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RECENT DEVELOPMENTS IN SOME EUROPEAN DATA COLLECTION SYSTEMS PERTAINING THE INFORMAL SECTOR

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Introduction

There is a fundamental difference between the concept of informal sector as it was defined by the XVth International Conference of Labour Statisticians in January 1993, and the concept of hidden or underground economy which refers to illegal activities. As soon as it was discussed, for the first time and tentatively, in 1987 (at the XIVth Conference), this distinction was emphasized by some statisticians: did not one of them stress that in developing countries, informal activities should not be referred to as "moonlighting", given they are primarily carried on "in the open sun". The distinction could not be better expressed and it has been resumed in the new definition when it underlines that informal activities

"are not necessarily performed with the deliberate intention of evading the payment of taxes or social security contributions, or infringing labour or other legislations or administrative provisions". (See ILO, 1993 a, b).

More than 20 years of original studies and investigations, and of hard controversies still at stake, paved the way of the eventually provisional agreement reached in January 1993. One of the major outcomes of the adopted resolution was that a concept coined to describe and explain the labour market mechanisms in developing countries, proved to be, and was proposed as, a concept of universal value, useful for the understanding of the functioning of all economies in a changing world bound by globalization processes: developing economies, but also transition and industrialized economies were likely to be analyzed at the light of such a concept.

To tell the truth, when adopted, not all countries were convinced of the universality of the concept. And like in developing countries during the 70's, a brand of shame seemed to be attached to the concept, which prevented the industrialized countries to envisage its application to their own situation: as a matter of fact, it reveals the very image of the helplessness, or even the harmfulness of state interventionism. So the definition specified that "statistics on employment in the informal sector are especially needed in order to improve the statistical systems of countries where informal sector activities account for a significant proportion of total employment and income generation". But the belief

not to be concerned with these spontaneous activities called informal sector might have proved to be excessively pretentious from the developed countries when unemployment rates tended to exceed 10% of the labour force, and when self-employment and private initiative tended to be presented as new values.

Open unemployment is not really possible in countries where it is not subsidized (although its dramatic increase has been observed recently, particularly among the young graduates or educated) and these circumstances gave way to the development of informal activities. But some kinds of informal activities have also appeared recently, in countries where subsidized unemployment has reached levels higher than 10% of the labour force, at least as second sources of income, in addition to the state allowance, and eventually as the second jobs for wage-earners. And actually this has occurred and gained in importance as salaried jobs creation slowed down or even dropped, as well as real wages lessened with the continuation and the deepening of the crisis.

Policy and decision-makers were then brought to consider these new ways of earning a living as more tolerable and, in a sense, less illegal, as they are a way to avoid underemployment and to reduce unemployment. So that, in developed countries, the indirect methods used for measuring the underground economy in terms of value added in the national accounts, and still topical, have lost some ground in front of indirect and direct methods and surveys used for measuring the informal sector as a segment of the labour force.

In developing countries, the administration is not able to enforce the laws, because of a lack of means and of will, but, as the informal activities operate in the open sun and without a deliberate will to infringe the laws, they can be surveyed directly. In industrialized countries, on the contrary, the means and the will exist (although they are tending to be less and less efficient), and as the underground activities operate in the moonlight, they cannot be surveyed directly.

After a brief recall of the methods used for appraising the hidden, concealed or non registered activities in countries at various stages of development and in various situations, we will present the methods traditionally used by national accountants in France and in Europe to measure the underground economy. Then we will try to throw some light on the changing conceptions which, in France and in Italy for example, lead to go beyond this traditional approach and to overlap toward the labour force approach in use in developing countries. The Italian case particularly exemplifies the reconciliation or encounter between the methodologies currently implemented in the North and in the South.

As a conclusion, we will present the pros and cons of various types of surveys carried out in the recent years to capture the informal sector in developing economies, and in which French researchers and statisticians have gained some experience in cooperation with their partners of the South.

Methods traditionally implemented to measure the non registered or informal economy

The most classical and usual method for estimating employment in the informal sector of developing countries (a method which, in a sense, is at the origin of the new definition) has always been the comparative analysis of employment sources: comparing the labour force figures in exhaustive sources (like population censuses or labour force surveys for instance) with the sources of jobs registration (social security or annual surveys of enterprises or establishments or even better, establishments censuses) brings out a residual balance of non registered jobs representing the employment in the informal sector. Such an approach can also be implemented in the field of national accounts: comparing GDP estimates with the results of value added in the registered enterprises brings out a balance which is, however, a simple estimation of the assumptions made by national accountants rather than a real measure of the contribution of the non-registered economy to the GDP. These hypotheses focused on very low value added or income per capita because of the current assumption of underemployment, low productivity and negligible incomes.

In industrialized countries, on the contrary, indirect methods used for estimating, the underground economy are based on a rather comprehensive and efficient national accounting and focus on evaluations of tax evasion and black labour.

The undeclared production of legal goods and services is appraised through a fiscal approach and the identification of an income-expenditure gap: a back tax factor is measured and differentiated according to the businesses or professions. In France for instance, the highest factor is applied to independent taxi-drivers, and one of the lowest to hauliers. Another method for correction of underestimations is the use of technical factors by profession: in France and Italy, the results of surveys on small and very small enterprises, which traditionally underdeclare their returns, are corrected through the relation existing between certain intermediary consumptions and the value added, (for instance electricity, for carpenters and cabinet makers), a method currently implemented in surveys on informal enterprises in developing countries.

Tentative estimates of the production of illegal goods and services call for monetary statistics. Comparisons between money supply, its speed of circulation and the volume of transactions at different periods have led some authors to work out underestimations of GDPs. But these methods have never induced any correction of the estimates. At the very most they gave statisticians incentives to improve the assumptions on which they found their indirect methods.

Of course, there were attempts to measure clandestine employment, a concept which differs from black labour in that it corresponds to a real active population, when black labour refers to jobs partly or totally undeclared by persons who are otherwise declared active. As far as they were limited to clandestine immigrants, these attempts were doomed to failure, even if an ILO study presented a figure of 3 to 5% of the labour force in OECD countries, at the end of the 70's. Clandestine immigration statistics are not very reliable and the book records of labour inspectors have never been used to propose a factor of correction for the employment figures in a country. But recent developments of the putting out system in many economies of the South and of the North have caught the eye on new forms of jobs delocation, of precarious and informal employment. And this called statisticians to a rehabilitation of the labour force approach.

Toward a rehabilitation of the labour force approach to capture the informal sector in industrialized countries

In France, national accountants have always been reluctant to translate in terms of jobs the corrections they were introducing in the GDP estimate. But the new definition and the experience they gained in the measurement of labour force in developing countries opened them to the introduction of some innovations in the Labour Force Survey.

A labour force approach to the informal sector may result from the comparison between households surveys and establishments surveys or censuses, as already mentioned, and as implemented in Italy (see below), but this method is not workable in France because the main exhaustive source is administrative rather than statistical, even if it is kept up by the Statistical Institute.

Establishments/enterprises surveys are regularly carried out: the annual survey on enterprises (a coordinated system involving various Departments) observes the small enterprises by sampling, and the very small (less than 10 workers) and handicrafts are excluded and covered by a specific survey on small scale industries, each 2 or 3 years (twice in 5 years) ; but contrary to Italy, establishments censuses are not undertaken nor foreseen, given the existence and

upkeeping of a permanent register of establishments and enterprises (the SIRENE roster, a Computerized System for the Registry of Enterprises and Establishments). It is well-known that registers, even with efficient updating, fail to give a reliable figure of employment, and only censuses can attest to the existence or non existence of establishments which do not point out their closing and their opening in due time, particularly in the informal sector.

The bi-annual Labour Force Survey, recently completed by pilot quarterly rounds, is thus the only permanent and exhaustive source on employment. This survey plays a major role in assessing the situation of unemployment. Thereby, it appears difficult to modify the form of the questions and the concepts used.

In 1994, on the occasion of a scientific meeting, it was proposed to test a few questions in order to identify the informal sector along the lines of the new definition. This test could be realized in specific districts where the informal sector is supposed to be widespread (in fact, overseas districts), in view of further application to metropolitan areas. Also, in order not to compromise the permanent survey, it was decided to conceive a specific section on informal sector, distinct from the usual questionnaire.

Two aspects of the informal sector were to be covered by the questionnaire: the first one is dealing with full-time or part-time jobs carried on in one or several small informal units or households, the second with secondary activities carried on by persons who declared to belong to the occupied population as farmers, but also to persons who declared not to belong to the occupied population (unemployed) nor to the labour force (students, housewives, pensioners...). For the first category, the questions resume the criteria of the new definition (occupational status, registration, size of the establishment, accountancy) as well as others (type of premises, contribution to social security, pensions, pay-slip). It is well-known that the difficulty lies in the fact that dependant workers are not always able to indicate the main characteristics of the enterprise in which they work. But at last, is it not the criterion of size (especially small size) which is the easiest to specify? (See Charmes, 1990 b).

As to the secondary activities, the questions are put to pre-identified categories of the population, and they are not open: they are enumerated and specified in the main activities known or assumed to be currently carried on as second jobs (agriculture, construction, repairing, education, etc.). Also, the questions are put in a tentatively convincing way, showing that the interviewer is perfectly aware of, and understanding, the situation of the interviewee, that is the necessity for

him to undertake a second job. Finally, similar questions are asked as to the type of enterprise or household in which the secondary activity is performed.

It is expected from this first round, results which will be sufficiently convincing to decide the extension of the experience to the metropolitan areas.

As a matter of fact, the French Labour Force Survey is about to be revised in depth: from now to 1998, it should become a permanent survey interviewing 75,000 households in the year, on a weekly basis of about 1500 households. The renewed questionnaire will take the informal activities into account, stressing the assumption that these activities are mainly under taken on a part-time basis:

- as a second part-time job, in the case of non-voluntary part-time official jobs,
- as a seasonal or casual job, in the case of workers hired under contracts with limited duration: in the pilot quarterly survey, it has been observed a substantial increase in the number of self-employed or own account workers in touristic districts. This is a supplementary argument in favour of the survey collecting data on a continuous (weekly) basis.
- as the reduced activity of the unemployed: one has to know that, in France, job-seekers may undertake part-time activities, up to 74 hours per month, at the condition this is not their own choice. It is only recently that the upper limit was fixed at 74 hours, previously it could even be more.

One will have taken good note to the fact that a major concern of the survey is to provide an estimation of the importance of second jobs or pluri-activity. A topic in which Italian statisticians have already done a pioneer work.

At the end of the 70's emerged in Italy the profile of a worker who, besides his usual and official job, carried on one or several other jobs. For the statisticians, the challenge was then to try to reconcile the results of economic activity with the entire human resources generating such results. The concern was not to determine a number of occupied workers, but rather the quantity of work available, given that a part of the active population worked less than the normal duration (underemployment), and another part more than the normal duration. The second jobs were thus put in front and in 1989, ISTAT was led to re-evaluate the GDP for the year 1982 by 15.9% (of which 41% were due to the taking of second jobs into account).

The technique of residual balance, traditionally used in developing countries, leads in these countries to positive gaps between the different sources of

employment: these positive gaps represent homework, or outwork. In Italy, this technique has been sufficiently refined to identify, in certain branches and in certain regions, negative gaps corresponding to pluri-activity.

The comparison of employment figures in the Population Census and in the Census of Industries, Trade, Services and Handicrafts (Establishments Census) allowed to identify a positive of more than 900,000 wage-earners, and a negative gap of more than 1,000,000 independent or self employed, outside agriculture: a civil servant or a salaried worker in the private sector, interviewed in his household (in the Population Census) will naturally declare he is salaried and will omit to declare his second job as an independent worker (if only the question is asked); but an independent worker interviewed on the workplace, in the Establishments Census (or the person in charge of the establishment if he is absent) will declare he is the owner of the workshop (or that the owner is temporarily absent), and will naturally omit to declare he is besides a civil servant in his official job.

In order to work out these gaps, several procedures of correction were undertaken:

- correction to proceed from the resident to the present population in each of the 20 regions,
- procedure for de-seasonalizing the labour force data (in the population census)
- procedure for rectifying the errors of classification by branch of activity within 45 production channels (constituted by 400 detailed activities), on the basis of the more reliable declarations of the Establishments Census.

At the end of such procedures which have reduced the gaps between the figures in Population Census and Establishments Census, the remaining gaps cannot be taken as statistical distortions, but as real measures of the various segments identified in the labour market:

- regular workers are represented by the number of workers registered in the Population Census, level with the number registered in the Establishments Census,
- irregular full-time workers (non registered) are represented by the number in the Population Census, in excess of the number in the Establishments Census,

- the second jobs (or pluri-active) are represented by the number in the Establishments Census in excess of the number in the Population Census.

Two other segments of the labour market are measured through other sources:

- casual or temporary workers are the unemployed who declared to have worked for a few hours during the reference week in the Labour Force Survey (conducted in parallel with the Population Census).
- foreign non resident workers are estimated through different sources of the Ministry of Interior.

The Labour Force Survey is also used to provide the factor of work intensity (duration) for the second jobs, by branch of activity, as this information was collected in the survey and considered as reliable, unlike the numbers of second jobs which were underestimated.

On a total active population of 21 millions persons, nearly 6.5 millions were undertaking second jobs in 1981 (of whom 4 millions in agriculture). The number of independent jobs is nearly double and the impact on GDP has been stressed already.

The original and productive Italian method is halfway the approach of the informal sector in developing countries, and the approach applied in industrialized countries. In this respect, it is really an exemplary approach. In the last period, industrialized countries thus came to methodologies regularly implemented in developing countries and they tried to improve them: the comparative analysis of employment sources is one of them; the adaptation of labour force surveys is another one.

New developments of informal sector methodologies in developing countries

In developing countries, labour force surveys have recently known a renewal at the expenses of the traditional establishments surveys and censuses. More than twenty years of surveys and experiences in the appraisal of informal sector activities should incite to bear in mind that all approaches have their advantages and their drawbacks. It might be the right time to make an inventory of the pros and cons of these various approaches in order to realize that there is no ideal method and that the best way may be in a mixed approach.

Establishments censuses and sample surveys of small units have been a classical method in the 70's and have still continued to develop in the 80's and beyond. This system (a census which is used as a basis for sampling the small units) presents several advantages:

- it allows efficient comparative analysis of sources, especially when it is realized simultaneously with, or immediately after, a population census (like in Egypt or in Tunisia),
- it allows to establish a complete register of modern enterprises, when such registers are lacking or have become out-of date,
- to the small units surveyed in the sample can be applied sophisticated questionnaires which put series of direct and indirect questions to capture the real levels of value added and incomes (through intermediary consumptions, capacities of production and labour productivity). The National Survey of Economic Activities in Tunisia proved that the declared incomes of small entrepreneurs were half less than the real incomes that the questionnaires allowed to reconstitute.
- One of the main advantages of the Establishments Censuses (at least, maybe, regarding the economic theory of informal sector), but also one of the least used (because of difficulties of implementation in countries where civil status registration is deficient) is to give the means of reconstituting enterprises through their establishments, revealing, as in Tunisia in 1981, that an important proportion of small-scale establishments (employing less than 10 persons) are part of intermediate enterprises employing from 10 to 50 workers (the "missing link" in the theory of informal sector) and are proofs of the dynamism of the informal sector and of its potential for accumulation.

But the drawbacks are also serious:

- establishments censuses cover only a segment of informal sector employment, and very often a small segment, since most of the informal jobs are carried out in the streets, in households, in outworking, etc. However the Egyptian experience shows that a fine use of establishments and population censuses lets to clearly identify the different segments of the informal sector.
- the basis for sampling is rapidly outdated, since the annual turnover rate of establishments is very high (around 20% of the listed establishments, per year), but establishments censuses could be used for area sampling.

Labour Force Surveys, or more generally households surveys, are undoubtedly the most appropriate for covering the whole diversity of informal activities: small scale enterprises, but also homework, outwork, streetwork, and second jobs. The main advantages of labour force surveys as a means for capturing the informal sector are:

- the exhaustive scope and coverage of these surveys, as just mentioned,
- the survey allows to set up a list of self-employed, independent and employers (i.e. establishments) in the sampled households, and these establishments are simultaneously interviewed, or they will represent, in a second stage, the sample of small units for the survey on the informal sector,
- the two stages of the survey (simultaneous or successive) are proved to be the best means for connecting households data and establishments data,
- moreover, at the first stage, or in a third stage, a survey on incomes and expenditures may be undertaken and thus, in a unique survey, are collected data on employment and labour force, production and consumption, which are of particular interest for labour statisticians and national accountants.

But of course, certain drawbacks are the reverse of these advantages:

- the two-stage or three-stage survey is particularly heavy to manage, especially when the second-stage questionnaire is administered in the workplace: there are often difficulties to find the places, given the approximative addresses. And if the second-stage does not take place on the work site, the reliability of collected data could be questionable, given that these data on production, intermediary consumptions, etc., are supposed to be quite detailed. accordingly, there is a tendency to reduce the number of questions, to lighten their formulation and to simplify their crosscheckings. If that is the case, there is an important risk to loose the improvements gained in the reliability of data collected in establishments surveys, at least concerning the incomes, and even if the third-stage on expenditures eventually reduces that risk. And, as compared with the results of the establishments surveys carried out in the 70's and the 80's one can wonder whether the drop in the levels of incomes would not be due to a change in the methods of observation, and in the formulation of questions.

also, a sample of households will produce a sample of establishments, certainly representative, but where some activities will be over-represented (like trade for instance), and other under-represented (like manufacturing) in comparison with the statistical needs.

Whatever the pros and cons of these different types of surveys, the development of new methodologies has induced real progress in the understanding of this rising phenomenon that is the informal sector. There is not an ideal methodology which should be recommended and applied in all countries. The choice depends on the needs and the priorities in the field of data collection for policies design and resources planning.

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