



Session 3.1.

Going from questions to variables



Learning objectives

- Understand when to agree on the precise construction of derived variables in a survey
- Understand with whom to agree
- Be aware of the most important derived variables related to the informal economy
- Be able to construct derived variables from answers to questions



Derived variables

- Derived variables and tabulations must be agreed with users of the statistics
- Should be decided before the questionnaire is finalised
 - So that the navigational path will obtain the relevant information
 - For example: “don’t know” and “other” answers to one question should be directed towards other questions that can allow to classify the worker in or outside the informal economy



Main derived variables and indicators

- Workers in the informal economy
- Economic units in the informal economy
- Entrepreneurs in the informal economy
- Value added of economic units in the informal economy



Workers in the informal economy

Basic classification

- Number of workers in the informal sector (in their main job/in any job)
 - Entrepreneurs
 - Employees
 - Contributing family workers
 - Other unpaid workers
- Number of workers with informal jobs outside the informal sector (in their main job/in any job)
 - Employees in the formal sector
 - Employees in households
 - Contributing family workers in formal economy units
 - Own use producers of goods
 - Other unpaid workers

Classified by their personal characteristics (sex, age, etc.); the characteristics of their jobs (main job, second job, occupation, hours actually worked, etc.); and their level of remuneration



Economic units in the informal economy

Basic classification

Economic units ...

- With fixed visible premises
 - Single establishment unit
 - Multi-establishment unit
- Household-based
- Itinerant

Each one of these groups can be further disaggregated into meaningful groups, relating to their conditions of business operation and their characteristics:

Use of mobile phone/internet, access to credit, type and number of customers (persons/ firms), membership in associations/cooperatives, etc.



Entrepreneurs in the informal economy

Basic classification

- Own account workers
- Employers
- Members of producers cooperatives (MPCs)

Remember:

One entrepreneur = one enterprise but may have more than one establishment!!

Also:

There may be more than one entrepreneur in a household, with separate enterprises

Further disaggregated by:

- their personal characteristics,
- the characteristics of their jobs, and
- the characteristics of the other members of their households



Value added of economic units

Sales		
+	Changes in inventories	
+	Production for own final use/bartered/given for free to others	
-	Purchases of goods and services for resale	<i>Total output</i>
-	Intermediate consumption	
	Value of goods and services consumed or used up as inputs in production by enterprises, including raw materials, services and various other operating expenses)	<i>Gross value added</i>
-	Consumption of fixed capital	
	Decline /increase in the value of fixed assets (land, building, equipment)	<i>Net value added</i>
+	Taxes paid	
-	Subsidies on products not included in the value of output	<i>GDP</i>



How to construct derived variables - steps

- Based on the operational definition, identify definition criteria
- In the questionnaire, design the relevant questions, together with the relevant answer categories, to target the definition criteria
- For each question, identify the answer categories that qualify for inclusion
 - Consider that sometimes information for one or more questions may be unknown – do not exclude them from scope but probe further!!
- Construct the navigational path
 - The combination and flow of relevant questions and answer categories that will classify a person/job/unit in the group



Example: constructing a derived variable Workers in the informal sector

- Operational definition: The informal sector includes all workers in unincorporated enterprises that are not registered and do not keep full accounts
- Four relevant questions :
 - B16: Institutional sector (to identify private households)
 - B17: Type of ownership (to identify unincorporated private units)
 - B18: Registration (to identify unregistered units)
 - B19: Bookkeeping (to identify units that do not keep full records)



Institutional sector

B16	Do you work in a ...?	READ	
		Government institution.....	1 → B20
		State-owned enterprise	2 → B20
		Non-governmental/non-profit organization	3 → B20
		Private business or farm	4
		Private household	5 → B23
		Embassy, international organization	6 → B20
Other (specify): _____	7		



Type of ownership

B17	Is the business/farm where you worked) ...?	READ	
		An incorporated enterprise (Ltd., plc., inc.).....	1 → B20
		Owned by one or more members of this household	2
		Owned in partnership with members of other households	3
		Other (specify): _____	4



Registration

B18	Was your business/farm (or the business/farm where you worked) registered at the [RELEVANT GOVERNMENT ENTITY]?	Yes.....	1	
		In the process of becoming registered ...	2	
		No.....	3	
		Don't know	4	

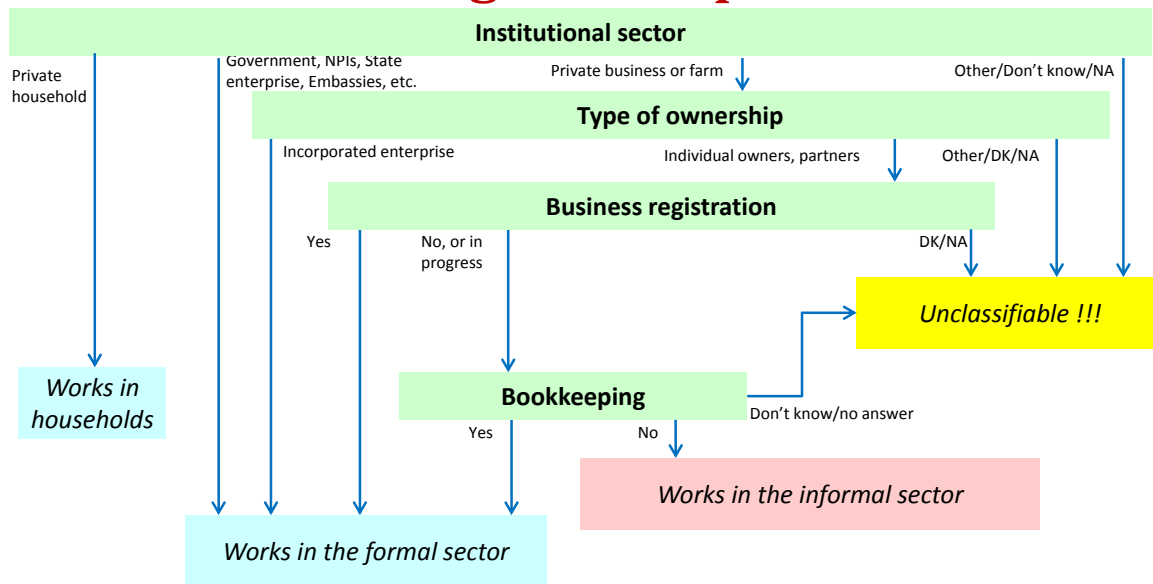


Bookkeeping

B19	Does your business/farm keep a complete record of accounts (assets and expenditures)?	Yes.....	1	
		No.....	2	
		Don't know	3	



Navigational path



Treatment of unknown values

- In order to take into consideration cases with unknown or “other” responses, they are considered always as potentially in the informal sector, thus:
 - If persons work in “other” institutional sectors they are treated as private households
 - If the type of ownership is “other” they are treated as an unincorporated enterprises
 - If it is not known whether the unit is registered then
 - For self employed workers the unit should not keep full accounts to be included in the informal sector
 - If the worker is an employee, then the unit should have 5 or less workers
 - If the status in employment is “other”, workers are treated as employees
- Two new relevant questions
 - B5: Status in employment (employees, self employed)
 - B21: Size (the unit has 5 or less workers, 6 or more workers)



Status in employment

B5	In this job/activity, were you ... ?	READ		
		Employee (working for someone else for pay in cash or in kind)	1	
		Employer (employing one or more employees)	2	→ B16
		Own-account worker (not employing any employee)..	3	→ B16
		Helping without pay in the business or farm of another household/family member	4	→ B16
		Member of a producers' cooperative	5	→ B16
	Other (specify): _____	6		

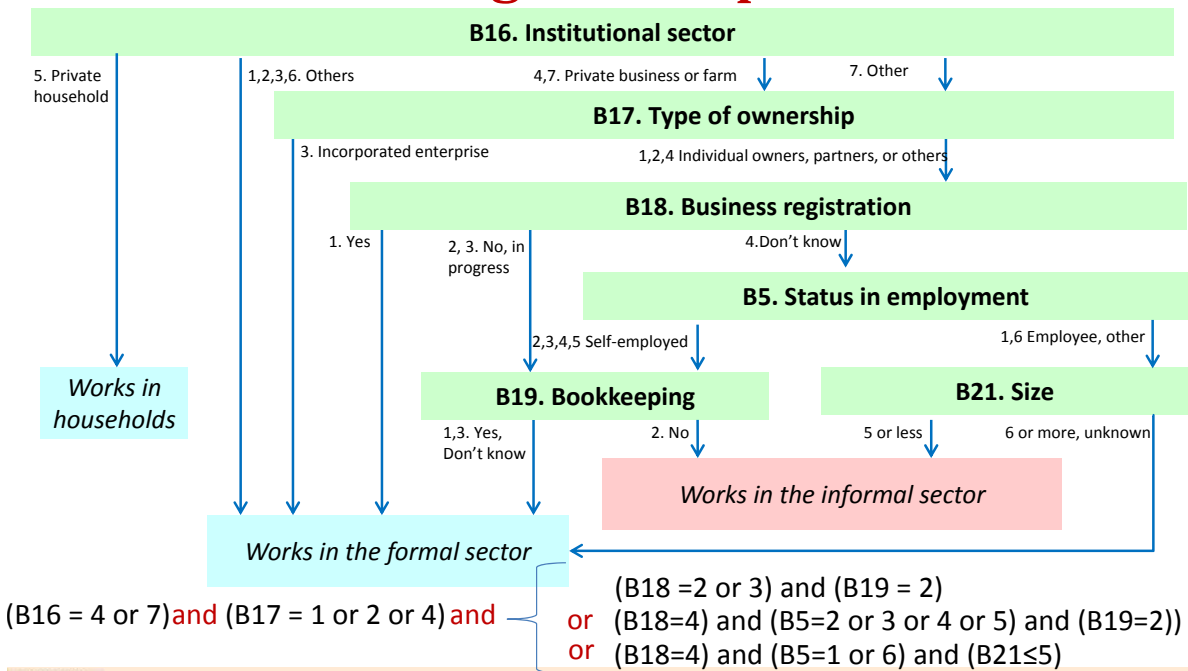


Size

B20	How many persons, including yourself, work at your place of work?	1-4	1	
		5-9	2	
		10-19	3	→ B22
		20-49	4	→ B22
		50-99	5	→ B22
		100 or more	6	→ B22
		Don't know	8	→ B22
B21	Please specify the exact number of workers	Number of workers		



Navigational path



Project to harmonize definitions in Latin America

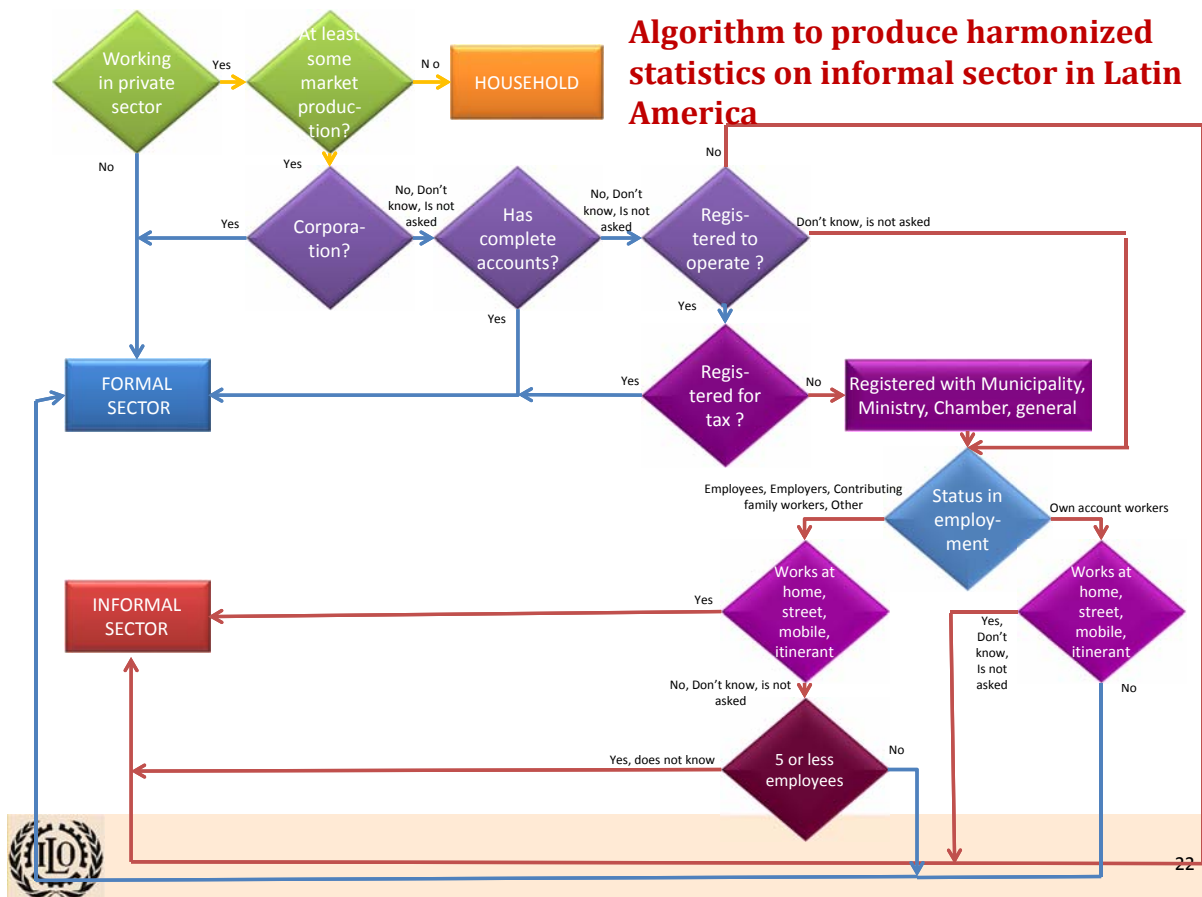
- All LA countries have a LFS with different periodicities
- BUT each country has a different national definition
- Fortunately, there is a (more or less) common set of questions:
 - Always included:
 - Institutional sector: Private / public / private households
 - Destination of production : at least some for sale / exclusively for own final use
 - Size of unit: number of employees in the economic unit
 - Social security coverage of employees
 - Sometimes included:
 - Corporation / unincorporated enterprises
 - Bookkeeping
 - Registration
 - Registration for tax
 - Registration in municipalities/ministries/etc.
 - Place of work (home, street, office, etc.)

Only main job
Only non-agriculture



Project to harmonize the definition of the informal sector

- Principles:
 - Bookkeeping and registration are considered essential
 - Size and place of work are used only when no other information is available
- Designed an algorithm that uses all these variables and is applied to all countries
 - When a country does not ask one question / variable, the algorithm jumps to the next variable
 - Results in national estimates that are based on same path
- Using a micro-data repository maintained by ILO/SIAL (Panama)
- We still do not have results of how well the algorithm works



Project to harmonize the definition of informal employment

- The only common question in all surveys is social security coverage
- Common definition:
 - Own account workers, employers and MPC in the informal sector
 - All contributing family workers
 - Employees who are not covered by a social security scheme
 - Workers in “other” status in employment are treated as employees
 - If this information is requested
 - All producers for own final use

It only refers to the main job in non-agriculture

