the economy.

12. In order to effectively raise public awareness and increase national technical capacity, the project adopted a mix of activities with specific components on advocacy, statistical capacity building, data collection, data analysis and dissemination, and knowledge management with the aim of encouraging greater involvement and commitment among a wide range of stakeholders, and increasing the number of countries that regularly collect and disseminate data on the informal sector and informal employment and integrate estimates into national accounts.

13. An integral component of this work was the testing and refinement of the “1-2” survey methodology for collecting data on the informal sector and informal employment. The methodology utilized the labour force

survey (LFS) in the first phase (Phase 1) as a tool to collect information on informal employment and some informal sector data items by simple modification of the existing LFS questionnaire to include additional questions. The data collected through this modified LFS was used to construct the sample frame for the second phase (Phase 2), which was an Enterprise Survey with “household unincorporated enterprises with at least some market production (HUEMs)” as the statistical unit.

14. The project enhanced sustainability of the informal sector data collection programme by targeting countries that had regular LFS programmes. Data collection was therefore conducted with already available resources to the extent possible. As part of the project, the “1-2” survey methodology was piloted in five countries and areas in the three implementing regions (Mongolia, the Philippines, Saint Lucia, Sri Lanka, and the Occupied Palestinian Territories), all of which have regular LFS programmes.

15. This methodology broadened the scope of data collection from informal sector enterprises to all HUEMs. HUEMs therefore, were the starting point for data collection with informal sector enterprises forming a subset of HUEMs. Thus, countries collected data on all HUEMs, regardless of location, industry,<sup>2</sup> employment size, etc., and then identified the subset of informal sector enterprises according to national definitions, if any.

16. The main objectives of Phase 1 were to estimate informal employment and employment in the informal sector, to identify HUEMs based on a set of criteria, and to construct a sample frame for Phase 2 of the survey. Thus, Phase 1 constituted an existing LFS with a sufficiently large sample of households which was preferably conducted on a quarterly or monthly basis, with modules attached to or integrated within the LFS which were designed to identify HUEMs, informal sector enterprises, and informal employment, including jobs in the informal sector. The recommended design for Phase 1 was a single questionnaire with the additional modules integrated into the LFS. However, if countries wished to retain their existing LFS questionnaire, a separate module could be used to complement the main LFS questionnaire.

17. Phase 2, on the other hand, focused on obtaining data for estimating the contribution of HUEMs and the subset of informal sector enterprises to GDP. Data related to the production activities of the HUEMs collected in Phase 2 were helpful in compiling the production account of the households sector in national accounts. Either all HUEMs identified through Phase 1 were surveyed in the second phase or, provided the number identified was large enough, a subsample of HUEMs was selected for Phase 2.

### **III. Key results and lessons learned**

18. The project generated three tangible outcomes. First, it adapted the “1-2” survey approach to methods and tools to measure the informal sector and informal employment. That resulted in improved and tested questionnaires, field designs, weighting and estimation procedures, and tabulation plans for the two-phased survey. The use of HUEMs as a starting point for data collection in this survey methodology came close to

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<sup>2</sup> With the exception of the Philippines and the Occupied Palestinian Territories, based on national circumstances, other project countries/areas did not include agricultural HUEMs in Phase 2 of the survey.

operationalising a harmonized definition of the informal sector and the estimation of informal employment, thereby establishing that the methodology could form the basis for collecting information on the larger population of unincorporated household enterprises, of which the informal sector is a component.

19. Deliberations through this work clarified the definition of HUEMs as household enterprises operating with the specific “intention” of selling to the market. It was recognized that these enterprises constituted an important group within all household unincorporated enterprises. Government policies could be specifically designed and advocated to improve their performance e.g. through tax and tariff measures, availability of credit etc.

20. The second outcome is related to statistical capacity-building. The participating national statistical offices (NSO) of Mongolia, the Philippines, Saint Lucia, Sri Lanka, and the Occupied Palestinian Territories gained critical knowledge, skills and experience in designing and implementing the “1-2” survey. They designed and used the tools to conduct nationally representative surveys.<sup>3</sup> The project supported the national efforts through technical training workshops and advisory services on survey design, implementation and data processing for the participating countries.

21. Third, a series of national, regional and interregional workshops contributed towards advocacy and awareness raising on the importance of collecting and disseminating data on the subject among other government agencies and national stakeholders in each of the implementing regions.

22. The experimentation of the “1-2” survey through this project reaffirmed certain specific advantages of this methodology over other methods of data collection on the informal sector and informal employment. Through the simple modification of an existing data collection tool, the LFS in Phase 1, it was established that the methodology was a cost-effective strategy that could be implemented and sustained by national statistical systems of developing countries.

23. All methods of data collection require the creation of a survey frame of unincorporated household enterprises and this methodology did it relatively cheaply by adding questions to an existing data collection tool. Besides, provided the LFS survey frame was up-to-date, it would provide an up-to-date survey frame for Phase 2 of the survey.

24. At the same time, the Phase 2 data on value added to GDP could be easily updated from Phase 1 data on HUEMs and on informal employment. The analysis was also enriched by linking the employment and value added data from the two phases e.g. labour productivity in formal versus informal sectors; labour productivity versus the size of the enterprise and so on.

25. From a survey implementation point of view, the two separate phases allowed for specialized enumerator training to deal with each questionnaire with greater efficiency.

26. Furthermore, the project’s implementation strategy including interregional collaboration, partnerships and a mix of activities, established

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<sup>3</sup> Due to political instability, the survey conducted in the Occupied Palestinian Territories was not representative of the entire population.

that interregional processes, results and experiences are important in influencing and shaping the development and improvement of international statistical standards.

27. The testing of the methodology simultaneously across three regions contributed directly to promoting the importance of such data collection in different regions of the world, and provided empirical evidence that the methodology works well in very different country situations. The multi-regional, multi-country approach facilitated the understanding and consolidation of regional differences and commonalities in the experimentation and refinement of the “1-2” survey methodology, particularly since no single model of survey design or implementation was used by the participating countries.

28. Besides, interregional cooperation facilitated knowledge sharing and cross-fertilization of expertise, skills, and project implementing experience among NSOs of the implementing regions which helped to enhance learning. There was the added benefit of access to the same training materials and resources across the three implementing regions. Optimal utilization of project funds was made possible through common training workshops, shared consultancy services and common knowledge management activities.

29. Partnerships with various key agencies and experts through the formation of a Steering Committee<sup>4</sup> brought together most of the international expertise available on the measurement and analysis of informal activities and employment, and the design and implementation of “1-2” surveys, thus, narrowing the knowledge gap on the subject and contributing to initiating the development of a regional resource pool. The partnerships served as a direct link between the global and regional work on the subject.

30. The integrated approach used in the implementation of this work involving five distinct components: advocacy, statistical capacity-building, data collection, data analysis and dissemination, and knowledge management, rather than adhoc stand-alone activities, provided coherence and continuity in enhancing the capacity of national statistical systems towards filling major gaps in official statistics in this area of work.

31. On the whole, the project’s outputs formed the basis for the recognition of a newly “emerging” role of United Nations regional commissions in contributing directly and substantively in taking forward the global agenda and work in the development of international recommendations and standards in key statistical areas.

#### **IV. Sustainability, remaining challenges and potential for future work**

32. As mentioned in paragraph 23, the data collection methodology advocated through the activities of this project minimized additional cost for national statistical systems since the survey was anchored on an existing

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<sup>4</sup> The Steering Committee for this project comprised the Asian Development Bank, the Delhi Group on Informal Sector Statistics, the five United Nations regional commissions, International Labour Organization, United Nations Statistics Division and Women in Informal Employment: Globalizing and Organizing.

LFS to enable sustainability of the informal sector data collection programme at the national level. Since Phase 2 of the survey calls for greater budgetary commitments, it is recommended that Phase 1 of the survey be implemented every time the LFS is conducted, so that estimates of value-added to GDP could be extrapolated from this information for the years in which Phase 2 is not conducted. Thus, the methodology in itself facilitates sustainability to a good extent.

33. The project results and feedback from participating countries show that there are no major impediments to enhancing existing LFS questionnaires with informal sector content. This means that the first phase of the “1-2” survey could readily be fielded by countries on a regular basis, and most of the project countries have indicated that they would consider integrating Phase 1 into their regular LFS. As mentioned earlier, the challenge for member States lies in committing resources for the second phase of the survey.

34. Besides the lack of resources, project countries have indicated some difficulties associated with integrating such a survey (especially Phase 2) into the national work programme including determining the timing and frequency of Phase 2; the need for further training in specific areas; and the need to ensure a consistent interface between estimation of value-added from traditional sources and through the Phase 2 of the “1-2” survey.

35. Through the project, efforts have been made not only to achieve sustainability of project objectives within project countries but also, to achieve a “spill-over” effect in other countries in the three regions. This is already seen through the ongoing implementation of “1-2” surveys in the ESCAP region in Armenia, Bangladesh and Indonesia through a project funded by the Asian Development Bank (ADB), as well as in Viet Nam under the guidance of Développement Institutions et Analyses de Long terme (DIAL-IRD). The secretariat has consulted with both ADB and DIAL-IRD at various stages of survey design and implementation. There is also potential for possible replication in Jamaica and Grenada in the ECLAC region, in Oman and Jordan in the ESCWA region, and Morocco in the Economic Commission for Africa (ECA) region.

36. The development of technical papers and guidelines, the documentation of country survey implementation experience in the three regions, and the development of a web portal as a knowledge-sharing tool<sup>5</sup> will serve as substantive technical resources for member States that are planning to measure the informal sector and informal employment through such a survey in the future. The survey implementation experience of this project has also been documented in the Delhi Group’s Manual on Surveys of Informal Employment and Informal Sector<sup>6</sup> which serves as a key source of reference on the subject.

37. However, there are remaining challenges on the technical aspects of survey and sample design, survey implementation and data processing that suggest further work that needs to be addressed:

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<sup>5</sup> <http://www.unescap.org/stat/isie>

<sup>6</sup> [http://mospi.nic.in/draft\\_manual\\_11th\\_meeting.htm](http://mospi.nic.in/draft_manual_11th_meeting.htm), Chapter 6

(a) The survey instrument for Phase 2 was found to be too cumbersome and ambitious in some cases;

(b) The regional resource pool needs to be continuously expanded and improved, e.g. development of standard training materials for use by various stakeholders and training curriculums through the Statistical Institute for Asia and the Pacific (SIAP) based on the project experience; improvement and maintenance of the project website;

(c) Although the project officially came to a close in March 2010, technical assistance to member States needs to be continued at least through advisory services;

(d) Fund-raising would of course be vital not only to aid the implementation of the above-mentioned activities, but also to initiate further work to provide continuity and to keep the momentum.

38. There is potential for replication of this work through further interregional initiatives such as the project proposal developed by ECA based on the recommendation of the Statistical Commission of Africa (January 2010). The proposal has been approved for funding under the 7th tranche of the Development Account. This initiative will provide opportunity to build on the results and lessons learned from the previous project, to strengthen sustainability, and to broaden the scope of work not only through the testing of the methodology in a new set of countries, but also through opportunity for more in depth analysis and dissemination activities. The accumulation of more empirical evidence will allow for further operationalization of the methodology and international standards on the subject.

## **V. Summary and conclusions**

39. The work by the secretariat on the measurement of the informal sector and informal employment has generated tangible results and has contributed to on-going global work in the development of international statistical standards on informal sector and informal employment measurement with a view to advocating for evidence-based policy formulation.

40. Despite the progress, the streamlining of global work on the subject among international partners needs to continue to better define global standards and methodologies in this complex area of work in order to ensure that the goal of reliability and international comparability of informal sector data is achieved.

41. The results and lessons learned through the secretariat's work would serve as a basis for further advocacy and South-South cooperation to continue this work.