

2.2 Informal activities

Tim Jones
SIAP consultant/lecturer

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Objectives

After this session, participants will be aware of:

- How the formal/informal sector may be defined
- Methods of estimating informal activity levels
 - Direct methods
 - Indirect methods
- The importance of household budget surveys
- How to use the supply use framework
- Methods used to estimate change

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The formal sector

- We assume government and public corporations are part of the formal sector
- How do you define the private formal sector?
 - Enterprises with 10 or more employees?
 - Enterprises with formal accounts?
 - Enterprises registered for tax purposes?
- How important is international comparability compared with operational convenience?

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The Delhi group on the informal sector

- Basically flexible
- Data on the informal sector should be split so that for international comparisons the statistics can be limited to a core group
 - Non-agricultural/agricultural
 - Employment size: Not more than four/five plus
 - Not registered/registered (for tax purposes?)
 - Paid domestic staff

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Measurement

Two aspects

- The level of activity
- Estimating the change (extrapolation)

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Estimating the level

Level	Method	Possibility
Ideal	Continuous measurement	Rare
Next best	Occasional comprehensive census/survey	Every ten years?
Minimum?	Indirect estimates	Possible given a HBS

- Three direct approaches to consider:
 - Establishment based
 - Household based
 - Mixed household-enterprise (1-2-3 method)
- Indirect approach using HBS data

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Direct methods

- Establishment surveys
 - Listing all establishments (census? urban only?)
 - Stratified sample for more details
- Mixed 1-2-3 surveys
 - First step: labour force data – identifying informal businesses & activities
 - Second step: household income & expenditure
 - Third step: sub-sample for details of informal activities

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Household budget surveys (HBS)

- HBSs are needed for many purposes:
 - Poverty and income (expenditure) distribution
 - Sub-national level household statistics
 - Consumer price index expenditure weights
 - National accounts – household expenditure
 - Direct measurement of HFCE
 - Dwelling characteristics and rents (paid and imputed)
 - Paid domestic service
 - Transfers from abroad (balance of payments)

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HBS design

- Country wide
- Covering all seasons
- Questionnaires with detailed expenditure categories
 - Diary method or frequent enumerator visits for every day expenditure
 - Special questions for regular eg monthly payments, and cars & other durable goods

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Problems with HBS results

- Understatement in general
 - Recall bias
 - Diary not complete (especially after a few days)
 - High spenders not well covered
 - Alcohol, tobacco, narcotics, etc understated
 - Institutions not covered
- But calibration is possible
 - Using non-informal product data
 - HBS data classified by product and (income) group
- We use the supply-use framework
 - Powerful because of the identities involved

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The supply use framework

PRODUCTS	Imports of gds & servs	Total output	Margins	Taxes on prodcnts	Total supply	Total demand	Total IC	Final consump ⁿ House-holds	Government	Capital forma-tion	Exports of gds & servs
TOTAL											
A1											
A2											
A3											
A4											
A5											
B0											
C1											
C2											
C3											
C4											
C5											
C6											
C7											
C8											
etc											

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Product classification

- Structured, with round 150 – 200 products
 - Primary level: ISIC (Rev.4) letters
 - Second level: appropriate activity groups
 - (eg ISIC 2-digit)
 - Third level: products and product groups
 - Where possible by end-use (household, construction, other intermediate and capital)
- Needs correspondence tables with data sources

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Extract from an SUT

		Imports	Output	Margins	Taxes	Supply	Diff	Demand	IntD	HHFC	Cap+Gvt	Exports
T	Total	21,319	47,213	-0	3,064	71,596	-815	70,781	20,234	26,594	11,058	12,895
C6-01	Glass for building	32	10	7	3	53	1	53	49	0	0	4
C6-02	Cement	0	340	61	18	418	6	425	280	0	0	145
C6-03	Lime & plaster	0	82	13	-5	91	1	91	91	0	0	0
C6-04	Bricks, tiles & articles of concrete, etc	32	234	48	13	327	4	331	292	0	0	39
C6-05	Glass & ceramic household articles	73	68	59	24	224	3	227	12	206	0	8
C6-09	Other non-metallic mineral products	128	158	50	34	369	4	373	324	18	0	32
C7-21	Metal products for construction	432	459	140	56	1,088	-8	1,079	1,002	0	0	77
C7-22	Metal products for household use	46	65	55	13	180	5	185	10	166	0	8
C7-28	Precious metal	503	0	5	0	507	0	508	35	0	200	273
C7-29	Other metal products, except machinery and	346	173	68	23	610	2	612	573	0	0	38
C7-41	Computing & audio-visual equipment for ho	202	2	77	39	320	8	328	0	233	77	17
C7-42	Electrical wiring & components for buildings	134	120	42	19	315	3	318	254	2	0	62
C7-43	Domestic appliances & lighting	212	114	88	63	478	10	487	0	280	174	34
C7-44	Other machinery & equipment	911	329	47	128	1,415	4	1,419	0	3	1,152	265
C7-49	Components, parts & accessories of machine	374	0	39	49	463	-10	453	376	13	0	64
C7-61	Motor cars	908	0	145	418	1,471	13	1,484	0	990	490	4
C7-62	Other non-industrial vehicles	87	0	19	12	118	2	120	0	120	0	1
C7-63	Other transport equipment	119	7	1	21	148	2	150	0	3	140	7
C7-69	Parts & accessories of transport equipment	292	14	21	43	370	1	371	262	83	0	26

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Key data sources

- External trade in goods (Customs data)
- Trade in services (BoP details)
- Household expenditure survey
- Government expenditure details
- Total output (from existing national accounts sources?)
- Estimates of trade mark-ups and input-output ratios
- Details of taxes (and subsidies) on products
- Visitors' expenditure by product (if important)

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Total output by data source

Informal output estimated by residual

PRODUCTS	Total output	Adjustments	Total output	Govt output	Public enterprises	Private formal output	Agriculture		Other informal	
							Market output	Non-market	Market output	Non-market
TOTAL										
A1										
A2										
A3										
A4										
A5										
B0										
C1										
C2										
C3										
C4										
C5										
C6										
C7										
C8										
etc										

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Measuring change

Key (non-ag) informal activities

- Wholesale and retail trade
- Catering, street food
- Road transport (passengers, freight)
- Motor vehicle repair
- Other services
- Small-scale construction
- Abattoirs, tanneries & other small-scale industry
- Fishing

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Discussion

- How do you estimate the contribution of commercial trade to GDP growth?
(assuming the informal sector is important)
- Production of street food?
- Passenger transport?
- Construction?
- Domestic service?
- Other activities?