



Economic  
Commission for Africa  
**Southern Africa Office**

# Report of the Ad hoc Expert Group Meeting on the Measurement of the Informal Sector in Africa

26 – 27 November 2007  
Lusaka, Zambia



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# Acronyms and Abbreviations

ACS	African Centre for Statistics
AEGM	Ad Hoc Expert Group Meeting
AFRISTAT	The Economic and Statistical Observatory of Sub-Saharan Africa
CSO	Central Statistical Office
ECA-SA	Economic Commission for Africa, Southern Africa Office
GDP	Gross Domestic Product
HH	Household
ICLS	International Conference of Labour Statisticians
ILO	International Labour Organisation
IRD	Institut de Recherche pour le D_veloppement
ISTEEBU	Institut de Statistiques et d'Etudes Economiques du. Burundi
LFS	Labour Force Survey
MDGs	Millennium Development Goals
NOE	Non-Observed Economy
NSO	National Statistics Office
OECD	Organisation for Economic Cooperation and Development
SNA	System of National Accounts
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WIEGO	Women in Informal Employment : Globalizing and Organizing

# Executive Summary

This is the report of the Ad Hoc Expert Group meeting held in Lusaka, Zambia on 26 and 27 November 2007 to deliberate on Measurement of the Informal Sector in Africa.

The main objective of the meeting was to discuss the practical concepts, definitions and protocols on the informal sector and review the various data collection methodologies to capture the sector, assess their efficiency and propose a suitable integrated methodology. The Ad Hoc Expert Group meeting also aimed to discuss African country experiences and best practices on informal sector surveys and their incorporation into national accounts.

The ECA-SA, ACS and the ILO jointly hosted the meeting. The participants were primarily drawn from the statistical bodies in Africa, research/academic institutions, informal sector actors and other international organizations dealing with statistics and the informal economy within the region.

The experts agreed that the definition of the informal sector was important in order to correctly measure the size and contribution of the informal economy. Experts concurred that although a universal definition was not possible, it was appropriate to seek for convergence and international comparability around a broad range of criteria covering issues such as size, regulatory requirements (for example, licence and registration), nature and scope of economic activities, employment and type of production units. Such an approach will allow countries to choose the criteria applicable to their specific context. Other dimensions specified within the framework of the UN Statistics Commission could then be considered at national level. On approaches and tools for measuring the sector, the experts recognized the strengths and merits of an integrated approach and its potential for sustainability but were also cognizant of the financial and human resources challenges of its adoption by African countries. The integrated approach was considered able to overcome some of the weaknesses inherent in the other survey methods. The experts agreed that good information on the sector was important for policy purposes. For example, informal sector survey results can be used in decentralization decisions and they inform policy on issues such as gender, quality of life and decent work in as they relate to the MDGs and social security. The need for accurate measurement of activities in the sector was thus emphasized. The experts agreed that the challenges posed by the migratory nature of cross-border activities needed to be factor into any attempts to measure and integrate the sector in the national accounts. These aspects need to be captured. The experts expressed the desire to see the recommendations of the meeting factored into work on the informal sector at the international level.

To guide the finalisation of the Technical Publication, the experts requested AFRISTAT to provide empirical results from the use of the 1-2-3-survey method for its inclusion. Further, the experts recommended that a complete discussion of the merits and demerits of each survey method be provided in the final report.

## 1. Background

1. The informal sector represents a fundamental component of the economic structures of many developing and transition countries in terms of production, employment and income opportunities in both rural and urban areas. Various forms of informal (unprotected) employment have grown rapidly in recent years. Studies have shown that, in many developing countries, especially in Africa, the sector accounts for over 50% of non-agricultural employment and nearly 30% of non-agricultural GDP. Despite its overwhelming importance, informal employment and the informal sector itself are poorly covered by official statistics. Standard establishment and labour force surveys – the basic instruments for collecting data on the informal economy – usually capture, or separately identify, only a small fraction of those whose livelihood depends on the informal economy. In many African countries, results of informal sector surveys are yet to be integrated into national accounts, as less information is available on the contribution of the informal sector to the GDP. Even in cases where some data are available, they are often not comparable across countries and are mostly collected on an *ad hoc* basis, hampering the construction of harmonized time series. These data do not lend themselves to comparative analysis.

2. The lack of data on the informal economy in official statistics often results in distorted estimates of the real economy and limited public understanding of the social and economic issues specific to the sector including earnings and working conditions. This further limits public understanding on social protection arrangements, the characteristics of informal enterprises in the use of technology, their access to credit, training, and markets, and the input-output relationships between formal and informal sector enterprises. These data and measurement problems, in turn, weaken the formulation, implementation and evaluation of development policies and programmes.

3. In light of the importance of the sector to African economies and the challenges in documenting the sector's contribution to economic well-being on the continent, the Economic Commission for Africa, Southern Africa Office in collaboration with the African Center for Statistics Division (ACS) at ECA Headquarters in Addis Ababa and the ILO organized an Ad Hoc Expert Group Meeting (AEGM) on Measurement of the Informal Economy in Africa. The meeting took place in Lusaka, Zambia, from 26 to 27 November 2007.

## 2. Attendance

4. A selected group of experts from academia, National Statistics Offices (NSO) and development partners attended the meeting held in Lusaka, Zambia. Staff members of ECA headquarters and ECA-SA participated in the AEGM. The list of participants is attached as Annex I.

### 3. Opening of the Meeting

5. Ms. Jennifer Kargbo, Director of the ECA Office in Southern Africa and Mr. Gerry Finnegan, the ILO Director for Zambia, Malawi and Mozambique, delivered opening remarks. Ms. Efrida Chulu, Director of the Central Statistical Office (CSO) of Zambia officially opened the meeting.

6. Ms. Kargbo thanked the participants for finding time to attend the meeting. She appreciated their collective wealth of knowledge and stated that this augured well for the deliberations. The Director thanked Ms. Efrida Chulu, the Director of the CSO in Zambia for agreeing to officially open the meeting at short notice. She further thanked ILO for their partnership and presence at the meeting.

7. She stated that the main purpose of the meeting was to seek a better understanding of the informal sector. The Director underscored the visibility and importance of the sector in Africa despite the fact that it was not fully understood. Ms. Kargbo attributed the reasons for the rapid growth of the sector in Africa to many factors including economic stagnation and the general lack of jobs. While the potential of the sector was very large, unlike in Asia, the transformation of the sector into the formal economy was not very obvious. Further the lack of understanding of the sector meant that effective support policy measures could not be formulated. This has not been helped by inadequacies in data availability on the sector partly due to the fact that available methods do not fully capture the extent of the sector.

8. She noted that the sector needed accurate measurement methodologies and the integration of the results into development policy decisions. An important feature of the meeting therefore was a review of the measurement of the sector and developing an approach towards integrated data collection methods that better captured the profile of the sector. This would lead to improved policy support mechanisms for the sector.

9. Ms. Kargbo invited the participants to be candid in their deliberations and underscored the importance of the outcome of the meeting to further work on the sector by ECA and ILO.

10. Mr. Gerry Finnegan, Director of the ILO office in Zambia, acknowledged ILO's collaboration with ECA. He reiterated the importance of the informal sector in Africa and the many concerns it seeks to address. These include issues of poverty and joblessness. He stressed the fact that there can be no poverty eradication without addressing the challenges of unemployment. To this end, ILO attached a lot of importance to the issue of "decent work", which includes adequate remuneration, health and safety and the protection of basic rights.

11. He observed that despite its importance to African economies the tools used in the measurement of the informal sector do not fully capture its extent. Citing, the case of Zambia, Mr Finnegan stated that only 12% of the labour force were in the formal employment sector, while 88% represented the informal economy. Yet the measurement and identification of those in the informal economy presented its own special challenges. In his view, the need to better profile the sector would greatly assist policy making. ILO treated all workers as important and saw a continuum between formal and informal employment. Regrettably, the interface between the formal and informal economy was analogous to the enterprise pyramid with the informal sector occupying the base of the triangle, while the few formal enterprises occupy the top. This was similar to the gender-disaggregated pyramid in which women occupied the lower parts of the pyramid. These attributes were quite obvious from a number of ILO studies and needed to be addressed.

12. Turning to the UN delivering as one, Mr. Finnegan informed the meeting that ILO was working well with a number of agencies both at the sub regional and regional levels and was in the process of signing a business plan with UNDP and UNCTAD. In closing he commended the CSO (Zambia) with whom ILO was collaborating on labour surveys. He also drew the attention of the meeting to the fact that ILO used the broader term of the informal economy rather than informal sector.

13. While officially opening the meeting, Ms. Efrida Chulu, the Director of the CSO in Zambia, expressed pleasure at being invited` to the meeting and welcomed all participants to Zambia. Ms. Chulu acknowledged the support of the UN at large in the measurement of the informal economy. She underscored Africa's development challenges, which include high-income inequalities and declining formal employment opportunities, which all lead to increased poverty levels and fuel the growth of the informal economy. She stated that Africa has the highest proportion of self-employed people and this was a reflection of the large size of the informal economy. Despite this, statistics do not fully capture the true size of the sector, including its contribution to GDP. She attributed this to the challenges of measuring the many different sections of the sector, such as hawkers; moneylenders and other home based workers.

14. Ms. Chulu bemoaned the sparse data on the participation of women in the sector. She saw the challenges of the meeting as the need to develop more robust methodologies that capture the sector more holistically while there is also need to build capacities for measuring the sector. These include addressing the high cost of surveys, which is unsustainable for many African countries. She challenged the meeting to address these issues and declared the meeting open.

### **3.1 Election of Bureau**

15. The meeting elected the following office bearers:

Chairperson: Ms. Ndamona Kali, Namibia

Rapporteur: Ms. Joyce Lestrade-Jefferis, South Africa

### **3.2 Adoption of the Agenda**

16. The meeting adopted the following agenda:

- Opening of the meeting
- Election of Officers and adoption of agenda and programme of work
- Objectives and expected outcomes of the meeting
- Presentation of the report on “Measuring the informal sector in Africa”.
- Review of existing surveys conducted in African countries
- Presentation of the 1.2.3 informal sector survey methodology
- Discussion of advocacy for the informal sector, use and dissemination of results.
- Incorporating results of informal sector surveys into national accounts
- Review of labour statistics and informal sector employment
- Adoption of recommendations
- Closure of the meeting

## **4. Objectives and Expected Outcomes of the Meeting**

17. The objectives of the meeting were to;  
discuss practical definitions of the informal sector in Africa;  
review the various survey methodologies used to measure the sector, its contribution to GDP and the challenges faced in measuring the sector;  
discuss African country experiences in measuring the sector and best practices on informal sector surveys and their incorporation in national accounts; and  
provide suggestions to improve the forthcoming Technical Publication on Measuring the Informal Sector in Africa.

## **5. Presentation of the Report on “Measuring the Informal Sector in Africa”.**

18. The presentation by Mr. Eric Norbert Ramilison, the Consultant from CREAM-Madagascar, focused on three main issues; the change of the definition of the informal

sector overtime, the different methods of capturing the extent and importance of the informal economy and experiences in measurement of the sector in selected African countries.

19. On the definition of the sector, the presenter alluded to how it had changed over time. He noted that after the definition of Informal Sector elaborated by ILO and the SNA in 1993, EUROSTAT and OECD introduced the concept of the Non Observed Economy (NOE). The NOE concept was designed to include informal activities in the measurement of GDP. It has four components, the informal economy, the underground economy, illegal activity and the production for own final use.

20. The presenter alluded to the importance of the informal sector to African economies through its contribution to GDP, employment and livelihoods in general. He informed the meeting that the informal economy contributed about 30% of non-agricultural GDP in Africa and about 50% of non-agricultural employment. On a country level, the informal economy contributes 7% of GDP in Botswana and South Africa and 12% of non-agricultural employment in the latter. He informed the meeting that women represented 70% of people working in the informal economy in South Africa. The presenter re-emphasized the importance of the informal sector in providing household needs such as food and clothing in many African countries.

21. Given the sector's importance on the continent, the presenter emphasized the need for correct and detailed measurement of the informal economy to help in understanding the sector, assess its challenges and analyse experiences for any possible assistance and change in policy. Accurate measurement would also help the authorities design appropriate policies and plan for any future assistance to the sector.

22. The presenter identified the two categories of methods of measuring the informal sector to comprise direct and indirect methods. The indirect methods include; the residual method, commodity inflow method and the labour input method. He noted that the residual method and commodity inflow method permit balancing of the National Accounts. The presenter emphasised that labour input method covers all the components of NOE in measuring GDP and was used in many countries.

23. The direct methods include; the establishment survey, the mixed-household-enterprise survey, household survey, 1-2-3 survey and the labour force survey. Among these, the mixed household enterprise survey is considered the best for measuring the informal sector, especially characteristics of the productive unit in the informal economy. The labour force survey, like household survey, lists members of household which manage the productive unit to constitute a sample frame for the mixed household-enterprise survey. Although they do not capture secondary jobs, labour force surveys capture information about the informal economy and are used for the labour input method. The mixed household enterprise survey fits with 15<sup>th</sup> ICLS definition of informal sector. The

presenter explained that all of the random sampling survey in mixed household enterprise survey, labour force survey, household survey and 1-2-3 survey, are multi-stage surveys.

24. The presenter provided insights into the experiences of selected African countries in using some of these survey methods. Whereas Botswana, Namibia, Tanzania, Zambia had carried out a mixed-household-enterprise surveys, Mali, Niger, Tanzania and Kenya had used the labour force survey method. The 1-2-3-survey method was applied in Cameroon, Morocco, DRC and Madagascar and in eight other West African countries.

25. In conclusion, the presenter emphasised the need for a cost-effective and efficient measurement approach which reflected the African situation. He suggested the use of an integrated approach to measurement of the informal sector to overcome some of the constraints in the other methods.

## Discussion

25. On definition of the informal sector and informal employment, experts concurred that a one size fits all type of approach was deficient given differences in the sector's characteristics worldwide and even on the African continent. Experts emphasized that there was need for broad coverage as definition could use criteria such as characteristics of the production unit, nature of jobs and economic activity in terms of input and/or output, for example. They concurred that there was need for convergence around some criteria for defining the sector to allow for comparability. Experts expressed the view that a national level definition would be ideal but also suggested harmonization of such definitions at regional or sub regional level to allow for comparability at such a level.

26. Some experts observed that the employment criteria had several weaknesses. For example, the criteria cannot accommodate one-man operations. In his contribution, a representative of IRD expressed concern on size and registration as criteria for defining an informal activity. He observed that although size was the easiest to capture in labour force surveys, it was not adequate as a criteria. He also argued that registration may not be an appropriate criteria. On the exclusion of agriculture, he observed that this was done to present clearer picture, especially of the non-agricultural informal economy. Another expert observed that levels of employment might not be indicative of the contribution to output and therefore might either over or under represent the sector. On registration, others felt there was need for clarity on what form of registration and what level (local or national) and these differ, so this criteria cannot be applied universally.

27. On the description and analysis of survey methods, the meeting emphasized that the Technical publication should have a comparative analysis of all survey methods, outlining strengths and weaknesses. Where possible, the comparative analysis should include detailed examples of the application of survey methods in African countries and the challenges faced.

28. The representative of AFRISTAT observed that issues such as the cost of the survey, sample size and representativeness were important in the measurement of the sector. Thus, he advocated for harmonization to ensure that all criteria are taken into account.

29. On measurement methodologies, the ILO representative informed the meeting that the ILO was preparing a manual on the measurement of the informal sector and recommendations from the meeting would make a contribution to the manual. In the same vein, experts emphasized the need for the development of guidelines for international reporting on the sector. These guidelines could be adapted for local conditions but would still permit comparison across countries.

30. Although experts concurred that a broad-based questionnaire to capture as much data as possible could help in surveys, they raised questions about how the activities of informal producers such as hawkers, money lenders, traditional healers, landlords and equipment lenders, for example, could be captured. These were the peculiarities which any definition and description of the informal sector in Africa should capture.

## 6.0 Review of Existing Surveys Conducted in African Countries

31. The expert from IRD made a presentation on the methods of measuring the informal sector and informal employment emphasizing the merits and demerits of indirect and direct methods used. He noted that the so-called “residual method” of subtracting formal employment from total employment to obtain informal employment, was in fact a measure of formal employment and thus was not an accurate representation of the sector.

32. He identified the direct methods to be of three types: Establishment-based surveys, household-based surveys and mixed household/establishment surveys. The **establishment censuses and surveys** have historically been the first to be used. Among their advantages are; the sound methodology based on countries experience and simple door-to-door enumeration, and the reliability of information collected in and from enterprises. The weaknesses are include; non-exhaustiveness (home-based workers and street vendors are not captured), and therefore there is a need to complement information through other surveys. He outlined numerous country experiences in using these methods. Among others: Egypt, which enumerates establishments in parallel with population census and capture the type of premises (enterprise, home, street, etc.) while the population census captures as well the place of work of the occupied population. Benin included the mobile activities in its urban establishment census. Tunisia and Morocco conducted specific national establishment censuses and Ethiopia did it at urban level. For national accounts purposes, many countries continue to conduct economic censuses, even where informal sector is exhaustively measured through household surveys.

33. The presenter noted that in as far as they collect data on employment all **household surveys** (labour force surveys, income expenditures surveys, living conditions surveys) can contribute to the measurement of informal sector and informal employment. Consequently, all criteria for the definition of informal sector and informal employment must be incorporated in the design of the household surveys questionnaires. However not many household surveys are presently designed to capture the required criteria for measuring the two concepts. Consequently, this must be a high priority for statistical institutions.

34. On mixed household-enterprise surveys, the presenter informed the meeting that these were recommended by the 15<sup>th</sup> ICLS as the best means for the measurement of informal sector. He distinguished the two categories of mixed surveys to be; The two-stage (or three-stage) surveys: i) a labour force survey at first stage, ii) an enterprise survey on the informal sector at second stage, iii) an expenditure survey at third stage (1-2-3 surveys). In the first stage, all own-account workers and informal employers, as well as informal employees are identified. In the second stage (which can be simultaneous or preferably separated), all the informal economic units are surveyed. Mixed surveys with a dual sampling frame: i) an establishment-based frame, ii) a home-based activities frame.

35. The presenter informed the meeting that 1-2-3 surveys have been conducted in many capital cities in West Africa, in Madagascar (urban), Cameroon and Morocco. Tanzania and South Africa have used mixed surveys and Kenya has used a dual sampling frame survey approach.

36. He outlined the advantages of mixed surveys to be i) exhaustiveness: all kinds of informal activities are covered (establishments, home-based, street-based, multiple jobs) and ii) reliability: data are collected on the place of work itself. However, the weaknesses include the inability of the sample size to allow representativeness at detailed industry level (for national accountants) and complexity, cost and skills requirements have to be taken into accounts.

37. Other surveys that could be used for measuring the informal sector are **time-use surveys**. These can help to capture: i) multiple jobs, ii) activities at the border of production for own final use, iii) activities at the border of SNA production. He mentioned that Benin, Madagascar, South Africa, Mauritius, Tunisia have used time use surveys.

38. He also indicated that the implementation of mixed surveys did not disqualify the **labour input matrix** as a tool for national accountants. It is an improvement of the traditional residual method in that new surveys provide: i) total employment, ii) employment in the informal sector, iii) employment in the formal sector, iv) informal employment in the formal sector, and there is still a residual.

39. In his contribution on the review of survey methods, a representative of the ILO indicated that the data collection strategy for the statistical measurement of informal sector and informal employment depends upon data requirements, measurement objectives, organization of national statistical system and resources available. He added that the selection of any particular method required clarity of the measurement objectives.

40. Importantly, he emphasized that there are requests from governments, as part of their regular statistical programmes to provide comprehensive data on the size and characteristics of the informal sector and informal employment and their evolution. Therefore, the collection of data is an important step towards improving labour and economic statistics and national accounts. In addition, it is fully recognised that an information base is essential for macro-economic analysis, planning, policy formulation and evaluation. In the same vein, the contribution of the informal sector and informal employment to job creation, production, income generation, human capital formation and mobilization of financial resources has also achieved recognition in governments' circles. Against this background, there is a need for informal sector and informal employment programmes and strategies to form an integral part of the National Strategies for the Development of Statistics be formulated and implemented by National governments.

41. The presentation by Mr. Rajendera G. Paratian of the ILO Office for Southern Africa, focused on Labour Force Surveys and how these could be modified to capture all information in the informal economy and thereby ensure that they served a dual purpose. The presenter examined some of the questions, which needed to be added to a labour force survey questionnaire in order to identify persons employed in the informal sector and to capture the required data. He emphasized that the additional questions needed to be short and focused and argued that the labour force survey was the most suitable approach to the measurement and incorporation of the informal sector in the national socio-economic information system.

42. The presenter pointed out that a modular approach, which is less expensive was a viable option to capture all the information about the sector (complete coverage) and provided possibilities for monitoring any changes in the sector overtime.

## **Discussion**

43. In the ensuing discussions, participants expressed concern on the method used for the measurement of child labour in the sector in view of the use of proxies in the collection of such critical data. The quality and reliability of such data was often compromised by the relationship between the respondent and the concerned children.

44. The need for a clear distinction between child labour and children in the labour force was also emphasized. Whereas child labour entails looking at dangerous or hazardous issues and any activity, economic or non-economic performed by a child for which he/she is too small to perform and that has the potential to negatively affect his/her health, education, moral and normal development, children in the labour force, according to the I.L.O., refers to children in economic activities. These are defined as children who furnish the supply of labour for the production of economic goods and services as defined by the United Nations System of National Accounts during a specified time reference period. The meeting was informed that the ILO has entered into a memorandum of understanding (MoU) with some countries in as far as monitoring and surveillance of child labour. The MoU entails countries reporting on their activities to address child labour issues.

45. The importance of decent work in the informal sector was also raised. Participants concurred that decent work should include entitlements such as paid leave, social security payments, pensions and medical aid and that these benefits should be cumulative. It was felt that decent work is an important issue in the measurement of the informal sector. The ILO representative informed participants that his agency's focus was on mainstreaming informal sector into the formal economy to enhance the quality of productive jobs. The ILO was working on building capacity on social protections in countries. The ILO representative alluded to the lack of social protection systems in most African countries and he informed the South Africa said to be an example of a country that had made strides in putting in-place social protections.

46. The meeting noted that although the use of employment to measure the importance of the informal sector was important, the use of contribution to GDP would generate important information and could bring out clearly the sector's importance. The value added by the sector should be an important consideration in assessing its importance.

47. Participants considered the value of the use of an integrated approach survey in collecting data in measuring the informal sector as opposed to the other survey methods. It was felt that a number of considerations have to be borne in mind in the choice of a particular type of survey. Issues such as the time taken to conduct the survey and the time it takes to produce the results, the cost of conducting the survey, the capacity to undertake the survey and general country specificity on how that information would ultimately be utilized. Different countries shared information on the use of integrated approach; South Africa made use of this approach and in 1994 and 1999 and found that there was more value in opting for separate household and labour force survey due to the challenges of the length of time, cost and capacity constraints encountered. Kenya had used the integrated survey method in 1995-1999 and 2005-2006 and has not encountered major challenges.

48. There was a general consensus that in measuring the informal sector, no one survey can respond to the needs of all countries as there are differences in country specificities and realities brought about by the informal sector. The choice of a particular framework will be determined by a number of considerations including; personnel capacity to process the information and the capacity of respective governments to deliver timely results as well as ability for the country to meet the costs involved. The meeting felt that the integrated approach had its strong merits and was worth considering.

49. The measurement of unemployment generated a lot of debated among experts. Some experts observed that there was need for a distinction to be made between productivity and hours spent at work. What mattered in employment was productivity and not the hours spent at work. The definition has to be domesticated as situations vary from country to country. Other experts were of the view that the concept of enlarged unemployment which encompassed the discouraged unemployed needed to be adopted to accommodate some of these variations.

50. In his contribution to the discussion, the ILO representative emphasized the need for the use of several methods of calculating unemployment enable countries to respond to both international and local requests.

## **7.0 Presentation of the 1-2-3 Informal Sector Survey Methodology**

51. The presentation by Mr. Gerard Osbert of AFRISTAT focused on the 1-2-3 survey methodology. He described it as a mixed survey for generalising employment surveys in developing countries consisting of three phases. Phase 1 is on demo-social characteristics and individual employment issues. Phase 2 is a survey on informal production units and Phase 3 is a consumption and living standard household sample survey.

52. The presenter emphasized that the method is appropriate for light surveys for regional analysis to better identify key actions against unemployment and poverty. For example, it has been used for comparing employment characteristics in African Capitals (2001 – 2006) in areas such as understanding households' behavior on the Labor market and measurement of the informal sector's performance as first employer in urban world.

53. He provided the meeting with details of experiences of an informal sector survey in Bujumbura carried out in 2006 by AFRISTAT/ISTEEBU and outlined the challenges faced in conducting the phased survey. The presenter demonstrated that through the 1-2-3 survey method, more detailed data was generated on aspects such demography, working conditions, revenues from the sector, job specialisation within

the sector, investment and financial decisions in the sector. He argued that such information could not have been generated from the other survey methods. On financing operations in the sector, the survey showed that 12% of the respondents borrowed mainly to purchase raw materials. Manpower characteristics to come out of the survey showed that while women specialised in restaurants, trade and garments, men concentrated on building and transport. In terms of linkages within the informal economy, the survey showed that over 80% of the respondents bought their raw materials from informal traders.

54. The presenter emphasized that through the survey, linkages of the sector with the formal economy could be ascertained and also the constraints faced by the sector and the threats to the sector's survival could be identified. Such detailed information allowed for appropriate policies to be designed and implemented. He also stressed that answers to sensitive questions such as levels of revenue in the informal sector can be obtained more easily through the 1-2-3-survey method.

55. Concluding from the survey, the presenter argued that the informal sector in Bujumbura represented the only way of life for unqualified people. He reiterated that the informal sector was active in the market economy and was competing with the formal sector despite challenges. He argued that the survey in Bujumbura had shown that the informal economy could not be situated outside the overall production system. Hence, the measurement approach should be integrated in order to connect all available data sources in the country. He informed the meeting that AFRISTAT is trying to achieve this through ERETES software for national accounts.

## Discussion

56. In response to concerns about the ease with which the approach can be applied to the African context, the AFRISTAT representative alluded to the language challenges in the administration of the questionnaires. He however, mentioned that the questionnaire had been translated into local languages in some countries and administration had been smooth and data collected had been reliable.

57. Experts observed that changing household characteristics due the high death and birth rate in Africa were a challenge in going through the phases of the survey method. Other experts observed that grossing up in the survey method could create problems in terms of accuracy of the conclusions derived. Also, undertaking phases 1 and 2 yearly might not be realistic given the manpower and financial constraints faced by statistical authorities on the continent. Other experts mentioned that the application of this method in rural areas had potential to create problems (mainly due to fatigue) and could compromise quality of information obtained.

58. The experts agreed that capacity issues were key to the use of this survey method on the continent. There was need to build capacity within national statistics offices to understand the questionnaires used and be able to administer them and analyse the collected information. Experts concurred that the range of skills required for this method required extensive training within National Statistics Offices.

59. Although there was appreciation of the value of the detailed information generated from this approach, experts expressed concern about the cost implications of using this survey method given the three phases involved and emphasised that governments may not have resources for this approach.

## **8.0 Incorporating results of Informal Sector Surveys into National Accounts**

60. The presentation made by Mr. Jacques Charmes of the IRD and WIEGO derived from Chapter 10 of the ILO–Delhi Group Manual on Measurement of Informal Sector and Informal Employment and focused on informal sector and informal employment from a national accounts perspective to improve estimation of GDP.

61. The presenter emphasized that the OECD handbook on measurement of the Non-Observed Economy distinguishes four components which are not mutually exclusive: i) the underground production, ii) the illegal production, iii) the informal sector and iv) the production for own final use. He observed that national accounts procedures are based on three approaches: i) the production approach, ii) the expenditure approach and iii) the income approach.

62. He emphasized that by definition, the informal sector is part of the household institutional sector in national accounts. But household production is comprised of i) market production by unincorporated firms within SNA, ii) non-market production within SNA, iii) household production of goods for own final use, and iv) household production of services (paid domestic services and production of housing services for final consumption by owner-occupiers). Moreover, underground production, which can be partly measured by informal employment in the formal sector, is part of all the other institutional sectors; financial and non-financial incorporated firms, government and nonprofit institutions serving households.

63. The presenter argued that in order to estimate the contribution of informal sector and informal employment to GDP, two main procedures are used, labour input matrices and a balance of uses and supply of commodities. The labour input matrix uses the various statistical sources, especially the mixed surveys, in order to disaggregate total employment in full time equivalent, by detailed industries and by sector (formal/informal) and status (informal/formal, own-account, paid employee,

contributing family worker, etc.), so that their distribution by institutional sector becomes possible. The availability of mixed surveys definitely improves the residual method in allowing the estimation of all components of informal employment directly. This being done, different value added per worker must be imputed to the various components and the levels of these value added indicators are provided by the balance of commodity flows as well as the results of the informal sector surveys (enterprise survey in the mixed surveys or establishment surveys from the economic censuses).

64. He observed that home-based workers who may show up as intermediate consumption in the accounts of formal firms while they can be counted as paid employees in the labour force, so that their invisibility in the value added must be taken into account, in order not to underestimate GDP.

65. In conclusion, the presenter noted that based on official data from national accounts, the informal sector contributed 40% of non-agricultural GDP and 25% of total GDP on average. He however observed that these estimates excluded agriculture, paid domestic services and imputed rents and therefore underestimate the sector's contribution.

## **Discussion**

66. In the ensuing discussion, experts underscored the need to develop linkages between the results of surveys to the decision-making processes. This required the use of methods which extracted as much information as possible.

67. Experts emphasized that informal sector survey results can be for other purposes and could inform policy in relation to gender, quality of life, decent work as its related to the MDGs and social security, for example. The Bujumbura experience had demonstrated the detailed level of information which could be obtained from these surveys.

68. The value of regular surveys was recognized in light of the ever-changing nature of the informal sector. This was critical in order to ensure that any measurement is accurate. The experts agreed that the capacity to achieve this would require partnership along the statistical value chain.

## **9. Review of Labour Statistics and Informal Sector Employment**

69. Experts acknowledged limitations in using the ILO criteria for measuring underemployment in some African countries. Other concerns were with respect to the one-hour cut off for employment. Experts called for an expanded definition for unemployment in African countries to accurately reflect the situation.

70. The high levels of cross-border activities in Africa, especially their migratory nature presented problems in measuring the sector's characteristics. However, given the size of these activities, experts agreed that detailed information was needed to capture the magnitude and impact of the cross-border activities on the economy.

## **10. A Summary of Key Discussion Points**

71. On measuring the informal sector in Africa, three areas were identified; i) definition ii) methods and tools used and iii) the need for an integrated approach

### **10.1 Definitions and concepts**

72. The meeting considered the issue of definition as an important part of the framework on measuring the informal sector. It also recognized the difficulties of agreeing on a definition that reflects the diversity of the African informal economy. For example, the characteristics approach commonly used does not readily lend itself to the particularities of the African context. What may be appropriate is to seek for convergence and international comparability around a broad range of criteria covering issues such as size, regulatory requirements (licence, registration...), nature and scope of economic activities, employment, type of production units that will allow countries to choose the criteria applicable to their specific context and other dimensions specified within the framework of the UN Statistics Commission.

73. The issue of coverage of sectoral issues beyond the urban areas was also identified to be important. The meeting agreed that the survey of the informal sector should, where applicable, be extended to include rural based agricultural and non-agricultural activities to reflect the complete picture on the sector in Africa.

74. With respect to informal sector employment, the specificities of African countries should be the main consideration in any description and definition.

75. As much as this meeting expressed reservations with a one size fits all definition of the informal economy, the meeting suggested that the outcomes of this AEGM should contribute to the on-going work of the Delhi Group as part of the UN Statistics

Commission on informal sector activities. Furthermore, UNECA should establish a strong working relationship with the Delhi Group to ensure adequate attention is given to informal sector issues specific to the African continent.

76. The expert recommended that the ECA technical publication on “Measurement of the Informal Sector” under-preparation should contain the following annexes: survey questionnaires on labour force and household surveys; the 1-2-3 survey methods and a list of classifications (activities, occupations under the informal sector).

77. To further strengthen the content of the report, the experts recommended that AFRISTAT should provide empirical results on the 1-2-3 method for inclusion in the Technical Publication.

## **10.2 Methods and tools used in measuring the informal sector**

78. A number of approaches and tools for measuring the informal sector were discussed consisting of direct and indirect methods and their respective components. The indirect methods comprise of the residual method, commodity inflow method and the labor inputs method. The direct methods include; the establishment survey, the mixed household enterprise surveys, the household surveys, labor force survey and 123-surveys. Each method has its own purposes, weaknesses and strengths.

79. The experts recommended that the Technical Publication should review each survey method and outline their respective strengths and weaknesses as well as the opportunities and challenges in the application of these methods within African countries.

## **10.3 The need for an integrated approach**

80. The meeting appreciated the strengths and weaknesses of each method and suggested an integrated approach to the measurement of the informal sector be adopted to overcome constraints inherent in these other methods. An integrated survey approach minimizes the prospect of fatigue among respondents and is cost-effective compared to other stand-alone surveys. However, progression towards an integrated approach should recognize the constraints related to the length of the survey questionnaire and the delay between the administration of the questionnaires, analysis and publication of the results which can impact on the usefulness of the outcomes.

81. Other constraints are related to the human and material capacities within national statistical offices to conduct the surveys and possible compromise in the quality of information collected through the integrated surveys.

82. The need for the national ownership of the process was emphasized as this can ensure sustainability in measuring the informal sector in Africa. The integrated approach has great potential for sustainability.

83. The meeting emphasized the need to build a checklist of quality requirements for a good integrated survey for African countries. The utility of the survey should be identified in terms of its importance to government planning, monitoring and evaluation in critical areas. The importance of having an idea on the average cost of administering the integrated survey in Africa and the assessment of the required skills in this process was underlined. The meeting agreed that the adoption and implementation of an integrated approach would require additional capacity.

84. On the integration of the measurement results into national accounts, the meeting focused on (i) using results of surveys for other purposes other than GDP estimates and (ii) reviewed labour statistics and informal employment issues and agreed that the results have to be used for policy purposes.

#### **10.4 Making use of the results from the informal sector surveys**

85. The discussions underscored the need for linkages of the results to other valuable decision making processes. In this respect emphasis was placed on the methodological approaches to extract maximum value from the informal sector information to complete the national accounts using the labor input matrix. The labor input matrix is only as good as the quality of the data used and the sampling frame and therefore the scope and coverage of the questionnaire to address wide-ranging issues was considered an important aspect for building the linkages. In light of this constraint, a questionnaire focusing solely on all aspects of the informal sector is likely to generate more comprehensive results. In the absence of this, the addition of a few questions to the general household survey related to the informal sector will generate important information.

86. The discussion then focused on the purposes to which informal sector survey results can be used beyond assisting GDP analysis and observed that results could be used on decentralization and local direct measurement decisions. They inform policy action in relation to a number of issues including gender, quality of life, decent work as its related to the MDGs, social security, etc. and provide important motivation for governments to undertake this type of survey.

87. The meeting agreed that framework available through the labour input matrix facilitates the measurement of informal employment in the formal sector (where people have limited or no social security protection in the formal sector)

88. Considering the dynamic nature of the informal sector, experts agreed that regular surveys should be undertaken to ensure the robustness of annual GDP estimates. An all-inclusive process addressing multifaceted issues needs to be put in place to maximize synergies. However, the capacity to achieve this will require partnership along the statistical value chain.

#### 10.5 Review of labor statistics and informal employment

89. There was acknowledgement that the ILO criteria for measuring underemployment had limitations in some African countries. In similar vein, the one-hour cut off for employment was also questioned and the need for an expanded definition for unemployment in African countries was underscored.

90. The migratory aspect of cross-border activities creates particular challenges in capturing the dynamic nature of the informal sector and their incorporation in national accounts. This is an area where specialized studies are required to measure the magnitude and impact of informal sector cross-border activities on the economy.

### 11.0 Closure of the Meeting

91. The Chairperson of the Bureau, Ms. Ndamona Kali, Deputy Director, Central Bureau of Statistics, Windhoek, Namibia, thanked the participants for affording her the opportunity to Chair the meeting and expressed her appreciation of the support she had received during the two days. The Chairperson extended her appreciation to the rapporteur, Ms. Joyce Lestrade-Jefferis, Chief Survey Statistician, Statistics South Africa for her report of proceedings. She thanked ECA-SA for organizing the meeting and for inviting the group of experts to deliberate on informal sector issues. The Chairperson expressed hope that the recommendations of the meeting would enhance the understanding of the informal sector, especially its definition and peculiar attributes in the African context.

92. In her closing remarks, the Director of ECA-SA, Ms Jennifer Kargbo expressed her appreciation to the Bureau Chairperson and the Rapporteur for their outstanding efforts in managing proceedings during the meeting. She thanked the participants for their technical input into discussions to improve the Technical Publication. The Director expressed her appreciation of the partnership with ILO, IRD and AFRISTAT in reviewing the peculiar attributes of the measurement of the informal sector on the African continent. She emphasized that the outcome of the meeting demonstrated the immense value to be generated from collaboration among institutions and highlighted that ECA-SA wanted to continue to strengthen such collaboration.

93. The Director assured participants that their inputs would be taken into consideration in revising and finalizing the Technical Publication. Ms Kargbo assured participants that a report of the meeting capturing all discussions and recommendations would be produced within three weeks and would be circulated for comments before finalization.

## Annex 1: List of Participants

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