



Economic Commission
for Africa



Study on the Measurement of the Informal Sector and Informal Employment in Africa



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Foreword

The informal sector takes up a larger share of the economies of developing countries, particularly in Africa both in terms of generation and distribution of income, and job creation. In addition, poverty reduction strategies place the issues of employment and micro financing, which are intricately linked to the informal sector, at the centre of development policies. Also, given the impact of the global financial and economic crisis and other crises, it is important to appreciate that the informal economy, which accounts for more than 80 per cent of jobs in African countries, has a key role to play in the survival of the very poor.

The ability of decision-makers being to articulate and implement well informed policies concerning the informal sector require that they have data and evidence about the multifaceted realities of this sector and that they get such information in time in order to be able to monitor the situation regularly. However, owing to a lack of information on the informal sector, the Gross Domestic Product (GDP) and overall employment are underestimated, thereby limiting government understanding of issues such as social coverage, access to credit, and the remuneration differential between formal and informal employment.

This is a matter of particular concern for statisticians as their role is to ensure that no part of the economy is forgotten. Several attempts have been made over the years to rectify this perceived shortcoming. For instance, many surveys on the informal sector have been conducted successfully over the past 15 years by National Statistical Offices (NSOs) of African countries in partnership with regional statistical institutions.

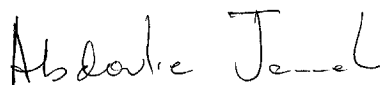
There has also been increasing attention devoted to deriving statistics on the informal sector over the past ten years, notably with the work of the Delhi Group established in 1997 and coordinated by the United Nations Statistics Division (UNSD) and the International Labour Organisation (ILO). A manual describing strategy for improving surveys in order to harmonize statistics on the informal sector worldwide should be published soon. Furthermore, the work of the group of experts on the preparation of the 2008 revision of the System of National Accounts (SNA-08) devotes a full chapter to the introduction of the informal sector in national accounts.

To complement these efforts and incorporate new orientations related to poverty strategies and global crisis, the African Centre for Statistics (ACS) of the United Nations Economic Commission for Africa plans, in partnership with regional statistical institutions working in that field, to develop an integrated methodology for the measurement of the informal economy that is tailored to the African context and is in line with prevailing international concepts and standards. The methodology would take into account all statistical instruments deemed relevant for measuring the informal sector and integrating it into national accounts.

The first step of this project is the publication of the present document, which is divided into four chapters as follows:

- I. Review of definitions and concepts on the informal sector starting with the reports of the 15th and 17th International Conference of Labour Statisticians (ICLS) organised by the ILO and the recommendations of the Delhi Group on informal employment;
- II. Analysis of the effectiveness of the methodologies of the household surveys on employment or living standards, the establishment surveys and the mixed household-enterprise surveys for measuring the informal economy;
- III. Description of the most relevant African experiences with respect to surveys on the informal sector;
- IV. Assessment of methods using the surveys' findings to measure by extrapolation, the contribution of the informal sector in national accounts.

This approach reflects ECA's continued commitment to strengthen the capacity of African National Statistical Systems (NSSs) to measure the informal sector and integrate it into national accounts. To succeed, this effort would require greater involvement of regional and sub-regional institutions in support of a plan of action for Africa in this area. ECA therefore looks forward to working with all African countries, sub regional and regional institutions and partners to move this agenda forward.



Abdoulie Jannah

Executive Secretary

Economic Commission for Africa

Acronyms and abbreviations

ACS	African Centre for Statistics
AFRISTAT	Observatoire Economique et Statistique de l'Afrique Subsaharienne
ICSE	International Classification of Status in Employment
DIAL	Développement Institutions et Analyses de Long terme
EA	Enumeration area
EWf	Employed Work Force
EUROSTAT	Statistical Office of the European Communities
GOS	Gross operating surplus (Mixed revenue)
ICLS	International Conference of Labour Statisticians
ILO	International Labour Office
IPU	Informal production unit
LFS	Labour Force Survey (in French: Enquête Emploi)
LSS	Living Standard Survey
NOE	Non-observed economy
OECD	Organization for Economic Cooperation and Development
SNA	System of National Accounts
UNSD	United Nations Statistics Division
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union

1. INTRODUCTION

1.1 Background

Starting from the observation that the informal sector is playing a more and more important role in the economies of developing/transition countries particularly in Africa, with regard to production, income distribution and employment creation, the African Centre for Statistics (ACS) has taken on the mission of building the capacities of African statistical systems for collecting data on the informal sector to be included in the compilation of national accounts.

The lack of information on the informal economy¹ in official statistics leads to a skewed assessment of the real economy, with the GDP being underestimated because it does not take into account the participation of the whole labour force (particularly women who are numerous in the informal economy). This also limits the understanding by public authorities of economic issues related to informal economic activities, such as the scope of social security coverage, access to credit and the earnings differential between formal and informal employment.

To remedy this shortcoming, the ACS intends to develop an integrated methodology for measuring the informal economy², which should not only comply with internationally recognized concepts on informal sector, but also be adapted to the African context.

1.2 Objective of the study

The ultimate objective of the study is to propose an integrated methodology for measuring the informal sector, informal employment and the informal economy in general in Africa. This methodology must be tailored to the needs of users such as policy makers, statisticians, national accountants and any other entities that are lending their support to the workers of the informal sector. To be consensual, this methodology must take into account all statistical instruments that are deemed relevant for measuring the informal sector and informal employment or that facilitate the incorporation of data on these two concepts into national accounts. The study also aims to:

- review the definitions and concepts on the informal sector;
- review and analyse the relevance and effectiveness of the known methodologies used to survey the informal sector in Africa, that are : employment surveys,

1 Informal economy includes: informal sector, informal employment (including those engaged in formal units), and households' non market production; each country has to define the national context in which those concepts are being put in operation.

2 Informal economy depends on each country's legal and social conditions, which may change within time: i) each country has to follow up this scope; ii) the evolution of measurement should integrate change of scope within time, and iii) consequently, international comparisons are then more complex.

establishment surveys, mixed surveys, the 1-2-3 survey and consumption budget surveys;

- describe the most relevant African experiences concerning informal sector surveys and the incorporation of data on the informal economy into national accounts;
- take stock of the methods that allow stakeholders to use the results of the above-mentioned surveys by extrapolating the results to measure the contribution of the informal sector to the GDP, notably the labour input methodology.

1.3 Study outline

This study is divided into three chapters. The 1st chapter reviews the changing definitions of the informal sector, beginning with that adopted by the 15th International Conference of Labour Statisticians (ICLS) and ending with the most recent recommendations of the Delhi Group on informal employment or the reservations of the Advisory Expert Group on National Accounts. The definitions of surveys on the informal sector or on employment conducted in Africa will be scrutinised to assess their relevance within the African countries.

The 2nd chapter focuses on the various surveys on the informal sector or the informal economy in general. It presents the objectives, sampling methods and limitations of main tools to be used:

1. employment or labour force survey;
2. empirical survey on informal establishments;
3. mixed household-enterprise survey;
4. household consumption survey.

This presentation includes descriptions of African experiences on these instruments, referring to specific surveys such as the 1-2-3 system, the World Bank Living Standards Survey (LSS) and surveys on the informal sector in Botswana, Namibia, Tanzania, South Africa and Zambia. This chapter also proposes an integrated methodology for measuring the informal sector and employment in Africa.

The 3rd chapter deals with the integration and extrapolation of data from surveys on the informal sector and informal employment in the compilation of national accounts and an exhaustive estimate of informal GDP. Statistical surveys on the informal economy can give indication of its measurement but its actual share can be quantified only through national accounting, integrating informal production within the SNA central framework. That is why chapter III develops the methodology of the employment matrix, which is based on the key idea that a country's production can also be estimated

from data on employment and population which, thanks to their diversity, give better indicators of economic reality.

2. THE INFORMAL SECTOR: DEFINITION AND CONCEPTS

2.1 Definition of the informal sector and informal employment

In this section, the objective of the study is to track developments in the international definition of the informal sector, from the 15th ICLS to the most recent recommendations of the Delhi Group in 2006, including the proposals of the OECD and EUROSTAT on the non-observed economy (NOE). The definition established by labour statisticians under the aegis of the ICLS will also be considered, along with that advanced by national accountants as proposed by the Advisory Expert Group on National Accounts of the United Nations Statistics Division.

The concept of the informal sector has always been the subject of intense debate between users and producers of statistics, but also within each group, and not just in Africa. However, the concept may be overworked, for example, by corporate leaders who are fed up with unfair competition from their “informal” counterparts, but who confuse the term denoting the activities of small tradesmen and second-hand dealers with that referring to the actions of modern companies trying to conceal some of their activities in order to pay fewer taxes or that do not declare their employees in order to minimize their production costs.

Moreover, users of statistical data such as national accountants, sociologists and economic policy makers may also have their own definition of the informal sector or informal activity that differs from that of survey statisticians.

It would therefore appear that international or temporal comparisons for a given country to reflect the contribution of the informal sector to the economy (in terms of added value, income distribution, employment creation) would not be possible without a consensus on the definition of the informal sector or informal employment and without an adequate methodology recognized by all countries. This is why it is important to examine the proposals of international organizations.

Since 1993, the year of the 15th ICLS and the first revision of the classifications of the system of national accounts of 1968, many positive proposals have been put forward. Hence, while reviewing the latest recommendations, reference will also be made to the resolutions of 1993 and 2003 of the ICLS and those of 1993 and 2006 of UNSD, because the gist of these resolutions is recognized internationally. In other words, the remaining arguments are only on certain aspects of these resolutions.

2.1.1 The informal sector according to the 15th ICLS

2.1.1.1 Concept

- 1) The informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production [...]
- 2) Production units of the informal sector have the characteristic features of household enterprises. The fixed and other assets used do not belong to the production units as such but to their owners [...]. Expenditure for production is often indistinguishable from household expenditure [...]. Similarly, capital goods such as buildings or vehicles may be used indistinguishably for enterprise and household purposes.
- 3) Activities performed by production units of the informal sector 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. Accordingly, the informal sector activities should be distinguished from those of the hidden or underground economy.

2.1.1.2 Operational definitions (see paragraphs 7 to 19 of ICLS report)

- 1) For statistical purposes, the informal sector is regarded as a group of production units which, according to the definitions and classifications provided in the United Nations System of National Accounts, form part of the household sector as household enterprises or, equivalently, unincorporated enterprises owned by households.
- 2) Within the household sector, the informal sector comprises:
 - i) informal enterprises owned and operated by own-account workers, either alone or in partnership with members of the same or other households, which may employ contributing family workers and employees on an occasional basis [...] and
 - ii) informal employers, consisting of enterprises owned and operated by employers, either alone or in partnership with members of the same or other households, which employ one or more employees on a continuous basis [...]
- 3) For operational purposes, enterprises of informal employers may be defined, depending on national circumstances, in terms of one or more of the following criteria: size of the unit below a specified level of employment; non-registration of the enterprise or its employees.

4) While the size criterion should preferably refer to the number of employees employed on a continuous basis, in practice, it may also be specified in terms of the total number of employees or the number of persons engaged during the reference period. The upper size limit in the definition of enterprises of informal employers may vary between countries and activity branches. The choice of the upper size limit should take account of the coverage of statistical inquiries of larger units in the same branches of economic activity, in order to avoid an overlap.

5) Registration may refer to registration under factories or commercial acts, tax or social security laws, professional groups' regulatory acts, or similar acts, laws, or regulations established by national legislative bodies [...]. Employees may be considered registered if they are employed on the basis of an employment or apprenticeship contract which commits the employer to pay relevant taxes and social security contributions on behalf of the employee or which makes the employment relationship subject to standard labour legislation [...].

6) According to the SNA, household enterprises are distinguished from corporations and quasi-corporations on the basis of the legal organization of the units and the type of accounts kept:

- those household enterprises are units engaged in the production of goods or services, not constituted as separate legal entities independent of the households members that own them;
- no complete sets of accounts are available which would permit a clear distinction of the production activities of the enterprises from the other activities of their owners and
- any identification of any flows of income and capital between the enterprises and the owners is not possible.

2.1.1.3 Population employed in the informal sector

The population employed in the informal sector comprises all persons who, during a given reference period, were employed [...] in at least one informal sector unit irrespective of their status in employment and whether it is their main or secondary job.

2.1.1.4 Treatment of particular cases

Household enterprises, which are exclusively engaged in non-market production, i.e. the production of goods or services for own final consumption or own fixed capital formation as defined by the SNA (Rev.4), should be excluded from the statistical scope for measuring employment in the informal sector.

However, the informal sector should include household enterprises located in urban areas as well as household enterprises located in rural areas³.

For practical reasons, the scope of the informal sector may be limited to household enterprises engaged in non-agricultural activities (given that there is often a survey specific to the agricultural sector). However, all other activities should be included in the scope of the informal sector, irrespective of whether the household enterprises carry them out as main or secondary activities if they meet the conditions of non-registration, size and lack of formal bookkeeping.

Units engaged in professional or technical activities carried out by self-employed persons such as doctors, lawyers, accountants, architects or engineers, should be included in the informal sector if they fulfil the requirements of non-registration, size and lack of formal bookkeeping.

Domestic workers are persons exclusively engaged by households to render domestic services for payment in cash or in kind. Domestic workers should be included in or excluded from the informal sector depending upon national circumstances and the intended uses of the statistics.

The definition of the informal sector based on individual enterprises or enterprises of informal employers has one clear goal: to have the sector recognized as a sub sector of the institutional sector “households” in national accounts.

However, the definition has its limitations. For countries where the results of the indirect method can be compared with those of mixed surveys (of informal enterprises), there seems to be a significant segment of employment made up of jobs not reported by formal enterprises that cannot be considered either formal or coming from the informal sector. This is what gave rise to the concept of informal employment, which is determined, for an economic activity, by non-registration, absence of a contract or social security. The informal sector is itself a component of informal employment.

2.2 Concepts: from the informal sector to the non-observed economy

Given the limitations on the definition based on individual enterprises and enterprises of informal employers, but also in an effort to achieve exhaustiveness in GDP estimates, the OECD undertook an exercise to improve the measurement of economic aggregates, which led to the introduction of a new concept known as the non-observed economy (NOE); the NOE is composed of four groups of activities: 1/ the underground economy; 2/ illegal activities; 3/ the informal sector; 4/ Activities undertaken by households for their own final use.

³ Countries that start conducting surveys on the informal sector may initially confine data collection to urban areas. Depending upon the availability of resources and appropriate sampling frames, the coverage of the surveys should gradually be extended to cover the whole national territory.

The underground economy – under its productive aspects – refers to activities that are concealed in order to avoid paying taxes (VAT, income taxes, etc.) or social security contributions, or complying with legislations such as the laws on the minimum wage, the maximum number of working hours, standards of hygiene and safety and, generally, all administrative obligations.

The illegal economy covers all productive activities that contravene the criminal code, either because they are forbidden by the law (drug trafficking, prostitution, etc.), or because they are carried out by unauthorized persons (illegal medical practice), or because they are contraband or counterfeit activities.

Unlike the first two components, informal sector production refers to activities that are not deliberately meant to be concealed and to avoid compliance with legal obligations, but that are not registered or are poorly registered due to the inability of public authorities to enforce their own regulations, the implicit recognition of the inapplicability of these regulations and the resulting tolerance of these activities.

Finally, production for own final use (final consumption and capital accumulation) is a significant non-barter component of the production of goods by households. The services of this category include rent charged and the services of paid domestic workers.

2.3 Employment in the informal economy

Following the 17th ICLS (November-December 2003), it was resolved to expand the concept of employment in the informal economy by adding the concept of “informal employment” based on jobs as units of observation in whatever sector. These two concepts reflect different aspects of the informality of employment and meet different policy-making objectives. They need to be defined and measured in a coherent and consistent manner to be clearly distinguished from the other.

This resolution stems from the recommendation of the Delhi Group that the definition and measurement of employment in the informal sector needed to be complemented with a definition and measurement of informal employment. The new concept fits with that of the NOE, which clearly distinguishes between the informal sector of underground or illegal production and production by households for their own final use. Three entities are now at the origin of informal employment: the enterprise of the informal/formal sector and the household.

Despite this real progress on the definition of informal employment, the debate will still continue. While labour statisticians and national accountants agree on most elements of the resolutions of the 17th ICLS, they still disagree on some aspects. For instance, differences between the ICLS concept of informal employment and the informal sector and that of the SNA concern terminology, subdivision of the economy,

conception of production for barter and own-use production, and the universe of the household enterprise.

In terms of terminology, the ICLS concept revolves around production, income and employment, and hence on the items of the production account. However, the SNA concept is based on all production, income and capital accounts and the balance of accounts, with consumption playing a vital role in the household sector.

When the ICLS divides production units into three parts for characterizing informal employment, households are perceived as producers of goods for their own use, and as employers of domestic workers. But for the SNA⁴, household has a broader meaning. The term does not refer only to producers and consumers, but also to lenders and borrowers; in addition, the formal part of an enterprise may be reported under an institutional sector other than “household”.

With regard to the sub-division of the economy, the ICLS concept of the informal sector does not include all production units of the household sector as understood by the SNA. Instead, it first identifies two segments of the SNA household sector as creators of informal employment: own-account enterprises and employer enterprises. It then uses a selection criterion based on the final destination of production, size or registration and formal bookkeeping and the type of activity to distinguish between informal production units.

On the issue of production for barter, for the SNA, a barter producer refers to a person who sells most or all of his production on the market at a significant price. But for the ICLS, the classification is based on whether the producer sells a portion or all of his production.

2.3.1 Definition of informal employment according to the ICLS

The concept of informal sector refers to production units as observation units, while the concept of informal employment refers to jobs as observation units. Employment is defined in the sense of paragraph 9 of the resolution concerning statistics of the economically active population, employment, unemployment and underemployment adopted by the 13th ICLS. Informal sector enterprises and employment in the informal sector are defined according to the resolution concerning statistics of employment in the informal sector adopted by the 15th ICLS:

(1) Informal employment comprises the total number of informal jobs as defined in subparagraphs (2) to (5) below, whether carried out in formal sector enterprises, informal sector enterprises, or households, during a given reference period.

(2) As shown in the attached matrix, informal employment includes the following types of jobs:

⁴ According to the Advisory Expert Group on National Accounts discussing papers

- i) Own-account workers employed in their own informal sector enterprises (cell 3);
- ii) Employers employed in their own informal sector enterprises (cell 4);
- iii) Contributing family workers, irrespective of whether they work in formal or informal sector enterprises (cells 1 and 5);
- iv) Members of informal producers' cooperatives (cell 8);
- v) Employees holding informal jobs in formal sector enterprises, informal sector enterprises, or as paid domestic workers employed by households (cells 2, 6 and 10);
- vi) Own-account workers engaged in the production of goods exclusively for own final use by their household (cell 9), if considered employed according to the resolution adopted by the 13th ICLS.

(3) Own-account workers, employers, members of producers' cooperatives, contributing family workers, and employees are defined in accordance with the latest version of the International Classification of Status in Employment (ICSE).

(4) Producers' cooperatives are considered informal if they are not formally established as legal entities and also meet the other criteria of informal sector enterprises specified in the resolution concerning statistics of employment in the informal sector adopted by the 15th ICLS.

(5) Employees are considered to have informal jobs if their employment relationship is not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (severance pay, paid annual or sick leave, etc.). The reasons may be the following: non-declaration of the jobs or the employees; casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold; employment by unincorporated enterprises or by persons in households; jobs where the employee's place of work is outside the premises of the employer's enterprise (e.g. outworkers without employment contract); or jobs for which labour regulations are not applied, not enforced, or not complied with for any other reason.

(6) For purposes of analysis and policy-making, it may be useful to disaggregate the different types of informal jobs listed in paragraph (2) above, especially those held by employees. Such a typology and definitions should be developed as part of further work on classifications by status in employment at the international and national levels.

(7) Where they exist, employees holding formal jobs in informal sector enterprises (cell 7 of the matrix in table 1) should be excluded from informal employment.

Table 1: Conceptual framework on informal employment⁵

Production units by type	Jobs by status in employment								
	Own-account workers		Employers		Contributing family workers	Employees		Members of producers' cooperatives	
	Inf	For	Inf	For	Inf	Inf	For	Inf	For
Formal sector enterprises					1	2			
Informal sector enterprises(a)	3		4		5	6	7	8	
Households(b)	9						10		

Inf: informal, For: formal.

As defined by the Fifteenth International Conference of Labour Statisticians (excluding households employing paid domestic workers).

Households producing goods exclusively for their own final use and households employing paid domestic workers.

Note: Cells shaded in dark grey refer to jobs, which, by definition, do not exist in the type of production unit in question. Cells shaded in light grey refer to formal jobs. Un-shaded cells represent the various types of informal jobs.

Informal employment: cells 1 to 6 and 8 to 10.

Employment in the informal sector: cells 3 to 8.

Cell 7: employees holding formal jobs in informal sector enterprises; this may occur when enterprises are defined as informal in using size as the only criterion.

Informal employment outside the informal sector: cells 1, 2, 9 and 10.

(8) Informal employment outside the informal sector comprises the following types of jobs:

- (i) employees holding informal jobs (as defined in paragraph 5 above) in formal sector enterprises (cell 2) or as paid domestic workers employed by households (cell 10);
- (ii) contributing family workers working in formal sector enterprises (cell 1);
- (iii) own-account workers engaged in the production of goods exclusively for own final use by their household (cell 9), if considered employed according to the resolution concerning statistics of the economically active population, employment, unemployment and underemployment adopted by the 13th ICLS.

⁵ See article "From employment in the informal sector to informal employment: International statistical definitions" by Ralf Hussmanns, Head, Methodology and Analysis Unit, Bureau of Statistics, ILO, Geneva

2.4 Recommendations of the Delhi Group and the System of National Accounts

The Delhi Group was set up as an international forum to exchange experience data on the measurement of the informal sector, present data-collection practices, including definitions and survey methodologies followed by member countries, and recommend measures for improving the quality and comparability of informal sector statistics. It was initiated by developing countries (where the informal sector represents a significant portion of the economy), to further clarify the concepts and methodologies for measuring the informal sector.

The group is made up of experts from the statistical offices of Armenia, Australia, Bangladesh, Brazil, Colombia, Cuba, Ethiopia, Fiji, France, India, Indonesia, Malaysia, Mexico, Namibia, Nepal, Nigeria, the Philippines, Poland, the Republic of Korea, Sri Lanka, Thailand, Turkey, Venezuela and Zambia;

Representatives of international bodies, such as the Asian Development Bank, the Economic and Social Commission for Asia and the Pacific, the International Labour Organization, the Statistical Institute for Asia and the Pacific and the United Nations Statistics Division; and other institutions, such as the Centre for Development Alternatives, the Centre for Social Development, the French Scientific Research Institute for Development and Cooperation, the Gujarat Institute for Development Research, the Harvard Institute for International Development, and the National Council for Applied Economic Research.

The recommendations of the Delhi Group in Rev.1 of SNA 1993 on the definition of the informal sector are as follows:

- a) Informal sector enterprises are private unincorporated, i.e. units owned by individuals or households that are not constituted as separate legal entities independently of their owners, for which no complete accounts are available; included are unincorporated partnerships and co-operatives by members of different households, if they lack complete sets of accounts;
- b) All or at least some of the goods or services produced are meant for sale or barter;
- c) Their size in terms of employment is below a certain threshold to be determined according to national circumstances;
- d) They are not registered under specific forms of national legislation as distinct from local regulations for issuing trade licenses or enterprise services;
- f) They are engaged in non-agricultural activities, including secondary non-agricultural activities of enterprises in the agricultural sector.

It should be noted that the ICLS resolutions stipulate that the informal sector is a sub-sector of the household sector. This is compatible with the current SNA and does not require any amendment. Consequently (as a non-registered enterprise belonging to the household), it is worth checking whether there is no overlap with the sector of corporations or quasi-corporations.

Secondly, the ICLS definition on the informal sector excludes illegal activities and agricultural production. But given the seasonality of work between agricultural activities and non-agricultural activities, consideration should be given to extending the definition of the informal sector to cover the agricultural sector. In addition, it is difficult in practice to make a distinction between the main and secondary activities of an agricultural enterprise.

Thirdly, the informal sector excludes any production unit that has formal bookkeeping and must therefore be considered a quasi-corporation or as a formal unit; it also includes underground, hidden activities, words that are often wrongly used in place of “informal sector”. These concepts, like underground activities, are defined in the SNA and hence must be retained. The summary of the ICLS definition of the informal sector is presented in the table below, with the following reservations that are still being discussed in the Delhi Group on the informal sector:

- The ICLS leaves it up to each country to fix the number of employees required for an individual enterprise to be considered informal. The problem with a loose application of this criterion is that it impedes international comparability of data.
- The ICLS excludes units that have to register. However, appropriate consideration should be given to enterprises that are eligible for registration but that do not comply with the law.

Table 2: The informal sector as a sub sector of the household sector⁶

Corporations & quasi-corporations sector		Household sector				
		Informal sector				
Corporations and quasi-corporations	Non-registered agricultural enterprises belonging to households	Non-registered enterprises belonging to non-agricultural households with a fixed location	Non-registered enterprises belonging to non-agricultural households without a fixed location	Households producing domestic services by employing paid domestic workers	Households producing own-account services	Illegal activities

6 Same as note 5

- Another issue concerns classification or non-classification in the informal sector of households producing domestic services by employing paid domestic workers.

2.5 Application of the definition in a few countries

A review of the following examples applied by African countries shows a certain degree of variability in the definition of the informal sector and informal employment, which may complicate comparisons of corresponding statistical survey results. Variability depends, above all, on the underlying survey methodology, and hence the survey unit.

In the cases of Botswana, Tanzania and Namibia, the statistical survey that measures the concept studied is the mixed household-enterprise survey. The definition is therefore based on the informal production unit. Accordingly, the definition is largely similar to that of the 15th ICLS. For these three countries, the definition in fact excludes domestic jobs.

In the case of South Africa, the statistical survey used is the OHS (October Household Survey), which is a household survey comprising an employment segment and another on the informal sector. Hence, informal employment, as it is defined by the 17th ICLS, as well as informal production units, are in part captured by the survey.

The 1-2-3 survey, which has three phases that all measure the informal economy differently, has a definition that includes those of both the 15th and the 17th ICLS.

But apart from the differentiation stemming from the survey methodology, the other criteria used to define the informal sector and informal employment are not the same. The examples of Namibia, Botswana, Zambia and Tanzania use the minimum threshold of five employees. The five-employee threshold is the one recommended by the Delhi Group; it presupposes a certain degree of work organization, and is itself open to criticism. Some African statisticians propose in its place another criterion based on labour productivity: a unit comprising several employees but whose labour productivity is low should be considered an informal production unit. By contrast, a production unit with strong labour productivity should not be part of the informal sector.

The size criterion is not applied in the case of either the 1-2-3 survey or the OHS in South Africa. However, the 1-2-3 survey uses formal bookkeeping to define informal production units, the same criterion used in the case of Botswana, though limiting the definition of the informal sector to those units that do not have a fixed location or whose activity is temporary, whereas Namibia and Tanzania exclude physicians, notaries and lawyers from the informal sector.

Other experiences refer to non-registration as a criterion for defining an informal production unit: for Zambia, employment is informal if it is not covered by social security; for South Africa, the factor considered is registration for the purpose of paying value-added taxes (VAT), while in Madagascar for the 1-2-3 survey, an enterprise is considered registered if it has a statistical identification number. In the case of Kenya, it is the possession of a license that guarantees the exercise of a professional activity.

The last major factor that makes international comparison of informal employment difficult is the minimum age at which an individual is considered potentially active. This threshold is five years for the Tanzanian survey, seven years in Zambia, 10 years in Madagascar and 15 years for the OHS in South Africa. Once a country adopts the position of the ILO on fixing the minimum age of employment at 15 years for all activities and at 18 years for hazardous work, using a minimum threshold that is lower than the legal minimum supposes that all jobs situated between the two ages mentioned above would be informal. This would increase the number of informal jobs for comparison purposes. To overcome this hurdle, international comparisons should be made for a specific age group, such as the 16–64-year age group.

2.5.1 Definition of the informal sector in Tanzania

For the case of Tanzania, the working definition of the informal sector was as follows:

- the informal sector is limited to the private sector. It excludes quasi-State enterprises and registered cooperatives;
- for the Dar-es-Salaam informal sector survey (DISS), agriculture could be an informal activity if it is for barter;
- if it is not for commercial purposes, fishing could be considered an informal activity in the national survey of the informal sector (NISS),
- The production unit must have no more than 5 employees in the case of NISS. This criterion was maintained for the DISS, except for manufacturing, where it passed to 10;
- The location of the production unit is in a market, in a temporary structure, in the street or outdoors.

But for the production unit to be considered informal it should not use high technology on a continuous basis; be a large shop located on a main street or specialized shop or belonging to a formal organization; be a restaurant located in modern premises, having furniture and cooking facilities.

Liberal professions such as medicine, accounting, and legal services are considered formal and, along with domestic jobs, are excluded from these two surveys.

2.5.2 Definition of the informal sector in Botswana

The definition used in the case of Botswana to determine activities that are in the informal sector applies to any enterprise that is not registered as a corporation; that has more than five employees; that lacks formal bookkeeping or does not keep formal records; whose operating expenses are indistinguishable from household expenses; and that does not have a fixed location (or whose location is part of the household), or whose activities are temporary.

2.5.3 Definition of the informal sector in Namibia

The following characteristics define informal activities or the informal sector in Namibia:

- The informal sector is limited to activities in the private sector, excluding cooperatives;
- Agriculture is excluded if the activity is for barter and not for own consumption;
- The production unit includes no more than five employees;
- Enterprises using high technology or having formal characteristics are excluded;
- Domestic helpers and professionals (doctors, notaries, lawyers, etc) are excluded.

2.5.4 Definition of the informal sector in Zambia

In this survey, people employed in the informal sector were: those working for a enterprise of less than five employees not covered by social security; The self-employed; and Unpaid family workers. Small farming concerns were included in the informal sector.

2.5.5 Definition of informal employment in South Africa

The definition of the informal sector used by the Central Statistical Service refers to the legality of the production unit, such that it covers any employed person 15 years of age and above, whose activity is not registered for the payment of value-added tax. This group includes own-account workers, employees of informal production units and domestic workers.

2.5.6 Definition of informal sector in the case of the 1-2-3 survey

The informal sector is made up of all production units that do not have a fiscal or statistical identification number (case of Madagascar) **or**, in the case of own-account employers and workers, that lacks formal bookkeeping (for tax purposes).

3. THE DIFFERENT SURVEYS ON THE INFORMAL SECTOR

The quantification of the contribution of the sector occurs in two phases: collection of information through surveys to identify and gather data on informal production units, followed by an extrapolation of the survey results to the national economy. The different surveys are based on household or enterprise or establishment surveys.

In this section, the study focuses on surveys used to identify and collect data, because the methods of extrapolation, such as the differential method, the flow of goods method and the labour input method, are already being used specifically to take into account the concept of the informal sector in the compilation of national accounts or to conduct a more exhaustive evaluation of the GDP. This subject is covered in a separate chapter.

3.1 Direct methods of measuring the informal sector and informal employment

Sampling surveys are the direct methods used to measure the informal sector and informal employment, with the enterprise, the establishment, the individual or the household serving as the unit of observation. They include: the labour force or employment survey; the household survey; the establishment survey; the mixed household-enterprise survey; the 1-2-3 system.

Depending on the level of detail of the information collected, a consumption budget survey may also be used to report the weight of the informal sector in a household's supplies. Subsequently, direct methods for measuring the informal sector, informal employment and the weight of the informal sector will be presented according to the concepts they cover:

- Measurement of informal employment generally through a labour force survey that provide information on employment in general and informal employment in particular;
- Analysis of the informal production units (IPU). Two types of surveys collect information on IPUs: the establishment survey and the mixed household-enterprise survey (including the 1-2-3 system);
- Measurement of the weight of the informal sector in a household's supplies from a consumption budget survey.

3.1.1 The Labour Force survey

3.1.1.1 Objectives of the survey

Employment or labour force surveys collect information on the characteristics of employment, the distribution of the population based on position in the labour market. To this end, individuals may be inactive or active, in which case they may be either unemployed (if actively looking for work) or actively employed.

Among the actively employed, namely persons who are engaged in an economic activity, the employment characteristics are used to identify those who are in the informal economy, those who belong to an IPU, or those holding an informal job in a formal enterprise or in a household. The questionnaire used may provide information on the possession of an employment contract, access to social security, the right to paid leave, etc. These characteristics also indicate who is actively employed in the public sector and in formal private enterprises. These surveys are the appropriate tool for measuring the weight of informal employment as defined by the 17th ICLS.

The socio-professional category (employee, family helper, head of an enterprise...) of the individual, when it is crossed with other characteristics of the enterprise to which the individual belongs (registration, work force, formal bookkeeping, area of activity), indicates which person is running an informal production unit. This is why an employment (or labour) survey constitutes the ideal support for the selection of a sample for the mixed household-enterprise survey.

Labour force surveys are conducted in developed or medium-income countries on an infra-annual basis. By providing regular information on indicators such as the average work schedule, the proportion of temporary jobs and the unemployment rate, they keep track of gauges of the labour market and the economy in general through economic cycles' analysis.

3.1.1.2 Sampling methodology and type of survey

The approach used for labour force or employment surveys and for household surveys in general is the household-based approach, where the survey unit (the individual) is studied through his household. The household sample is itself constituted from a multi-level selection, meaning that the random survey is also an area survey. In this regard, the sample of primary survey units is established from the most recent population and housing census data. Accordingly, this sample may be identical to what is referred to as the master sample.

The current practice is to conduct the survey on a rotating panel (a third for example) of the household sample. Using these panels reduces the standard error in the temporal comparison of estimators and permits to follow the same households/individuals within long period of time.

3.1.1.3 Typical examples of employment surveys in Africa

The employment segment of the Living Standards Survey (LSS):

The LSS is one of the three components of a living standards measurement programme undertaken by the World Bank known as the LSMS (Living Standards Measurement Study) . The two other components are the community survey and the consumer price survey. The goal of the LSMS is to establish better methods for collecting and analysing data on the living conditions of households and communities and to contribute to the optimization of development policy choices by providing empirical support to political dialogue.

The methodology and questionnaire of the household survey were first tested in the mid-1980s in Cote d'Ivoire and Peru. In the case of Cote d'Ivoire, the survey was conducted each year from 1985 to 1988 on a sample of 1,600 households, half of which were renewed annually. Successful experimentation with the methodology and questionnaire has led to the extension of the LSMS programme to more than 40 countries over the past 20 years. In all, more than 60 surveys have been conducted as part of the LSMS programme around the world, including Eastern Europe, but especially Africa, as in the case of Ghana, Madagascar, Morocco, Malawi and Tanzania.

The results of the LSS were instrumental in evaluating the scope of poverty alleviation strategies, but also in setting the objectives for these strategies.

Questionnaire of the Living Standards Survey

Unlike the other surveys mentioned in this study, the LSS uses only one questionnaire, which is subdivided into some 20 sections on various themes: demography, fertility, anthropometry, migration, credit and savings, food expenditures and own-consumption food and agro-pastoral activities. However, we shall focus on two of these areas: the section on economic activities and the section on independent non-agricultural employment, mostly useful for the mixed household-enterprise survey based on a household survey.

Section on economic activities

This section divides the working-age population (7 years and above) into inactive, unemployed and employed people. It comprises seven parts classified alphabetically from A to G. Part A serves as a filter for the classification of individuals in relation to the labour market; parts B, C, D, E, F, and G are reserved for individuals engaged in an economic activity. Hence:

- B deals with principal work over the past seven days; C concerns secondary work over the past seven days;
- D relates to the search for additional work and is geared to individuals engaged as an employee over the past seven days and seeking to change jobs;
- E concerns principal work over the past 12 months. The questions asked here are similar to those concerning principal work over the past seven days asked in part B;
- F deals with employment history; and G describes secondary jobs over the past 12 months.

The interest in differentiating between work over the past 12 months and work over the past 7 days is that it offers an alternative to the highly restrictive reference period of 7 days.

Sampling

The LSS of Madagascar⁷ is a multi-level survey: at first level, the primary unit is a territorial division that includes houses based on their common characteristics. The sampling of enumeration areas (EAs) is the master sample; it is established by stratification according to provinces, communities (urban versus rural) characteristics of dwelling (construction material) and average level of education of heads of households, but the sampling probability is proportional to size (number of households as per data of the last population and housing census).

At the second level, households are selected with equal probability in each enumeration area. Each time that the LSS is conducted, households are first counted in the enumeration areas established by the master sample; then the number of houses is established to determine the households selected for the survey. The results of the LSS in each country where it is conducted are first presented for the country as a whole, then by community (rural versus urban) and by province or any other administrative division of the territory.

Case of the employment survey of the 1-2-3 survey

The 1-2-3 system is a set of three interconnected surveys which gives a measurement of the weight of the informal sector for the following economic aggregates: total employment, total production, value added, intermediate consumption, household income and final consumption. Phase 1 of the 1-2-3 system is an employment survey, comprising two questionnaires: 1st collecting socio-economic and demographic data on household members and characteristics on dwelling; 2nd is an individual employment questionnaire used to situate people as employed, unemployed in the ILO sense,

⁷ Any such survey is based on a similar principle, whether it is in Pakistan or in any other country

discouraged worker and inactive; it covers any potential member of the labour force (aged 10 + for Madagascar). This survey has many advantages:

- The filter questions of the individual questionnaire are able to identify as employed all persons who declare themselves jobless (because the work activity is not considered as a job by the respondent or because he/she is not paid).
- It manages to classify employed people by institutional sector (public, private or informal sector). To this effect, a definition of the informal sector has been adopted based on the official registration of the IPU, keeping of proper accounts, but for purposes of international comparison this definition may be broken down by branch of activity and staffing strength.
- The employment survey notes the number of hours worked, whether a person has a contract and social security⁸. The weekly number of hours worked makes it possible to measure visible underemployment; these two characteristics are considered as key indicators.

Arguably, these advantages make the first phase of the 1-2-3 survey a serious, if not the best instrument in Africa for measuring informal employment, including when such informal jobs are held in a formal enterprise (and are therefore precarious jobs).

3.1.1.4 Sampling methodology

The sampling concerns mainly households, individuals 10 years of age or more being systematically surveyed through an individual questionnaire specific to employment. The following explanation relates to the case of Madagascar for the 1-2-3 survey.⁹The employment survey is stratified at two levels. At the 2nd level, the households are selected with equal probability in each primary unit. The same survey rate is used for each primary unit selected at the 1st level (survey rate is the ratio between the total number of households to be surveyed and the total number of households counted during the enumeration phase).

The master sample by large urban centres in which the survey is conducted is established from the last general population and housing census, stratified according to chosen variables. Primary sampling units are drawn randomly in proportion to the size of the population.

8 It should be noted that the number of hours worked and the use of productivity indicators enable the NOE to be measured indirectly. This explains why the 1-2-3 survey has also been adopted to measure the non-observed economy in Europe.

9 See: "Enquête emploi, le chômage et les conditions d'activités dans l'agglomération d'Antananarivo en 1995 et... dans les sept grands centres urbains de Madagascar, en 2000", Faly Rakotomanana, Eric Ramilison, Tiana Rambeloma, Haja Andrianjaka, John Brice Andrianasolo, Saminirina Andriambelosoa.

3.1.1.5 Limitations of the methodology

The first comment pertains to the minimum number of hours worked to qualify an individual as actively employed. At the international level, this minimum threshold *is one hour during the past seven days*. Yet in the African context, which covers most economic activities, working at least one hour per week does not allow people to earn sufficient subsistence income¹⁰.

The second comment concerns the questions asked, to be sufficiently detailed to capture other types of informal employment: possession of a written contract, access to social security, the characteristics of the enterprise such as registration, work force, etc. However, it has been noted that the persons interviewed have difficulty to give precise answers to that type of questions. Consequently, the estimate of employment through informal production units, as happens with a mixed household-enterprise survey, is very useful.

3.1.2 The establishment survey

3.1.2.1 Objectives of the survey

The purpose of the survey is to collect information on the operation of the IPU, its characteristics and its operating accounts. Hence, it provides information generally on the following points:

- formal bookkeeping, registration, location, capital of the establishment, energy used;
- production, added value, intermediate consumption, sales figures, work remuneration, income taxes and other taxes paid to public authorities;
- composition of the work force according to the status of the hired staff (employees, associates, family helpers, apprentices), and other additional information;
- method of financing of its activities and access to credit from banks or credit unions.

This tool is quite precious for national accountants to get technical coefficients (ratios between intermediate consumption and added value). It gives an indication of the breakdown of added value into work remuneration and gross operating surplus. Details by activity are obtained for the compilation of various accounts of the informal sector (i.e. supply and use tables).

10 The questionnaire must then be sufficiently detailed to be able to classify as actively employed individuals who, feeling “underemployed”, would have easily said that they were unemployed.

3.1.2.2 Sampling methodology

This is generally an empirical survey; the unit of observation is the establishment. In Burkina Faso¹¹, a simplified survey on the informal sector was conducted in 1998. It covered some 15 trades (gold washing, weaving, tailoring, shoe making, jewellery, food services, transport, etc.). The units were chosen based on relationships (family, friends, neighbours or customers), or references (a just interviewed UPI may refer to another). The survey faced number of constraints:

- The enterprises did not have to be too small or too big with regard to the number of employees or the sales figures;
- The activities concerned had to be relatively common;
- Enterprises that are working on large orders or headed by elderly persons whose activity had slowed down or units that had been in existence for less than a year have been excluded.

3.1.2.3 Limitations of the methodology

Despite the fact that many academic researchers have based their observations on establishment surveys, it is particularly difficult to find a reliable survey frame for sampling. This difficulty could be overcome if there is a strong and well-organized union association governing the trade. However, this may prove insufficient for the location of the observed unit, notably in the case of workers with no fixed location (movable stalls). In the absence of a sampling frame, the indicators cannot be extrapolated to estimate their value nationally. Hence, the utility of the method is limited basically to information on ratios and technical coefficients, which national accountants need for specific economic activities (mining, gold washing). This is why the tool is now outdated and should be replaced by the mixed household-enterprise survey.

3.1.3 The mixed household-enterprise survey

3.1.3.1 The objectives of the survey

The objectives of the survey are similar to those of the establishment survey. However, additional analysis may be launched using information collected via the mixed household-enterprise survey that served as the basis for the establishment of the sampling frame. This additional information includes socio-demographic characteristics of the heads of informal production units.

11 See: "Les enquêtes légères sur le secteur informel au Burkina Faso pour une intégration des activités informelles aux comptes nationaux », by Ezana BAYALA, INSD, Ouagadougou – Burkina Faso.

3.1.3.2 Sampling methodology

This is generally a multi-stage random survey, unit of observation being the enterprise. The tool was developed to overcome the methodological limitations of the establishment survey, namely: non-coverage of all areas of activity; difficulty of extrapolation and of establishing the sampling frame; impossibility of evaluating the standard error of estimators.

The household approach is therefore recommended to overcome this hurdle. This means that the production unit is approached from the location of its head. To this end, there are three possibilities¹² for the establishment of the sampling frame and hence the location of the unit to be studied. First, a statistical operation is conducted to identify all households that have a member running an informal production unit. This preliminary operation may therefore be:

- A labour force survey, which remains the most frequent and logical procedure to determine individuals heading informal production units, whether as a main or secondary activity;
- A household survey or a household consumption budget survey;
- A listing of households established during an enumeration operation in the primary survey units (enumeration areas).

In all cases, the international recommendations on the sampling methodology are the following¹³:

Since the population surveyed is made up of a large number of small isolated production units, there is no up-to-date list that can be used as a sampling frame. Consequently, a random multi-level area selection is always required, precisely as in the case of the household survey.

With regard to the size of the sample and its allocation, two problems must be taken into account: 1/ the required diversity of the survey rate for the different UPIs for the same survey, and 2/ the problem of controlling the sample size; since activity branches do not have the same importance, it is necessary to over-represent small manufacturing units and under-represent trade and service.

Similarly, different survey rates are necessary for establishments according to their type and size. Unlike units headed by independent (own-account) workers, those that have

12 See: "Estimation and survey methods for the informal sector", by Jacques CHARMES, University of Versailles-St Quentin en Yvelines, IRD, Jacques.Charmes@bondy.ird.fr.

13 See: "Sample design considerations for informal sector surveys", <http://www.gdrc.org/informal/verm0789.pdf>, by Vijay VERMA, Research Professor, University of Essex Colchester C04 3SQ, U.K. vjverma@compuserve.com

real employees are generally smaller in number. Hence, the survey rate for this category must be relatively higher.

Two factors make it difficult to control the size of the sample: 1/ the size of the population to be studied (in our case the UPIs), is often unknown; 2/ for any given geographic area, there is little or no information available on the number of production units and even less at a disaggregated level by branch or by category.

Stratification depends on the information available, which itself must be as accurate and as up-to-date as possible. Stratification, in the case of a national survey addresses the fact that urban communities and especially large urban centres have more informal manufacturing production units than rural communities, which must be taken into account in the sampling.

The criteria for stratification to be used are the following: geographic location (especially for national surveys), ecological characteristics, size of the locality, concentration of houses and the city centre-periphery dichotomy in large urban centres, and the density of the population. In practice, in the case of a multi-stage survey, the difference in the survey rate should be established at the intermediate or initial survey stage (i.e. that the units do not have the same selection probability), while at the last stage, the survey rate is uniform in each sub-sample.

3.1.3.3 Typical examples of mixed household-enterprise surveys

Mixed household-enterprise survey based on a labour force survey or an employment survey

The typical example that can be given on the subject concerns phase 2 of the 1-2-3 system¹⁴, or the survey of IPU. The sample¹⁵ for this survey is obtained by stratification of the list of the heads of informal production units (for the main or secondary activity) derived from phase 1 (the employment survey). The key stratification criteria are: branch of non-agricultural activity, status of the head of a production unit (self-employed, boss, with at least one employee).

Phase 2 of the 1-2-3 survey provides information on: characteristics of the IPU, its premises, detailed production account up to the gross operating surplus, number of employees, their socio-demographic characteristics and category in the production unit (employee, apprentice, partner, family helper), the financing the IPU and its access to formal financing. The strength of this instrument is the existence of a production account, which presents technical coefficients (intermediate consumption/added

14 See: STATECO n°99, 2005, "Méthodes Statistiques et Economiques Pour le Développement et la transition", INSEE, AFRISTAT, DIAL : L'enquête 1-2-3 dans les pays de l'UEMOA : la consolidation d'une méthode, Alain Brilleau, Eloi Ouedraogo, François Roubaud ; Le secteur informel : Performances, insertion, perspectives, enquête 1-2-3, phase 2, Alain Brilleau, Siriki Coulibaly, Flore Gubert, Ousmane Koriko, Mathias Kuepie, Eloi Ouedraogo.

15 Which can be exhaustive, as in the case of Burundi in 2006 - 2008

value), ratio of salary over production and gross operating earnings, and a detailed breakdown of sales.

The IPU survey, like the entire 1-2-3 system, has been implemented for many years in various countries around the world since the end of the 1980s. In Africa, it has been implemented in Cameroon (1993, 2005), Madagascar (1995, 1998, 2001, 2004), Morocco (2005), and seven countries of West Africa between 2001 and 2002: Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, Togo. Democratic Republic of Congo and Burundi followed. In Latin America, it was implemented in Mexico, Peru and Guatemala, in Asia, in Bangladesh, China & Viet-Nam.

Mixed household-enterprise survey based on a household or consumption budget survey

Two examples can be given on this subject: the independent non-agricultural survey that constitutes a segment of the World Bank Living Standards Survey, and the 1993 survey of the informal sector in Zambia, which was tied to the consumption budget survey.

*Survey of the production units through a living standards survey*¹⁶

The questionnaire for the employment segment of the LSS survey includes several sections, among which two are of particular interest to us: the section on non-agricultural independent employment and the section on characteristics and operations of informal production units. The LSS collects information on no more than three non-agricultural units in the household, without excluding formal establishments. The survey approach is similar to that of the survey of the informal sector in Botswana. It is divided into three sections, A, B, C, as follows:

- A. Information on the characteristics of enterprises such as the number of employees, presence of trade unions and employee benefits.
- B. Information on the costs supported by each enterprise according to the source, breaking down costs per item, labour, raw materials, transport, electricity, etc.
- C. Costs of replacing the goods and production equipment of the enterprise (including vehicles), the value of unsold merchandise, production and real estate.

The LSS section on IPUs was conducted exhaustively in relation to the sampling frame.

*Surveying the IPUs through a consumption survey in Zambia*¹⁷

The informal sector survey in Zambia was conducted as a sequel to a national consumption budget survey, which began in July 1993. It had national coverage in order to produce weightings for three categories of households, namely: high-income

¹⁶ See: <http://www.worldbank.org/LSMS/>

¹⁷ See: Experience of data collection on informal sector from household budget survey, by Oliver J.M. CHING-ANYA, Central Statistical Office, Lusaka – Zambia.

urban households (20 per cent of incomes); low-income urban households (80 per cent of incomes) and rural households.

The main objectives of the survey were:

- To determine the weighting for the new consumer price index;
- To estimate total household expenditure for national accounting purposes;
- To estimate the annual distribution of yearly household expenditure in order to determine the poverty line; and
- to establish a typical household consumption basket.

During the design of the survey, the Zambian Government, donors and users expressed their interest in using the exercise to measure the weight of informal sector in the national economy.

Sampling methodology using stratification based on household living standard level

The informal sector survey was accordingly conducted using a stratified approach¹⁸ whereby the country was divided into two parts, the first being called “metropolitan” (the major urban centres including the 10 major towns such as Lusaka, Livingstone and some Copperbelt townships). The second group named “non-metropolitan” covered secondary towns and rural areas. Next, the metropolitan part was divided into high-income households and the low-income households¹⁹.

The survey was stratified at two levels: a) the enumeration areas (EA) being the primary sampling units were drawn by probability proportional to their sizes using the results of the mapping exercise for the 1990 population census; b) 10 households were selected in each of the first-level EA, by equal probability for the non-metropolitan segment, while for the metropolitan segment a probability four times the magnitude of the ratio of high-income to low-income households was used. In the final analysis, three times 600 households were surveyed.

In addition to various household expenditures, the 1993 consumption budget survey collected information on the activity of each member aged 7 years or above, distinguishing members in gainful employment from those who are not and from full-time students, housewives and retired people. For those who have a job, details about the economic activity, employment status and income earned were collected, as was information on small farming concerns. Several visits were planned for the consumption budget survey which was conducted over several months. The sampling

18 As in Burundi surveys in 2006, 2007 et 2008

19 In order to determine low or high income, a preliminary stage of the household enumeration in the primary survey units collected key information on the weekly meat intake. As shown in the 1991 priority survey, this enabled the high-income households to be separated from the low-income households.

frame of the survey on the informal sector was determined on the basis of the principal activity, the household consumption budget survey giving no details about the secondary activity. For the households selected in the informal sector, two types of surveys were conducted:

- The first to determine whether the selected units belonged to the informal sector or not.
- The second gave information on the type of unit, branch of activity, viability of the enterprise, credit access and so on.

Mixed household-enterprise survey based on a listing of households

Three country experiences are described here after: those of Tanzania, Botswana and Namibia, their common thread being that the IPUs are identified in each primary unit from a systematic enumeration of all households within the enumeration area, the following question being asked: Is there any active person in the household running an informal production unit?

Case of Tanzania²⁰

The experience here refers to two surveys of the informal sector: the first, namely the national survey of the informal sector (NISS), was conducted in 1991 and had national coverage, while the second, the Dar-es-Salaam Informal Sector Survey (DISS) was conducted in 1995; in that survey, the definition used was much more in line with that developed by the 15th ICLS.

In establishing the sampling units, the stratification criterion was the type of activity. Two questionnaires were used for the NISS - the “household” and the “enterprise” questionnaire. For the DISS, a third questionnaire was used geared to a sub-sample of employees. In the two surveys, principal informers were the head of the household and the head of the production unit.

Sampling methodology

The “household” approach was preferred because no “establishment” sampling frame was available. From the population census, a sample of EAs was drawn (at the first level), representing 30 % of the whole country.

The urban sample included the city of Dar-es-Salaam, three municipalities out of nine, three regional capitals out of ten, three district headquarters out of 50, and three commercial centres out of 12; from these localities, 120 EAs were drawn, 50 % with a

20 See: Informal sector surveys in Tanzania: Data collection methods, results and problems. Labour Statistics Unit, Ministry of Labour and Youth Development, by Gideon K. NGOI, Dar-es-Salaam, Tanzania. “The Sample design for the 1991 National Informal Sector Survey (NISS) and 1995 Dar-es-Salaam Informal Sector Survey” (DISS) by P.B. MKAI, Central Bureau of Statistics / Planning Commission, Dar-es-Salaam, Tanzania.

high level of informal activity, 30 % had an average level and 20 % a low level. With regards to the rural communities, the 1991 NISS used the clusters from other surveys and covered more than 100 villages. In each selected village, 30 households with a head of an informal production unit were chosen.

In each primary survey unit, all households were identified, specifying the presence of a head of an informal production unit by type (9 to 11 between 1991 and 1995). The process involved first collecting specific information to identify each household head (name, gender, age), and then all members aged of 5 years and above, who were engaged in an economic activity from which they earned income throughout the year. For each member identified as an entrepreneur, information was collected on the number of employees (0; 1-5; 6-10; 11 or more), excluding himself, his partners and unpaid family workers. For units with fewer than 11 employees, the type of activity and the total number of employees were registered to stratify the final sample.

During the survey all employees were divided into six categories: paid - permanent employees, temporary employees, casual employees, apprentices; unpaid apprentices; family helpers, subcontractors. The sub-sample of employees was obtained by taking an employee from each category, respecting the balance as to the gender and age group of the employees. For the employee survey, information was collected about their marital status, size of their household, place of birth, reason for participating in the informal sector, membership in a trade union, etc.

*Case of Botswana*²¹

The survey of the informal sector in Botswana (ISSB) is a mixed household-production unit survey. It was conducted for the first time in 1999/2000 with national coverage and should be repeated in 2007. The survey was designed by the Central Statistics Office in order to measure the noticeable expansion of the informal sector across the country.

The definition used to select units that belong to the informal sector applies to any enterprise that is not registered as a corporation; that has less than 5 employees; that has no formal bookkeeping; whose operating expenses are indistinguishable from household expenses; and that does not have a fixed location (or whose location is part of the household), or whose activities are temporary. The purpose of the ISSB was to obtain information on: the contribution of the informal sector to total production; the most widespread activities; its weighting in the labour force; the share of household income generated and the size of investment in the informal sector.

This was a multi-level survey: at 1st degree, 447 EAs were selected randomly out of 1,738 with proportional probability as to size and according to stratification by community (5 large urban centres, 19 “urban villages” and 1 global rural community). For households recognized as production units, two types of questionnaires were used:

21 See: http://www.cso.gov.bw/html/info_sector99.html

a household questionnaire and an individual questionnaire, including the criterion to classify production units in the informal sector. The household/production unit survey covered principal and secondary activities. It estimated the percentage of UPIs to 82% of household/production units.

Case of Namibia²²

The 2001 Namibia Informal Sector Survey (NISS) is a survey of production units and does not collect information on households, even if it adopts a household approach. The target population was that of ordinary households, where at least one member was the head of an IPU. This is a stratified sample survey at two degrees: 1/ primary units (enumeration areas) are selected with probability proportional to size; 2/ households making up the secondary units were drawn with equal probability; within each household selected, all heads of UPI are interviewed. Due to a shortage of experienced personnel, the sample of secondary units selected for the NISS was that used for the 1999 Namibia Child Activity Survey. The 8,430 households were divided into two groups: 1/ those with at least one head of an IPU, and 2/ households with none.

3.1.3.4 Limitations of the methodology

All mixed household surveys have one limitation in common – the enterprise. The approach is designed to cover a relatively uniform geographic distribution of households across any country, so that activities such as gold washing and mining are not well captured by the standard survey. As far as the household survey is concerned, two statistical risks have been noted: a) the fact that poor people are more cooperative than the rich and b) the limitations of the sampling frame.

3.1.3.4.1 Case of the mixed survey based on a listing of households

Due to the lack of key information, in the case of Botswana, production units were wrongly classified as informal during enumeration; moreover, the fact that there were individual few IPUs led the statisticians to review their sampling methodology, increasing the sample size.

In the case of Tanzania and Namibia, the informality criterion was based on the non-utilization of modern technology and, for restaurants, non-possession of modern furniture. This criterion, led to contradictory interpretation by statisticians, wrongly excluding or incorporating into the sampling range production units. The solution in this regard is to introduce a series of filter questions to determine which production units are indeed informal and which ones are not.

22 See: "Improving the quality of the informal sector statistics: Namibia", by Panduleni KALI, Discussion paper presented during the 7th Meeting of the Delhi Group, New-Delhi, 2-4 February 2004.

3.1.3.4.2 Case of the mixed survey based on an employment or labour force survey

The main criticisms concerning the IPU survey of the 1-2-3 system are: the non-existence of African cases with national coverage²³, current cases being limited to the urban areas or even to the capital cities; the approach, based on an employment survey creates time delay between the listing of households with a member running an IPU resulting from the employment survey and the IPU survey itself. Given the high rate of turnover among IPUs (closure and start-up), an excessively long time delay may lead to a reduction of the sample.

3.1.3.4.3 Case of the mixed survey based on a household survey

The Zambian case was criticized for not registering the number of informal activities that an individual could perform at the time of the survey. A series of filter questions are thus necessary for both the main activity and the secondary activity, in order to know who heads an IPU. The main criticism against LSS is that it covers a too wide variety of themes, giving a quite voluminous questionnaire making it difficult to go into detail on the informal sector. Finally, it should be noted that an additional level of selection is required for the approach based on the household survey, creating loss of accuracy in the estimates. The employment-based survey permits to use unequal probabilities for selecting IPUs (with at least one employee, and without).

3.1.4. Use of a consumption survey

3.1.4.1 Objectives of the survey

Among the direct methods of measuring the informal sector, this seems to be the least used. However, the data it collects can greatly facilitate the preparation of national accounts. Therefore, the focus is put on the example of the phase 3 or consumption survey of the 1-2-3 system. This is a survey which collects data on household consumption, whether or not this has involved monetary expenditure (own consumption, gifts received, goods purchased and services leased), as well as expenditures on ceremonies, gifts offered, and so on. Information is then collected on the place of purchase: is it a large shopping centre, or a small corner shop. The survey also indicates whether the good purchased is new or second-hand.

3.1.4.2 Survey methodology

The sample is established based on a list of heads of households derived from the employment survey, the phase 1 of the 1-2-3 system; it is first stratified according to the gender of the household head, his institutional sector and his status in employment. This stratification is geared towards a better knowledge of the consumption behaviours of households. Phase 3, like any consumption survey, requires many visits to the households surveyed. The household is provided with a daily expenditures notebook

²³ This is no more true with the success of the 2005 national survey in Cameroon

to keep a record of its expenditures. Purchases are classified according to the place of purchase and according to whether the supplier is in the formal sector or an informal production unit. This is used to measure the weight of the informal sector in the final consumption of households.

3.1.4.3 Limitations of the methodology

Some limitations arise from the priority given to the place of purchase: small establishments are considered as pertaining to the informal sector when it is a corner store, an eating-house, a second-hand store dealership, an informal reseller or a garage other than that run by a dealership. This does not imply that a “small establishment” is necessarily unregistered and has no formal accounting for the purpose of paying taxes.

3.2 Proposal of an integrated survey

3.2.1 Complementarities between the LFS and the mixed survey

Before considering the integrated methodology for measuring the informal sector and informal employment, we should underscore the complementary nature of labour force surveys and informal sector surveys. This means that they cannot replace or compete with one another.

The 1st form of complementarities refers to the ILO conceptual framework on informal employment (17th ICLS) which lists nine possible cases of informal employment generated in and outside the informal sector, within formal sector enterprises, or within households. They include:

- In formal enterprises: family workers engaged in the family enterprise; informal employees (with no written contract, not entitled to sick or paid leave and no access to social security);
- In households: paid domestic workers and members of the household.

Informal sector surveys do not capture these employment categories. The reverse is true of labour force surveys or the employment segment of household surveys.

The 2nd form of complementarities relates to the reporting of IPU^s characteristics: in order to have a picture of the IPU production distribution, or just to obtain an insight on its value added, the only alternative is to consider the IPU as a survey unit; in practical terms, this means that the person to be interviewed for the survey is the head of the informal production unit.

The 3rd form of complementarities is linked to bringing together the two estimates on informal employment; while registration is considered as an informality criterion, employees do not always know whether or not the production unit they work for is registered; consequently, informal employment is better estimated with informal

sector surveys, provided that the IPU sample, established on the basis of the results of the employment survey, is exhaustive.

3.2.2 Importance of mixed household-enterprise survey based on labour force survey or household surveys rather than on a listing of households

The foregoing discussion underscores the fact that a labour force survey is indispensable for measuring the importance of informal employment. This is illustrated by the problems encountered in the cases of Botswana, Namibia and Tanzania: all three surveys concerned a mixed survey based on a listing of households and erroneously treated an enterprise as an informal production unit; the error arose from a sketchy mode of identification.

It should be noted that any informal production unit run by an individual as principal or secondary employment should be captured in the definition of the informal sector according to the 15th ICLS. Such nuance is better captured in an employment survey, whereas an information form is used for each member of the household in order to find out whether he is the head of an informal production unit.

3.2.3 Labour force survey versus household survey as the basis for mixed household-enterprise survey

The objective here is to determine whether it is better to use a household approach or a multi-phased approach for an informal sector survey. Either approach has its advantages and disadvantages, but the debate can be enriched by focusing on concrete survey examples.

There is, on the one hand, the household survey, such as the Living Standards Survey (LSS) of the World Bank and, on the other, the 1-2-3 system developed by DIAL. Both the 1-2-3 system and the LSS have a long history going back to the mid-1980s and they are applied in Africa, Asia and Latin America as well as in Europe. The choice between the two survey types is linked to the principle of cost-quality advantage; the quality of the survey is determined by several aspects:

- i. the capability of the survey to meet the needs of users of its results, including policy makers, public institutions such as the national accounts services, and all those who have an interest in supporting informal sector activities, international organizations and the public as a whole: On this point, the two types of surveys are distinguished by the content of the questionnaire;
- ii. the accuracy of the projections, which is linked to the sample selection methodology: In the case of the LSS, it is the exhaustive list of non-agricultural individual enterprises which is used for any specific corresponding survey. In the case of the 1-2-3 system, phase 2 is centred on the IPUs; the sample is constructed

by stratification according to the gender of the head, the branch of activity, or the size of the IPU, which permits unequal probability of selection;

- iii. Ease of implementation and utilization of the survey: The LSS is criticized for being cumbersome because it deals with a multiplicity of items simultaneously. Before analyzing the informal sector segment, the household survey first has to be completed in its entirety. However, multi-phased surveys such as the 1-2-3 system offer some degree of flexibility because the phases are independent of one another (such as 2 and 3). Phase 2 is therefore not dependent on the success of phase 3;
- iv. A sound grasp of the methodology by local staff (from the National Statistical Office) also plays a pivotal role in distinguishing between the two approaches.

All the above contributes also to the cost differential in the implementation of either approach:

- The 1-2-3 system has the advantage that it is specific to the measurement of the weight of the informal sector or the informal economy, though the LSS (see Malawi example), does not yield sufficient detail on the final destination of the production of an IPU.
- In phase 2 of the 1-2-3 system, sales are grouped into three categories: processed products, products sold without processing, and services rendered; the respondent is requested to supply information on each of the following ten destinations: public administration, mixed enterprise, public enterprise, cooperative, commercial private company, small commercial enterprise, small non-commercial enterprise, household, export, own consumption, and stock. The use of its results, for instance in the preparation of household accounts in Cameroon's national accounts, or indeed its adoption by EUROSTAT for measuring the NOE in Europe, are developments in favour of phase 2 of the 1-2-3 system.
- The choice of a general household survey to serve as the basis for an informal sector survey or to capture informal employment (through the employment segment of the household survey) could be attributed to inadequate financial resources for conducting a specific survey such as the 1-2-3 system. This is not the only reason, though, for adding an informal sector survey to the household survey. Surveys by random sampling carried out by the NSO are often conducted on the master sample, which makes households weary when they are requested to respond to a number of surveys in a row.

3.2.4 Key questions to be included in the LFS or in the employment section of the LSS

As a requisite preliminary stage, the questionnaire should contain filter questions to find out who has a job, in the ILO sense, during the reference period. First, a direct question is posed to know whether the individual has worked during the reference period, even for an hour. Then, for one who has responded negatively, the question is asked whether, over the past seven days, the individual has carried out an activity and, if the response is still negative, to find out if the person is on leave, sick/maternity leave, temporarily out of work. This series of questions makes it possible to include all persons who are actively employed. Those are then asked about:

- their socio-professional category; the type of entity they work for (public administration, public enterprise, private enterprise, individual enterprise, not-for-profit organization, household); the work schedule during the week (refer, for that purpose, to the normal work schedule rather than that for the past week if this has been curtailed by a strike).
- In the case of a private enterprise, seek to know: the workforce of the entity that the individual is working for; whether the entity is registered.
- For leaders of an enterprise, ask them if: they have formal bookkeeping for the payment of duties and taxes.
- For employees and other independent workers, ask if: they have a written work contract; they are entitled to paid leave; they are entitled to sick leave; their employer pays an employer's contribution for their retirement pension.

3.2.5 Content of the mixed household-enterprise survey

For the purpose of preparing national accounts, the survey should elicit information on²⁴:

- Production and intermediate consumption;
- Composition of the labour force according to socio-professional category, work schedule for each member during the reference period, remuneration of each member;
- The main branch of activity of the unit and secondary activities, if any.

For policy makers who wish to support the informal sector, particularly with regard to poverty alleviation or a gender-sensitive approach in poverty reduction: gender of the head of the production unit and of members of the unit; financing of the unit, and its credit access and date of formation, to indicate the demographics of informal production units.

24 See details in annex C

4. MEASURING THE INFORMAL ECONOMY THROUGH NATIONAL ACCOUNTING

We saw in previous sections that statistical surveys on the informal economy give a clear indication of its share in the overall economy. However, this share²⁵ can be quantified only through national accounting, using an integrated method in which a specific function of informal production must be taken into account in order to develop the central framework.

To this end, statisticians need to situate the informal economy in relation to the overall national economy in order to obtain an exhaustive assessment. To achieve this, they first have to answer the following questions:

- Is it enough to make a global assessment, alongside formal production, or to consider the non-merchant portion of the economy?
- Can national accounting provide a more detailed breakdown by activity, between urban and rural areas and by size of units, in order to shed more light on the concept of the informal economy?

National accounting can measure the informal economy, detailing activities, but this depends on having an appropriate methodology and, above all, available information. Statisticians involved in the process must, therefore, continue to be vigilant about the conditions in which accounts are established.

4.1 The concept of the informal economy and national accounting

4.1.1 Recap of the concepts of the informal sector and informal employment

Following the 15th CIST in 1993, the informal sector was only referred to as a grouping of establishments. Since then, it has come to include other aspects of economic life such as informal employment and non-merchant production of households. The SNA 2008, which is on the verge of being adopted, will propose a much better interpretation of the informal sector. The preliminary version of the future chapter 25 entitled “Informal Aspects of the Economy” provides a reference which national accountants can use to situate the informal economy within the national economy, and proposes how to measure it.

However, this needed contribution is not sufficient, because it says little about the application of its principles. Yet, this section gives a clear indication of how the SNA will take into account the informal sector as defined by labour statisticians.

25 Between 25 per cent and 45 per cent based on the countries that have conducted this exercise successfully.

- The informal sector includes unincorporated individual enterprises (households) which are accounted under the SNA 2008 solely on production and operation accounts for establishments composing it.
- Households can include other merchant establishments (formal underground, illegal) or non-merchant establishments (own-account or self-sustenance).
- The informal sector may be present in all economic activities, albeit through merchant establishments (whose production is meant for sale).
- The informal sector depends on legal and social conditions unique to each country and that change over time; consequently, it is up to each country to establish its contours and how they can change over time.

For ILO statisticians, employment is informal when it is not governed by labour law and does not contribute to social protection. This concerns salaried employees as well as own-account workers, employers and family helpers.

The informal sector may be present throughout the economy: total employment of establishments in the informal sector; undeclared salaried employees of the formal merchant sector; and “independent workers” who are de facto employees owing to their dependence on an employer (subcontractors).

4.1.2 For an operational definition of the informal economy

4.1.2.1 Informal sector and non-registered economy²⁶

These are two different heterogeneous fields, the non-registered economy being a statistical concept, while the informal sector is based on a socio-economic approach.

- The statistical non-registered economy is attributable to insufficient listings, non-surveyed geographical areas or activities, poor survey samples, etc.
- The informal sector is among difficult areas to access, similar to the non-merchant activities of households, but it is not inaccessible to statistics.
- Illegal activities and the underground economy, however, are areas that cannot be surveyed, which explains the under-reporting of undeclared formal units and individual enterprises in countries that do not recognize their existence.

To integrate these concepts into the SNA framework, it is important to refer to activities, the only universe open to establishments. Since the SNA does not propose a breakdown that can include the informal sector, national accountants will have to define the economic object called, the “informal economy” in order to be able to situate it in relation to the other phenomena they need to measure.

²⁶ This theme is also addressed in the introduction to chapter 25 of the new SNA-08.

4.1.2.2 Operational definition of the informal economy

The proposed operational definition²⁷ had to offer criteria accessible to both statisticians and national accountants, allowing them to situate informal activities among the instruments used to develop the central framework.

The boundaries are found both within and outside the field, together with the partitioning of the informal economy:

- a. Vis-à-vis the external environment: the informal economy is situated in relation to other sets such as formal units, underground units and illegal activities, non-merchant production units of households, and private non-profit institutions.
- b. Partitioning within the informal economy will be by activity (outside agriculture and animal husbandry), or by community – non-agricultural activities in rural areas and activities in urban areas.

4.2 A method for developing the central framework in order to measure the national economy

4.2.1 Priority objective of national accountants: measure the entire national economy

The concern of national accountants is to obtain the most satisfactory assessment of economic activities while respecting the partitions set out in the SNA. Measuring the informal economy therefore requires a differentiated approach, with particular attention on small enterprises that are not captured by statistics and administrative registration.

4.2.1.1 Mapping the national economy

This first step consists in reconciling the SNA partitions corresponding to the specific establishments approach and that are by institutional sector, by economic activity and by merchant/non-merchant sector.

There are other partitions that are more statistical in nature – appearing on a listing of enterprises, surveyed based on an exhaustive inventory or by sampling, observed by statistics or not – and others that are more socio-economic in nature – formal, underground, informal, illegal economy, or non-merchant activities of households.

Partitioning depends on the specific conditions of each country, and the objective is still to make the partitions compatible by generating a single method of partitioning that reconciles the different criteria involved in the measurement of national production.

27 This definition and surroundings explanations are proposed by Michel SERUZIER in an article written following the International Seminar on Informal Sector (Bamako, October 2008)

4.2.1.2 From partitioning to measurement: a necessary process through employment

As we have seen, the informal economy cannot be separated in a statistical way, because it is impossible to isolate *formal* units that are not observed by statistics. In addition, the number of jobs obtained through household surveys shows that there are many more workers in the informal economy than the number derived from the IPU's survey. To obtain information that can be measured by the SNA, the following inventories should be compiled:

- Listing of enterprises established by statisticians or by institutions that have lists (tax administration, ministry of labour, social security, etc.);
- Economic censuses and other statistical materials available on establishments;
- Employed workforce obtained from population censuses and household employment surveys.

4.2.2 Methodological proposals for measuring the informal economy

4.2.2.1 Overview of the process

Any relevant measurement of the informal sector requires the integrated establishment of the production accounts of the national economy using an approach based on the national partitioning of the production machinery. It is through the preliminary establishment of production accounts for all production units that national accountants can initiate the iterative process, using the table of resources and jobs, to synthesize the accounts of the central framework.

In this overall approach, the informal economy represents only a portion of the whole economy: it is either possible to differentiate between methods of production specific to the informal economy which can be measured from the synthesis, or it is impossible, such that the informal economy can be measured only after the synthesis.

A specific place must be created for agriculture, to the extent that its production does not depend on the level of employment, but on areas cultivated and weather conditions. To isolate the informal economy, it is not enough to conduct a survey; it is imperative to be able to situate the results of the survey among the other merchant establishments. In this partitioning, it is practically impossible to isolate the criteria of size, rural activity and traditional activity.

4.2.2.2 The different functions of the jobs matrix

This matrix is developed in three steps: measurement of the workforce, statistical selection and establishment of production accounts.

The informal economy includes merchant production units belonging to households and that are recognized by the public authorities even when they do not meet the required standards for carrying out a legal activity (fiscal standards, labour law, registration, etc.).

- (a) *Gauging the employed workforce* (EWF): There are often contradictions in the measurement of the EWF between censuses and Labour force surveys; the latter are more rigorous in identifying jobs, but they also depend on the value of the sampling frame derived from the last census.
- (b). *Comparison of employment data*: Secondary jobs identified through the survey on the informal economy are taken into account to obtain the jobs matrix after eliminating duplicate accounts. The difference between the two matrices (EWF and economic surveys) provides the number of jobs without any economic information, to be distributed according to the national partitioning.
- c) *Employment, remuneration and amount of work*: National accountants then assign production to the jobs not included in economic sources based on information on remuneration per capita and by activity and status in employment, and the amount of work that is used to apply the productivity ratios.

NB: The multi-year measurement of the informal sector supposes other methods (panels) and, above all, regular statistics; otherwise, national accountants can only propose the same changes for the economy as a whole, based on data obtained from the formal economy alone, even though the informal sector would likely constitute a refuge in case of economic crisis.

4.2.3 Brief description of the development process

The matrix must be developed based on a change in the statistical base year²⁸ of the accounts, the starting point of a new homogenous series over time.

4.2.3.1 Determining the economic space of the country

The SNA is only a theoretical outline and it is up to each country to determine its system based on its socio-economic reality, with regard to both nomenclature and adaptation of a new base of national accounts to the statistical machinery available.

²⁸ The approach for the measurement of the informal economy in relation to the accounts of a “current year” cannot be selected because that would mean relying on the conventions used to establish the base year.

In this particular case, the determination must be based on adapting the definition of the informal sector to the local situation, from four points of view: economic, sociological, administrative and statistical.

Finally, the economic space should be “mapped” in relation to the statistical machinery, a prerequisite for the partitioning of sector accounts by method of production.

4.2.3.2 Developing two matrices for the employed workforce (EWF)

These matrices are developed autonomously based on a selection from among contradictory sources; they are also based on the same base year of the central framework.

- The “population or job offers” matrix: it is built from census and household survey data and also takes into account secondary jobs.
- The “economic or job demand” matrix: it is built only from employment data provided by economic, professional or administrative sources.

These two matrices have the same structure, such that they can be compared and a single matrix generated that takes into account status in employment (salaried employees, bosses, self-employed, etc.) as well as economic activity (ISIC and transcription in branches of the national account).

The comparison of the two matrices and the interpretation of any deviation observed would lead to an estimate of the number of undeclared salaried employees in the formal economy, with the rest corresponding to employment in production units not captured by economic or fiscal statistics.

4.3 African examples of the incorporation of survey results into the SNA

Two examples are presented here to illustrate the inclusion of informal sector data in the preparation of national accounts. The first example pertains to the experience of the Niger. In this case, the structural data of the informal sector are drawn from an empirical survey on informal establishments. The employment matrix is obtained from the population census.

In the case of Cameroon, it is the results of the 1993 1-2-3 survey in Yaoundé that are brought into play. The survey on the informal sector in this case is the mixed household-enterprise variety; in a complementary way, these results have been collated with those of simplified surveys that could be applied to the whole country.

4.3.1 The Niger experience²⁹

The magnitude of the informal sector, 30 per cent of GDP was corroborated by a survey of the informal sector conducted in 1987. In 1995, the National Informal Sector Survey (ENSI) was conducted primarily to once again determine the size of this sector following the devaluation of the CFA franc. It also allowed the National Accounting Service to have more recent data for the compilation of informal sector accounts³⁰.

The ENSI is a sample survey. The weighting by sub-branch of activity takes into account the number of sampling units in the sample by enumeration area, by community and by the increase in population between 1988 (year of the last census before the survey) and 1995. The aggregates were calculated according to ISIC classification (level 3).

The results showing the total number of establishments were compared with information from other sources and that had been the subject of estimates (consumption budget survey, projection of the number of persons employed from the census, patent data sheets, lists of craftsmen and merchants with a registration number, and the results of the 1996 urban enterprise survey).

The accounts of branches of the informal sector were obtained by aggregating the data of informal establishments, in addition to the activities that were not sufficiently captured during the survey (housing rental, production of domestic services, and production of own-use housing).

From the results of this survey, employment/ resource balances could be established. The ENSI provided the necessary details on intermediary production and consumption. A consumption table by activity was drawn up for many products and was reconciled with the results of the consumption budget survey, leading to the establishment of an employment/resource balance and hence the intermediate consumption matrix for informal branches with technical coefficients.

4.3.2 The Cameroon experience³¹

The article cited in the footnote gives some amount of detail on the inclusion of the informal sector in national accounts and the conceptual development involved in the revision of the SNA. It should be noted that French-speaking West African countries, members of AFRISTAT, took inspiration from the success of Cameroon's experience in deciding to adopt the same approach.

29 See "Intégrer le Secteur Informel dans les comptes nationaux: cas du Niger" by Tassiou ALMADJIR, Office of Statistics and National Accounts, Niamey, Niger.

30 The informal sector is defined as all non-agricultural and non-pastoral merchant activities that are not captured in accounting documents.

31 "L'expérience camerounaise sur l'intégration des données du secteur informel dans les comptes nationaux », Office of Statistics and National Accounts, Yaounde, Cameroon.

The pre-1993 situation

In the SNA-8 version of the national accounts, no technical guidelines were given for the treatment of the informal sector in Cameroon's national accounts. However, on the basis of a breakdown of the commercial branch into two sub-branches (i.e. the modern sector and the traditional sector) a production account was established for each informal sector activity.

The gross operating surplus from all "informal activities" was transferred to the income and expenditures account of the "household and individual entrepreneurs" institutional sector. In the capital and financing account, an estimate (FBCF) for equipment and transportation material complements that pertaining to buildings.

In general terms, the estimates were based on the results of a survey on a given year. The weight of the informal sector by branch of activity was drawn, and this was factored into the accounts, with occasional cross-checking in the light of sectoral studies.

Current situation

The extant national accounts of Cameroon are in accordance with revision 4 of the SNA: the informal sector is classified as a sub-sector of the institutional "household" sector. Supply and use balances by product were established, followed by production figures which were automatically³² reflected into the production account; production accounts by institutional sector, using information drawn from informal sector survey process and the employment matrix, could thus be established.

Consequently, the following ratios were extracted from phase 2 (the specific survey on informal production units) of the 1-2-3 system: production per capita; value added per capita; gross operating surplus per capita; technical coefficients; salary rate; and investment rate.

Phase 2-survey gives details, in ISIC classification, of intermediate consumption, according to the pertinent proportions. Cameroon's national accountants had to make assumptions to apply the results of the survey conducted solely for the city of Yaoundé to the whole country and to maintain the structure for the national accounts data by reference to the period 1989/1990 whereas the 1-2-3 survey had been conducted in 1993.

The usefulness of phase 2 of the 1-2-3 system is indisputable for the direct measurement of non-agricultural and non-pastoral informal activities. Agricultural/pastoral activities, which in fact the SNA (since the 1993 revision) no longer considers as part of the informal sector, require the results of agricultural surveys in order to be included in the national accounts.

32 Thanks to the ERETES expert system, a software application developed by the French cooperation on national accounts preparation

Cameroon's experience attests to the importance, of phase 2 of the 1-2-3 survey in the direct measurement of the informal sector, in the light of the incorporation of this sector into national accounts as a sub sector of the household sector. The regular iteration of this type of survey is beneficial to national accounts, if only as a means of verifying whether the structure of the accounts, as indicated in the ratios, remains unchanged.

5. CONCLUSION

5.1 Choice of the 1-2-3 surveys as an integrated survey system

Reference has been made throughout the study to the experiences of the 1-2-3 system; as a matter of fact, each of its three phases measures with pertinence and in a complementary ways, the informal economy based on a definition that incorporates those of both the 15th and the 17th CIST. These advantages make phase 1 of the 1-2-3 system one of the best surveys for measuring informal employment and hence a good candidate for the harmonization of these statistics in Africa, to include unstable jobs in formal enterprises.

- To isolate informal production units, the 1-2-3 system uses the two key criteria that can be easily generalized, thereby facilitating international comparisons: formal bookkeeping and administrative registration.
- Without an international standard for a consumption-budget survey measuring the share of the informal sector in household supplies, the focus will be on the phase 3 of the 1-2-3 system. One advantage of this survey is that it can be used to measure the weight of the informal sector in household's consumption.

Developed by DIAL and AFRISTAT, the 1-2-3 system has been implemented in five continents since the 1980s: In Africa, it has been implemented in Cameroon (1993, 2005), Madagascar (1995, 1998, 2001, 2004), Morocco (2005), seven countries of WAEMU between 2001 and 2003 - Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo - as well as in Burundi and Democratic Republic of the Congo. In Latin America, it has been implemented in Guatemala, Mexico and Peru, and in Asia, in Bangladesh, China and Vietnam.

5.2 The labour input methodology, towards an exhaustive set of national accounts

The main thrust of the labour input methodology is that a country's production should not be estimated solely from conventional sources of information (which measure production by branch of activity on the basis of enterprise surveys) but also based on employment data.

Information on employment and population (through population census and employment/labour force surveys), are considered, by reason of their diversity and because they directly address households, to give better indicators of economic reality than production. Thus, assigning productivity by branch and sector taken from these

employment data generates production estimates that are systematically higher than those based on enterprise surveys, because the non-observed economy is taken into account.

This approach has been patently successful in number of European countries which have tried out an exhaustive measurement of GDP. The underlying idea in regard to the exhaustive measurement was that there were contributions to national wealth generation which were not captured in statistics based on administrative records or even in direct surveys on enterprises. The sources of these contributions are the underground economy, illegal activities, and – to a lesser extent in the case of Europe – the informal sector.

However, conventional labour force surveys or even general population censuses are inadequate for the preparation of the corresponding employment matrix. The same applies for conventional establishment surveys, which cannot cover informal production units; hence the recourse to a methodology adapted to the measurement of the informal sector and informal employment. The statistical tool adopted for this approach has been the 1-2-3 system, especially its phase 2-survey on informal production units.

Therefore, taking advantage of the following set of crucial tools:

1. Regular surveys on employment and informal production units³³, with national scope and a frequency at least annual.
2. An updated national accounting framework including a comprehensive employment matrix by activity branches as well as a complete set of informal sector accounts for a renewed base year as a benchmark.
3. A friendly-usage of forecasting model allowing to produce provisory economic accounts annually from above described employment survey,

Then the original issue raised by the present document would have been properly addressed, provided that the capacity building programme for training statisticians as well as national accountants is accordingly developed.

³³ Phase 1 of 1-2-3 system corresponds perfectly to this description through its individual questionnaire

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ANNEXES

Annex A: Some data on the informal sector in Africa

Persons employed in the informal sector (national definition)

Country	Year	Urban/ rural	Number in 1000			Women per 100 men	Percent of total employment		
			Total	Men	Women		Total	Men	Women
Benin	1999	Urban	275.5	174.8	100.7	58	46.0	50.0	41.0
Cameroon	1993	Urban	119.0				57.3		
Ethiopia	1999	Urban	1 149.5	485.6	663.9	137	50.6	38.9	64.8
		Rural	3 665.3	958.7	2 706.7	282	86.9	73.2	93.0
Ghana	1997	Urban					78.5		
		Rural					93.4		
Madagascar	1995	Urban	239.0				57.5		
Mali	1996	Urban	370.6	214.3	156.3	73	71.0		
		Rural	805.5	271.6	533.9	197			
Niger	1995	Urban	302.6	169.9	132.7	78			
South Africa	1999	Urban	1 549.0	677.0	872.0	129	21.3	16.1	28.4
		Rural	1 157.0	484.0	672.0	139	37.4	26.7	52.3
Tanzania	1995	Urban	345.9	221.0	124.9	57	67.0	59.7	85.3
Zimbabwe	1993	Urban	154.1						

Source : ILO

Annexe B : Informal sector (national definition)

Bénin 1992,1999

1. Source

1.1 Source title : Enquête sur les unités économiques du secteur informel urbain
[Survey of Economic Units in the Urban Informal Sector]

1.2 Type of source : Establishment sample survey

1.3 Periodicity :

2. Reference period 1 month.

3. Definition : Informal sector: Included are all economic units which are mobile or which have a semi-fixed location, plus those economic units with a fixed location which have one or more of the following characteristics: lack of formal accounts, non-inclusion in the register of commerce, or non-registration with the OBSS (Office Béninois de Sécurité Sociale).

4. Coverage

4.1 Geographic Cotonou, Porto-Novo, Parakou, Abomey, Bohicon, Djoubou, Kandi, etc...

4.2 Industry coverage

4.2.1 Branches of economic activity all

4.2.2 Inclusion of paid domestic employees employed by households: no

4.2.3 Inclusion of producers of goods exclusively for own final use by the yes

4.3 Persons covered

4.3.1 Age limits : No age limit.

4.3.2 Status in employment All groups.

4.3.3 Inclusion of persons with a secondary job/activity in the informal yes

4.3.4 Inclusion of persons engaged in professional or technical activities
(ISCO-88 Major Groups 2 and yes

Botswana 1995/96

1. Source 1.1 Source title : Labour Force Survey

1.2 Type of source : Household sample survey

1.3 Periodicity :

2. Reference period The last 7 days prior to the interview.

3. Definition : Informal sector employment: Persons working in unincorporated enterprises which are owned by households, do not keep a complete set of accounts and employ less than 5 paid employees. Domestic servants and other private household workers are included but separately identified.

4. Coverage

4.1 Geographic Whole country.

4.2 Industry coverage

4.2.1 Branches of economic activity Agriculture excluded

4.2.2 Inclusion of paid domestic employees employed by households: yes

4.2.3 Inclusion of producers of goods exclusively for own final use by the no

4.3 Persons covered

4.3.1 Age limits : 12 years and over.

4.3.2 Status in employment All groups.

- 4.3.3 Inclusion of persons with a secondary job/activity in the informal yes
- 4.3.4 Inclusion of persons engaged in professional or technical activities (ISCO-88 Major Groups 2 and

Cameroun 1993

1. Source

- 1.1 Source title : Enquête 1-2-3 sur l'emploi et le secteur informel à Yaoundé [1-2-3 Survey on Employment and the Informal Sector in Yaoundé]
- 1.2 Type of source : Mixed household & enterprise survey, integrated design
- 1.3 Periodicity :

2. Reference period

- 3. **Definition** : Informal sector: Production units without statistical number (SCIFE no.).

4. Coverage

- 4.1 Geographic Yaoundé

4.2 Industry coverage

- 4.2.1 Branches of economic activity All
- 4.2.2 Inclusion of paid domestic employees employed by households:
- 4.2.3 Inclusion of producers of goods exclusively for own final use by the

4.3 Persons covered

- 4.3.1 Age limits : 10 years and over.
- 4.3.2 Status in employment All groups.
- 4.3.3 Inclusion of persons with a secondary job/activity in the informal yes
- 4.3.4 Inclusion of persons engaged in professional or technical activities (ISCO-88 Major Groups 2 and

Ethiopia 1999

- 1. **Source** 1.1 Source title : Labour Force Survey

- 1.2 Type of source : Household sample survey
- 1.3 Periodicity : Every 5 years.

- 2. **Reference period** The last 7 days prior to the interview.

3. Definition : Informal sector: Unincorporated enterprises, with no book of accounts, mainly engaged in market production, with less than 10 persons engaged and not registered as companies or cooperatives; also included enterprises/activities which have no license.

4. Coverage

4.1 Geographic Whole country.

4.2 Industry coverage

4.2.1 Branches of economic activity All

4.2.2 Inclusion of paid domestic employees employed by households: no

4.2.3 Inclusion of producers of goods exclusively for own final use by the no

4.3 Persons covered

4.3.1 Age limits : 10 years and over.

4.3.2 Status in employment All groups.

4.3.3 Inclusion of persons with a secondary job/activity in the informal no

4.3.4 Inclusion of persons engaged in professional or technical activities
(ISCO-88 Major Groups 2 and yes

Ghana 1997

1. Source

1.1 Source title : Core Welfare Indicator Survey

1.2 Type of source : Household sample survey

1.3 Periodicity :

2. Reference period

3. Definition : Informal sector employment: Persons who defined themselves as being in the informal sector at the time of the survey.

4. Coverage

4.1 Geographic Whole country.

4.2 Industry coverage

4.2.1 Branches of economic activity All

4.2.2 Inclusion of paid domestic employees employed by households: yes

4.2.3 Inclusion of producers of goods exclusively for own final use by the

4.3 Persons covered

- 4.3.1 Age limits : 15 years and over.
- 4.3.2 Status in employment All groups.
- 4.3.3 Inclusion of persons with a secondary job/activity in the informal
- 4.3.4 Inclusion of persons engaged in professional or technical activities (ISCO-88 Major Groups 2 and yes

Madagascar 1995

1. Source

- 1.1 Source title : Enquête 1-2-3 [1-2-3 Survey]
- 1.2 Type of source : Mixed household & enterprise survey, integrated design
- 1.3 Periodicity :

2. Reference period April.

3. Definition : Informal sector: Production units without statistical number and/or without formal written accounts.

4. Coverage

- 4.1 Geographic Antananarivo.

4.2 Industry coverage

- 4.2.1 Branches of economic activity Agriculture excluded
- 4.2.2 Inclusion of paid domestic employees employed by households:
- 4.2.3 Inclusion of producers of goods exclusively for own final use by the no

4.3 Persons covered

- 4.3.1 Age limits : 10 years and over.
- 4.3.2 Status in employment All groups.
- 4.3.3 Inclusion of persons with a secondary job/activity in the informal yes
- 4.3.4 Inclusion of persons engaged in professional or technical activities (ISCO-88 Major Groups 2 and

Mali 1989

1. Source

- 1.1 Source title : Enquête nationale sur les activités économiques des ménages (secteur informel) [National Survey on Household Economic Activities (Informal Sector)]
- 1.2 Type of source : Mixed household & enterprise survey, modular design
- 1.3 Periodicity :

2. Reference period

3. Definition : Informal sector employment: Own-account workers excluding professionals; employers with less than 10 employees excluding professionals; employees (including apprentices) and unpaid family workers working in unincorporated enterprises.

4. Coverage

4.1 Geographic Whole country.

4.2 Industry coverage

4.2.1 Branches of economic activity Agriculture excluded

4.2.2 Inclusion of paid domestic employees employed by households:

4.2.3 Inclusion of producers of goods exclusively for own final use by the

4.3 Persons covered

4.3.1 Age limits :

4.3.2 Status in employment All groups.

4.3.3 Inclusion of persons with a secondary job/activity in the informal

4.3.4 Inclusion of persons engaged in professional or technical activities
(ISCO-88 Major Groups 2 and no

1996

1. Source

1.1 Source title : Enquête sur le secteur informel [Informal Sector Survey]

1.2 Type of source : Mixed household & enterprise survey, modular design

1.3 Periodicity :

2. Reference period

3. Definition : Informal sector: Private unincorporated enterprises without complete accounts, with less than 11 persons engaged in the enterprise, and without registration with the National Social Providence Institute (INPS) or Pension Fund.

4. Coverage

4.1 Geographic Whole country.

4.2 Industry coverage

4.2.1 Branches of economic activity Agriculture excluded

4.2.2 Inclusion of paid domestic employees employed by households: yes

4.2.3 Inclusion of producers of goods exclusively for own final use by the

4.3 Persons covered

- 4.3.1 Age limits : 6 years and over
- 4.3.2 Status in employment All groups.
- 4.3.3 Inclusion of persons with a secondary job/activity in the informal yes
- 4.3.4 Inclusion of persons engaged in professional or technical activities (ISCO-88 Major Groups 2 and

Niger 1995

1. Source

- 1.1 Source title : Enquête nationale sur le secteur informel [National Informal Sector Survey]
- 1.2 Type of source : Mixed household & enterprise survey, independent design
- 1.3 Periodicity :

2. Reference period Year 1995.

3. Definition : Informal sector: Enterprises owned and operated by households or household members which do not keep accounts or which do not submit accounts to any administration or institution (statistics, taxes or

4. Coverage

- 4.1 Geographic Whole country.

4.2 Industry coverage

- 4.2.1 Branches of economic activity Agriculture excluded
- 4.2.2 Inclusion of paid domestic employees employed by households:
- 4.2.3 Inclusion of producers of goods exclusively for own final use by the yes

4.3 Persons covered

- 4.3.1 Age limits : 6 years and over
- 4.3.2 Status in employment All groups.
- 4.3.3 Inclusion of persons with a secondary job/activity in the informal no
- 4.3.4 Inclusion of persons engaged in professional or technical activities (ISCO-88 Major Groups 2 and

South Africa 1999

1. Source

- 1.1 Source title : October Household Survey
- 1.2 Type of source : Household sample survey
- 1.3 Periodicity : Annual.

2. Reference period The last 7 days prior to the interview.

3. Definition : Informal sector: Business activities which are not registered.

Registration refers to registration under :

- tax (VAT) requirements
- professional groups' regulatory acts or similar acts

4. Coverage

4.1 Geographic Whole country.

4.2 Industry coverage

- 4.2.1 Branches of economic activity
- 4.2.2 Inclusion of paid domestic employees employed by households: yes
- 4.2.3 Inclusion of producers of goods exclusively for own final use by the yes

4.3 Persons covered

- 4.3.1 Age limits : 15 to 65 years old.
- 4.3.2 Status in employment
- 4.3.3 Inclusion of persons with a secondary job/activity in the informal no
- 4.3.4 Inclusion of persons engaged in professional or technical activities (ISCO-88 Major Groups 2 and yes

2001

1. Source

- 1.1 Source title : Labour Force Survey
- 1.2 Type of source : Household sample survey
- 1.3 Periodicity : Annual.

2. Reference period The last 7 days prior to the interview.

3. Definition : Informal sector: Business activities which are not registered. Registration refers to registration under :

- tax (VAT) requirements
- professional groups' regulatory acts or similar acts

4. Coverage

4.1 Geographic Whole country.

4.2 Industry coverage

4.2.1 Branches of economic activity All

4.2.2 Inclusion of paid domestic employees employed by households: yes

4.2.3 Inclusion of producers of goods exclusively for own final use by the yes

4.3 Persons covered

4.3.1 Age limits : 15 to 65 years old.

4.3.2 Status in employment All groups.

4.3.3 Inclusion of persons with a secondary job/activity in the informal no

4.3.4 Inclusion of persons engaged in professional or technical activities
(ISCO-88 Major Groups 2 and yes

Tanzania 1990/91

1. Source

1.1 Source title : Labour Force Survey

1.2 Type of source : Household sample survey

1.3 Periodicity :

2. Reference period 1 week.

3. Definition : Informal sector employment: Persons employed in privately-owned enterprises having not more than 5 paid employees. Included are persons engaged in activities undertaken at a market place, in a temporary structure, on a footpath, in the street or in another open place, as well as domestic servants of private households. Excluded are persons employed in registered cooperatives, professional-type enterprises (e.g. doctor's or lawyer's practices) and in enterprises using high technology or having other 'formal'

4. Coverage

4.1 Geographic Tanzania Mainland

4.2 Industry coverage

4.2.1 Branches of economic activity Agricultural, livestock and fishing
activities excluded

- 4.2.2 Inclusion of paid domestic employees employed by households: yes
- 4.2.3 Inclusion of producers of goods exclusively for own final use by the no

4.3 Persons covered

- 4.3.1 Age limits : Operators: 15 years or more, others: 10 years or more.
- 4.3.2 Status in employment All groups.
- 4.3.3 Inclusion of persons with a secondary job/activity in the informal yes
- 4.3.4 Inclusion of persons engaged in professional or technical activities (ISCO-88 Major Groups 2 and no

1991

1. Source

- 1.1 Source title : National Informal Sector Survey
- 1.2 Type of source : Mixed household & enterprise survey, independent design
- 1.3 Periodicity :

2. Reference period Operators: 12 months; Others: 1 month.

3. Definition : Informal sector: Activities which are privately owned and employing not more than 5 paid employees. Included are activities undertaken at a market place, in a temporary structure, on a footpath/in the street or in another open place. Excluded are registered cooperatives, professional-type activities (e.g. doctors, lawyers), activities using high technology or having other 'formal' characteristics, and domestic servants of private households.

4. Coverage

- 4.1 Geographic Tanzania Mainland

4.2 Industry coverage

- 4.2.1 Branches of economic activity Agricultural activities included in urban areas only
- 4.2.2 Inclusion of paid domestic employees employed by households: no
- 4.2.3 Inclusion of producers of goods exclusively for own final use by the no

4.3 Persons covered

- 4.3.1 Age limits : 14 years and over for operators.
- 4.3.2 Status in employment All groups.
- 4.3.3 Inclusion of persons with a secondary job/activity in the informal yes
- 4.3.4 Inclusion of persons engaged in professional or technical activities (ISCO-88 Major Groups 2 and no

1995

1. Source

- 1.1 Source title : Dar es Salaam Urban Informal Sector Survey
- 1.2 Type of source : Mixed household & enterprise survey, independent design
- 1.3 Periodicity :

2. Reference period Operators: 12 months; Others: 1 month.

3. Definition : Informal sector: Private unincorporated enterprises without complete sets of accounts and with less than 6 employees (manufacturing, construction, mining and quarrying: less than 11 employees) employed in the activity. All or part of the products meant for sale. Domestic workers included if they consider themselves as self-employed business operators.

4. Coverage

4.1 Geographic Dar es Salaam.

4.2 Industry coverage

- 4.2.1 Branches of economic activity Agriculture included only if undertaken as supplementary income-earning activities of the household and located in Dar es Salaam
- 4.2.2 Inclusion of paid domestic employees employed by households: no
- 4.2.3 Inclusion of producers of goods exclusively for own final use by the no

4.3 Persons covered

- 4.3.1 Age limits : 5 years and over for operators.
- 4.3.2 Status in employment All groups.
- 4.3.3 Inclusion of persons with a secondary job/activity in the informal yes
- 4.3.4 Inclusion of persons engaged in professional or technical activities (ISCO-88 Major Groups 2 and yes

Zimbabwe 1986/87

1. Source

- 1.1 Source title : Labour Force Survey
- 1.2 Type of source : Household sample survey
- 1.3 Periodicity :

2. Reference period The week prior to the interview.

3. Definition : Informal sector employment: Persons working in unregistered establishments.

4. Coverage

4.1 Geographic Whole country.

4.2 Industry coverage

4.2.1 Branches of economic activity All

4.2.2 Inclusion of paid domestic employees employed by households:

4.2.3 Inclusion of producers of goods exclusively for own final use by the yes

4.3 Persons covered

4.3.1 Age limits : 15 years and over.

4.3.2 Status in employment All groups.

4.3.3 Inclusion of persons with a secondary job/activity in the informal

4.3.4 Inclusion of persons engaged in professional or technical activities
(ISCO-88 Major Groups 2 and

1993 & 1994

1. Source

1.1 Source title : Indicator Monitoring - Labour Force Survey

1.2 Type of source : Household sample survey

1.3 Periodicity :

2. Reference period

3. Definition : Informal sector employment: Persons working in establishments which are not registered or licensed.

4. Coverage

4.1 Geographic Whole country.

4.2 Industry coverage

4.2.1 Branches of economic activity All

4.2.2 Inclusion of paid domestic employees employed by households:

4.2.3 Inclusion of producers of goods exclusively for own final use by the

4.3 Persons covered

4.3.1 Age limits : 15 years and over.

4.3.2 Status in employment All groups.

- 4.3.3 Inclusion of persons with a secondary job/activity in the informal
- 4.3.4 Inclusion of persons engaged in professional or technical activities (ISCO-88 Major Groups 2 and

Annex C: Survey - phase 2 of 1-2-3 system on informal sector

C.1- The 1-2 system as applied in Cameroon in 2005 and in Vietnam in 2007

The survey on household businesses and informal sector aims at being a nation wide data collection organized by the National Statistics Office (NSO). The survey is the second step of a 2-stage data collection related to the follow up of employment, informal jobs and unincorporated sector. Phase 1 of the data collection is a labour force survey (LFS); it is a household survey focusing on work conditions and unemployment, in which a module has been introduced in order to measure the degree of informality of the economy and therefore to estimate the informal employment of the country. The additional items will help to give an answer to questions such as: “how many workers work outside the formal companies?”; “what are their main characteristics?”; “can we estimate the number of self employed workers?”; “how many Household Businesses are involved in the manufacturing sector?” etc.

C.2- The Survey on Household Business and Informal Sector

This phase 2 survey focuses on household unincorporated enterprises for market (IPU), asking their chief about their characteristics, types of employment, status and organization, business environment, etc. It tries to establish their accounts: after having estimated and aggregated their turnover, expenses and investments, GSO will be able to estimate the total value created by the micro-businesses in main economic branches. Formal IPUs are registered by the District Business Registry, keep formal accounts and pay business income taxes, while informal IPUs don't keep business accounts and/or are even not registered. This will help national accountants to build aggregate economic indicators of the informal sector, giving an estimate of the contribution of the non agricultural informal sector to the national economy, on the global economic weight of the IPUs, on the working environment in this sector, etc.

Phase 2 is an enterprise survey, aiming at collecting information about the activities in the small, informal and/or familial businesses, their development and functioning difficulties as well as conceivable solutions. The sample design of the phase 2 depends on the number of IPUs identified during phase 1: from the 3,000 households interviewed in LFS 2007 in the Hanoi Province, 1457 individuals have been identified as heads of IPU (main or secondary job), and will be surveyed for phase 2.

2.1- Statistical unit: the IPU

Individuals who declare during the phase 1 survey to be the chief or owner of a small non agricultural business, as main or secondary activity, are interviewed. Is considered as a IPU any business which is not incorporated in a bigger company, and whose main activity is not agricultural. It is a usually a small business, which relates to a person working alone for his own independent business. IPU's are composed of family businesses, household business, micro enterprises, own-accounts workers etc. For example, small shops, garages or workshops are IPU; independent hair dressers, taxi drivers or tailors are IPU; improvised call boxes or retailers on the street are IPU.

NB. An IPU is either an establishment when there exists arranged premises for the activity (store, workshop) or an 'almost establishment' when the activity is not worked out in a suitable site (hawking activities, on the highway, at home). A business can include several places if those sub-units are managed by the operator and have a similar activity.

2.2- Identifying the IPU

The data collection of this phase 2 is processed through a questionnaire, which is administered to all individuals who declared to be operator/owner of an IPU. The IPU identifying form contains all information from phase 1 needed to identify if someone is the head of an IPU or not. At the beginning of phase 2, each potential IPU operator is interviewed and the whole questionnaire is completed only if the answers in LFS indicate either as main job and/or secondary job.

If the individual is the head of two IPU's, you will need to conduct two different interviews with him/her. Once you have established a contact with the potential respondent, make an appointment with him at the earliest date on which he is available to get interviewed, preferably in the place of the IPU activity (home, street, market, etc.).

During the meeting, present the survey to the respondents. The interview should be carried out with a head of the production unit, and not with one of his employees.

C3. Presentation of the Questionnaire

The questionnaire is an individual form and comprises 8 modules: Characteristics of the establishment; Labour force; Production; Expenditure and costs; Customers, suppliers, competitors; Capital, investment and financing; Problems and prospects; Social insurance. We extract illustrative questions and tables of each module as examples³⁴.

³⁴ The actual phase 2-questionnaire is 15 pages long and the manual for guiding enumerators has 45 pages.

MODULE A: CHARACTERISTICS OF THE ESTABLISHMENT

A.1: What is the main activity (product made/sold or service provided for pay) of your business?

A.2-a: In which type of premises do you conduct this business activity?

- Without professional premises:
- With Professional premises:

The objectives of this question are to evaluate the degree of legality/precariousness of the business settlement.

A.2-b: Without professional premises: Why do you conduct your business activity in this place?

The answer “It is the most convenient location” is related to the situation of an operator who is trying to come closer to his potential clients.

A.2-c: What is the occupancy/tenure status of this place of business?

This is to know if the operator is the owner of the premises. All unites to answer.

A.2-d: Can you estimate the price of these premises if someone wants to buy it? The objective is to evaluate the replacement cost of the premises/spot used.

A.2-e: In this place of business, do you have Running water? Electricity? Line land Phone? Mobile phone ? Internet ?

A.3-d: Registration of the establishment. This crucial question focuses on the degree of formality: if the IPU is not registered, then it will be considered as an informal unit.

a) Business Register; b) Tax Register; c) Social Security; if it is not registered, why not.

A.3-e: How do you make your accounts? This question is a second criterion to qualify the IPU as formal or informal. Possible answers are: 1/ Complete set of account; 2/ Simplified account for direct tax payment; 3/ Personal notes; 4/ No accounts: total absence of accounts in the business.

A.4: Brief history of the establishment:

- Who created this production unit?
- Indicate the year of creation of the establishment (2000 for example).
- Indicate the year when the operator became to be the head of the business.

MODULE B: LABOUR

Its general aim is to describe the characteristics of the working force (operator, employees, apprentices, family helpers); it gathers the opinion of the manager on his manpower problems and salary policy. This will help to know if small businesses employ different types of workers than corporate enterprises.

B.1: How many persons, including yourself, worked in your business even for just an hour during the last month of operation?

Table B.2: Basic characteristics of the manpower, types of employment, bonuses/advantages.

This table is made of several rows, one for each worker of the business, including the operator. The number of completed rows needs to be equal to the total given in B.1.

Relationship to head: we ask if there is a familial link between the individual and the operator for: the operator himself; wife/husband of the operator; children; another relative and if the individual is not related to the operator.

Apprenticeship: the manner of which every employee learned the profession he is exercising presently. Length of service: the number of completed years spent in this production unit (and not in the profession or in the employment). If the person has spent less than a year, write down 00.

Table B.3: Characteristics of the employment

Status in employment: the rank of a person in the lap of the business.

1. Boss/employer: anyone who conducts his own business with the help of employees;
2. own account worker: anybody working for his own account, alone or with family helpers;
3. Unpaid family workers: any family member of the operator participating to the works in the enterprise without receiving remuneration;
4. wage-earner: any worker receiving a regular remuneration in cash or in kind; -
5. paid apprentice: is learning a profession in an enterprise and receives remuneration in cash;
6. unpaid apprentice: with only remuneration in kind (housing, food,) or no remuneration;

Type of Contract: This question helps to know the degree of stability/precariousness of the jobs in the business.

1. Written contract w/o fixed duration: a written contract with no explicit date of end.
2. Written contract with fixed duration: a written contract with an explicit date of end.
3. Verbal agreement: non written informal agreement.
4. On trial/probation: the worker is in a probation period in the enterprise.

Recruitment: We ask here about the mode of recruitment of each worker. To be coded by choosing in the following list:

1. Relatives/friends: the worker is a relative or a friend of the operator.
2. From operator: the worker has applied directly to the operator for the job.
3. Media advertisements: the worker answered to a job announcement in media.
4. Employment agency: the worker has been employed thanks to public/private agency.

Nature of Payment: code to be chosen in the given list.

- 1- Fixed monthly/weekly salary; 2- Daily or per hour of work; 3- Per job/task basis; 4- Commission; 5- Profit share; 6- In kind payment; 7- No payment.

Table B.4: Characteristics of allowances and bonuses

There are complementary and secondary remuneration that are not included in wages and salaries of previous table, paid in cash or in kind.

1. Bonuses (including end of year bonuses): paid every year and exceptional payments.
2. Paid leaves: whatever the reason for the holiday, if it was paid.
3. Profit-sharing: in any form and for any amount
4. Social Security: declaration made for the employee.
5. Other monetary: other types of cash payment.
6. In kind bonuses: includes vehicle, transport tickets, gifts, etc.

B.5: Have you had the following problems with your workers?

a- Lack of skilled manpower; b-Instability of employees up to f-other.

B6: If you employ workers, how do you fix the wage of your employees?

1. Following the official salary scale; 2. By lining them up on the competitor's y salaries;
3. Fixing them yourself in order to ensure the benefits; 4. By negotiating with every wage-earner; 5. Other (specify)_____;
6. No wage earner in the establishment.

MODULE C: PRODUCTION AND SALE

The first objective of this module is to provide a precise evaluation of the total turnover of the business during the last month of operation preceding the survey.

The second objective is to distribute this turnover by product (for the national accounts of the informal sector).

The third objective is to know for each product, the main destination (formal sector/ informal sector/households/exports).

Table C1: the production table includes all products sold & services provided of IPU

C.1: What was the total amount of your turn over for the last month of activity?

This module is the most confidential of the questionnaire; this might explain that the operator of the IPU might under-estimate his turnover because: a/ he is likely to forget some returns; b. he is not willing to reveal his real incomes.

C.2: Whatever its main activity is, a business can have three different types of returns (3 tables):

- Products that it transforms, and then sells; e.g.: bread made then sold by a baker.
- Products sold without transformation; e.g.: cakes bought and resold as such.
- Services provided; e.g.: paid delivery at customers' home of cakes by a baker.

Table C.2-a: Product sold after transformation

Manufacturing businesses are concerned by this table; e.g.: dried/smoked fish are considered as transformed products, while a bottle of mineral water sold by a barman is not. All products obtained and sold during the activities of the IPU, have to be considered as transformed products; e.g.: wood chips obtained during the production of furniture by a carpenter.

a) Period: In this entire module, the reference period will be, preferably fixed to a month; b) Unit: The measurement unit depends on the type of product; c) Quantity: it corresponds to the number of units of the given product sold during the period;

d) Unit Price: It is the price of one unit of product sold by the business (after discounts). Total Value for the period = Unit Price * Quantity.

Destination: This variable helps to know the main customers for each of the sold products.

1. Public or Para-public sector: administration, public or semi-public enterprises.
2. Big trading private enterprise: all the trading corporate enterprises, formal companies.
3. Household business: all the informal or formal micro businesses (IPU)..
4. Big non-trading private enterprise: all the non trading organizations.
5. Small non trading enterprise: association.
6. Household/individual: citizen, not businesses.
7. Direct exportation: product is sold abroad, exported outside the country;
8. Auto consumption: own final use.
9. Intermediate consumption: the product is use in another process for the business.

Table C.2-b: Product sold without transformation

Use the same questions/columns/items as for table C2a, but for categories of products resold without any changes (trade activity), and then estimate the monthly value.

Table C.2-c: Services provided

Use the same questions/columns/items as for table C2a, but for categories of services provided for payment, and then estimate the monthly value.

MODULE D: EXPENDITURES AND CHARGES

The first objective is to give a precise assessment of the unit's operating costs during the period. The second objective is to find out the methods of procurement used by the unit for each of these items: type of main supplier, period of time, etc.

The costs are assessed in two stages: 1/ proportional costs to production in module C: raw materials processed by the unit or products purchased to be resold without transformation; 2/ costs that are not directly related to production: fixed costs, personnel costs, taxes and others.

The module also covers two important characteristics linked to production: the weight of «jobbing work » or « sub-contracting »; the significance of seasonal fluctuations in activity.

Table D.4: Total, charges of your unit of production during the last month of operation

This table summarises all expenses during the last month of operation. It must be completed by tracing all types of listed business expenses for the IPU during the last month of operation, by choosing the period of reference (often year or month).

Table D.6: Business cycle

This table helps to estimate the economic indicators on annual basis (annual turnover) from the monthly values got on production tables. It gives a picture of the evolution of the activity within the last 12 months. Start by case “M12 Oct 2007” corresponding to the last month before survey. Tick off the level of activity for each month; four possibilities provided: month of strong activity (1.Maximum), month of average activity (2.Average), month of slow activity (3.Minimum) and month without any activity (0.No). Attention: If there are months ticked “minimum”, there should be at least 1 month ticked “maximum”.

D.6-a How did the activity of your production unit fluctuate within the past 12 months?												
RHYTHM	M1 Nov	M2 Dec	M3 Jan	M4 Feb	M5 Mar	M6 Apr	M7 May	M8 June	M9 July	M10 Aug	M11 Sep	M12 Oct 2007
3. High												
2. Average												
1. Low												
0. No activity												
Answer code	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

MODULE E: CLIENTS, SUPPLIERS, COMPETITORS

In these questions, we want to appreciate the mode of insertion of the informal sector in the economic circuit: upstream with suppliers and downstream with customers, as well as the position of the market (regarding to competitors).

E.1: Who is your main customer? (To whom do you mainly sell or provide services?)

The main customer is the one to whom the business of the operator mainly sell products or services (main in terms of highest value. Destination codes are the same as for destination of the products (in tables C.2/C.3/C.4), except for foreign investment (codes 7 and 8).

E.2: Who is your principal supplier? From whom do you mainly buy?)

The main customer is the one to whom the business of the operator mainly buy his inputs or products or services (main in terms of highest costs). Destination codes are

the same as for destination of the products (in tables C2a/C2b) except for foreign investment (code 8).

MODULE F: EQUIPMENTS, INVESTMENT AND FINANCING AND DEBT

This aims at evaluating the productive capital of the unit - the total value of the equipment that the business uses for its activity, as well as the evaluation of the investment expenses (gross formation of the fixed capital (GFFC) of the business) within the past 12 months of operation.

Table F.2: Financing

The main objectives are to evaluate the loans got by the IPU and to specify the use of the credit obtained, to know the conditions of loan and the mode of repayment, finally, the difficulties linked to the repayment of these loans. *Six classifications are used:*

A. Origin Code: 1. Family or friends; 2. Customers; 3. Suppliers; 4. Usurers (money lender); 5. Producers' associations; 6. Bank; 7. Micro-financing institution; 8. Njangi; 9. Other: _____

B. Use of loan code: 1. Purchase of raw materials; 2. Improvement of premises; 3. Acquisition or maintenance of equipments; 4. Payment of salary; 5. Training of man power; 6. Repayment of previous debts; 7. Extension of the establishment; 8. Other _____ (specify)

C. Type of contract code: 1. Legally recognized accord; 2. Simple written accord; 3. Verbal Accord; 4. No contract.

D. Mode of repayment code: 1. In cash; 2. Goods or services; 3. Other _____ (specify).

E. Maturity code: Total duration of the credit in months (99 = 99 months and above)

F. Repayment Difficulties code: 1. Bad conjuncture; 2. Interest rate too high; 3. Maturity too short; 4. Without difficulty; 5. Other _____ (Specify).

MODULE G: PROBLEMS AND PROSPECTS

This rather qualitative module seeks to identify the problems encountered by the UPI's manager in the exercise of his activity, and the future prospects that he envisages for its development. In this module, the aim is to find out the impact of measures taken by the government concerning the informal sector, together with the reaction and the strategies adopted by the UPIs.

G.1 What is the main reason that led you to choose this business activity?

1. Family tradition: the operator repeats what his/her parents did before.
2. This is a profession that the operator already knows; he might not have other skills.
3. A better profit than for other products or services.
4. More stable returns than other products, because the demand is regular.

G.2 How do you determine the level of your activity?

1. Following firm orders: the business' supply just follows the customer's day-to-day demand.
2. According to the demand: the level of output is estimated in advance by the operator.
3. According to your capacity of production: full capacity production.

G.3 How do you behave with your customers?

1. You wait for them to turn up: no prospecting customers.
2. You try to make yourself known (family, neighbours, and friends): verbal advertising.
3. You prospect your customers: the operator or his workers try to prospect to find customers.

MODULE H: SOCIAL SECURITY

Workers are supposed to be covered by Social Security to protect them from different risks linked to jobs and to provide them provisions on social insurance.

H.3-a: Is at least one of your employee registered at the Social Insurance Fund?

If no, why? 1. Excess procedures; 2. High cost; 3. Not seeing the necessity; 4. Does not think to be concerned.

H.5: Are you personally for the creation of a social contribution and protection system for those doing professions like you?

H.8: What are the risks you would wish the system to cover?

(Classify them by priority from 1 to 7): 1. Industrial accident; 2. Professional sickness; 3. Old age; 4. Invalidity; 5. Deceased; 6. Family allowance; 7. Maternity.