



UN-ESCWA

UNITED NATIONS - Economic and Social Commission for Western Asia



# Measuring informal employment in ESCWA region

## EXPERT GROUP MEETING ON MEASUREMENT ISSUES IN LABOUR STATISTICS

Beirut, 29-30, June 2011



# UN RCs Involved



# Project Facts



- **Overall budget:** \$ 800,000
- **Duration:** 4 years, 2006 - 2009
- **Implementing agencies:** ECLAC, ESCAP (leading agency), ESCWA
- **ESCWA budget:** \$ 179,000 (about \$ 70,000 for Survey)
- **Steering Committee:** UNSD, Regional Commissions, ILO, WIEGO and Delhi Group

# Project Countries



ESCWA



ESCAP

ECLAC



- The requirements of estimates on informal economy can be summarised as follows:
- *For Informal Employment:*
  - parameters defining informal employment (LFS)
  - terms & conditions of employment (LFS)
  - structural information (ES)
  - productivity (ES)
- *For Informal Sector:*
  - parameters defining informal sector enterprise (ES)
  - production related parameters (ES), including labour input, output, intermediate consumption and GVA

# Data Collection Strategy



- For measurement of *informal employment* and *informal sector employment* the *LFS* is the preferred instrument
- The main options of collecting data on **production** of informal sector are:
  1. List-frame based establishment survey
  2. Area-frame based establishment survey
  3. Area-frame based “1-2” surveys

- **List-frame based establishment survey**
  - business registers – if any – do not usually cover the informal sector units
  - list-frame has to be developed from a general economic/establishment census
  - but, these censuses do not ensure full coverage
  - thus, list-frame based establishment surveys can not ensure complete coverage of informal sector

# Data Collection Strategy



- Thus, area-frame based surveys are essential for 'complete' coverage of informal sector
- However, the conventional area-frame based establishment surveys suffer from the same limitation as the Establishment Census
- In these surveys, a list frame of establishments is developed for each selected area unit by door-to-door enumeration
- This procedure is prone to omission of activities carried out inside the owner's home

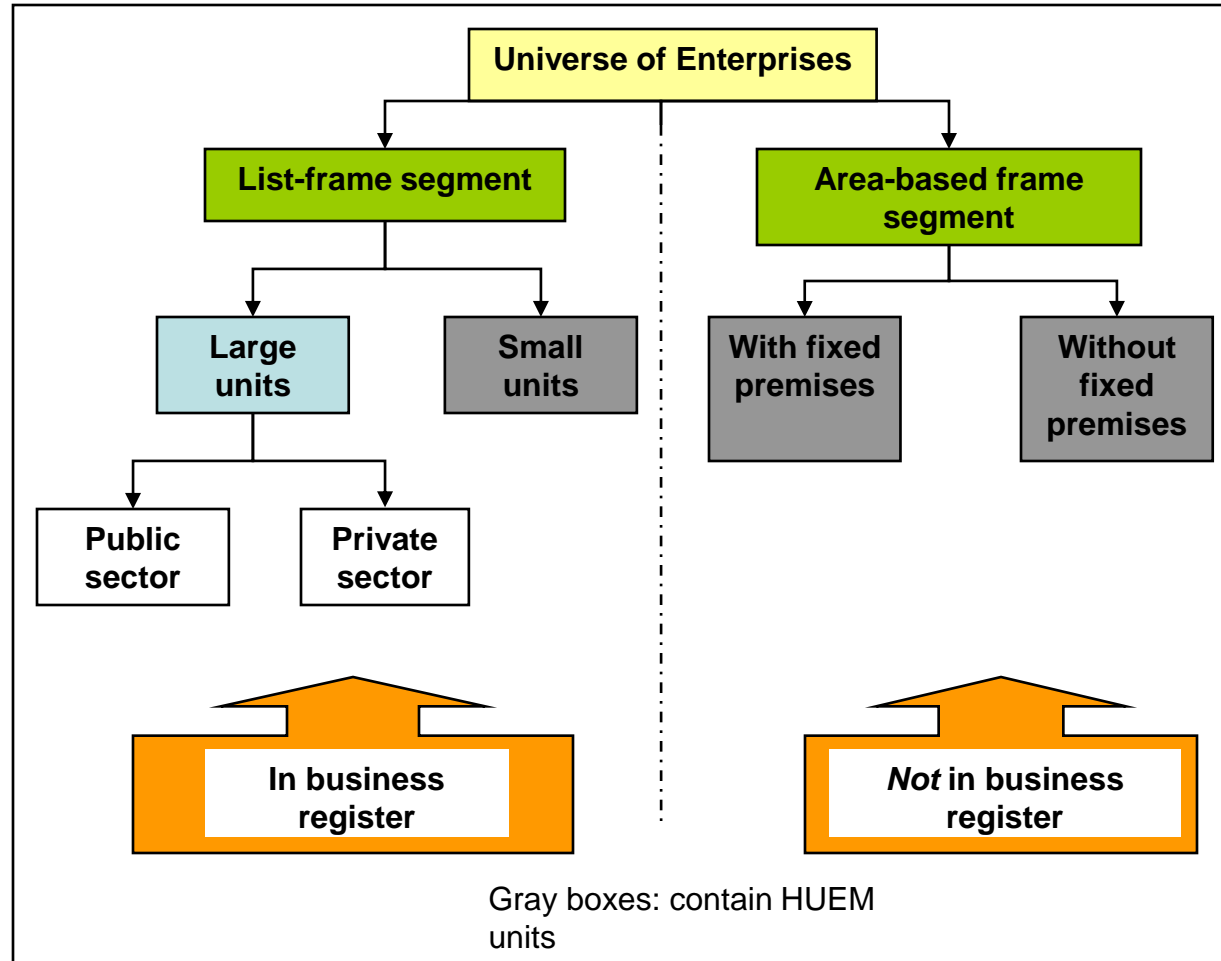


# Data Collection Strategy



- The choice of method is, therefore, practically restricted to the category of ‘mixed household-enteprise surveys’, viz.
  - *Integrated “1-2” like surveys (or 1-2-3 survey)*
- These kind of methods use a multi-stage (usually two-stage) sampling scheme
- A sample of area units are selected as the first stage unit (*fsu*) in these methods

# Data Collection Strategy



# Basis for the '1-2 Survey'



## Unifying definition of the IS (XV ICLS Res.)

**1. Household Sector**



**2. Unincorporated enterprises owned by households**



**3.a Own-account enterprises**  
**3.b Enterprises of employers**



**4. Informal sector enterprises**

**1. Size**  
**2. Registration**  
**3. Others**



# Basis for the '1-2 Survey'



- Concretely, how to go from step 3 to 4?
- Problems undermining comparability and coherence of IS estimates, for example:
  - Registration requirements change over time, across countries and often registration is made with more entities
  - In some countries all units should be registered with tax authorities
  - Registration criterion reduces response rate and quality
  - Registration of enterprise vs employees?
  - Cut-off size of employees may change over time, across countries (i.e. different levels of technology), may refer to empl. on continuous basis or total empl. or empl. observed in the reference period, and may depend on legislation and statistical considerations

# Basis for the '1-2 Survey'



- **Main dilemma:** *trade-off between flexibility and comparability at international level*
- The flexibility in delineating the IS according to ICLS Resolution hampers comparability of outcomes across countries and over time. However, flexibility in the adaptation of the criteria is an important characteristic
- Main features of the Unified Data Collection Strategy for the Informal Sector
  - Expanded scope of data collection, and flexibility *ex-post non ex-ante* (comparative analysis on criteria)
  - Coherency with international recommendations
  - Comprehensiveness (all areas, activities etc.)
  - Reduction of costs for collecting information

# Basis for the '1-2 Survey'



- **HUEM1: Legal organization**
  - Production units that are not constituted as separate legal entities independently of their owners
- **HUEM2: Book-keeping or accounting practice**
  - Production units that do not keep a complete set of accounts
- **HUEM3: Product destination**
  - At least some of the products are sold/bartered in the market

# Basis for the '1-2 Survey'



- Data collected through variant of mixed household-enterprise survey called '1-2 Survey'
- **First phase: Household Survey**, on which the sampling frame for the second phase is made
  - Possibly build upon existing surveys with small changes, preferably LFS (extended)
- **Second phase: Enterprise Survey**
  - Designed as a household-enterprise independent module based on outcomes of the extended LFS

# Pros and Cons



- Provides data on informal employment & informal sector for all areas and sectors
- It is based on a unified data collection strategy where there is flexibility *ex post* in the definition of the IS
- It is based on partially existing surveys for the first stage, NOT for the second stage, so that there is reduction of costs
- The choice of size variable for *fsu* selection is based on distribution of population and not on that of within-scope enterprises



# Pros and Cons



- The establishments owned by non-residents can not be captured by the “1-2 Survey” approach – whether with fixed premises or not
- The results of a survey conducted with “1-2 Survey” might be subject to higher sampling error than MHES – at both the stages
  - The first-stage variance is higher, since the *size variable* for *fsu* selection is based on distribution of population and not on that of within-scope enterprises, and ...
  - ... the second-stage variance is higher, since establishments are not selected from a complete list of establishments

# Pros and Cons



<i>Type of premises</i>	<i>Location of owner household</i>	<i>Owner households within the sample area</i>	<i>Owner households outside the sample area</i>
	<i>Location of production unit</i>		
With fixed premises	Inside the sample area	1-2	No coverage
	Outside the sample area	1-2	
With non-fixed premises	NA	1-2	

Thank You