



# Measurement of the Informal Economy



**From basic statistics to  
derived statistics**

# Introduction

- ✧ The statistical meaningful concepts of both informal sector and informal employment came from ILO elaborations on this regard in 1993 and 2003 respectively.
- ✧ ILO never intended to address issues such as gauging the size or scope of the hidden economy or aimed to complete the national accounts practices. These frames were coined mainly in terms of policymaking and for a mapping of the labor force; last but not least, defined in such a way that were attainable goals for NSOs by means of census and surveys.
- ✧ There are wider conceptual frames such as OCDE's Non-Observed Economy (NOE) which aims to integrate within it ILO concepts alongside others that goes beyond informality such as production associated to criminal activities and systematic under-reporting in tax systems.

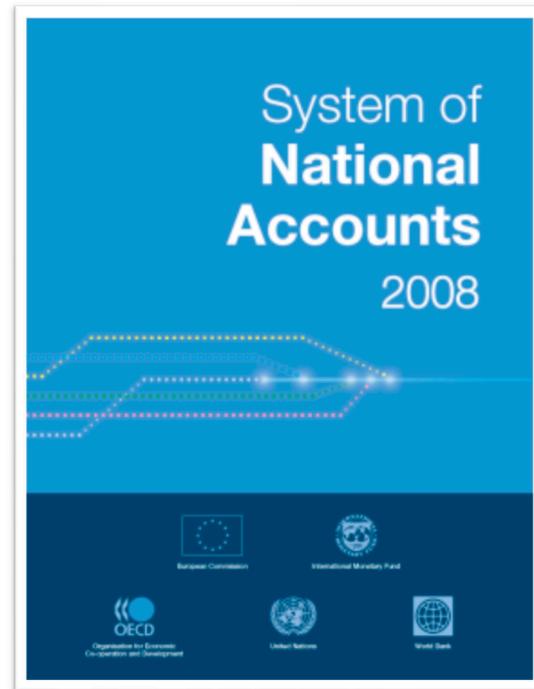
# Introduction

- ✧ In what follows informal economy refers to the SNA's aggregates associated to labor force, working in the informal sector economic units (small scale not registered) as well as those operating under labor arrangements where social security benefits are either not entitled or easily dodged by the employer, even though the economic unit as such is registered.
- ✧ The National Institute of Statistics and Geography (INEGI by its acronym in Spanish) through the System of National Accounts of Mexico (SCNM), incorporates the advances and best practices of economic measurements in the global context. As a proof of that the Measurement of the Informal Economy has been presented as an integral part of the System from year 2014 onwards.

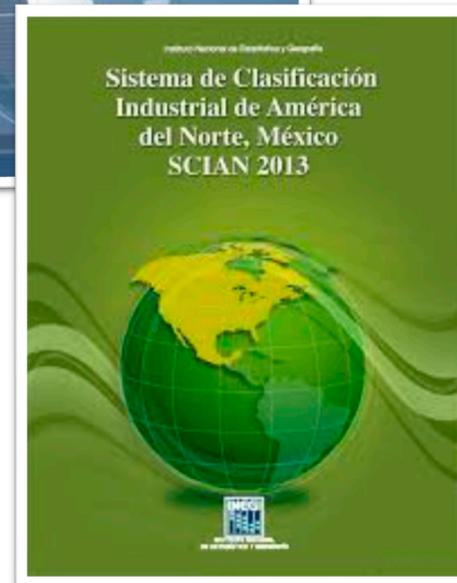
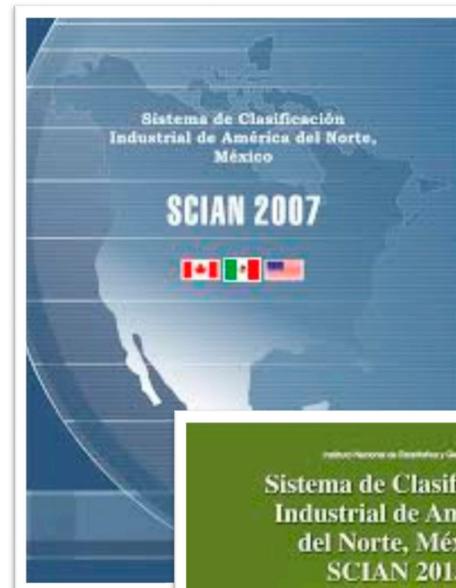
# Introduction

- ✧ The Informal Economy is a complex phenomenon, with a significant economic importance due to its presence in numerous productive activities. In Mexico, under the vision and framework of the System of National Account 2008, its measurement has been made explicit through the quantification of its Value Added, as well as the number of people employed under conditions of informality, thus identifying its contribution to the Gross Domestic Product (GDP) and its impact on the economy.

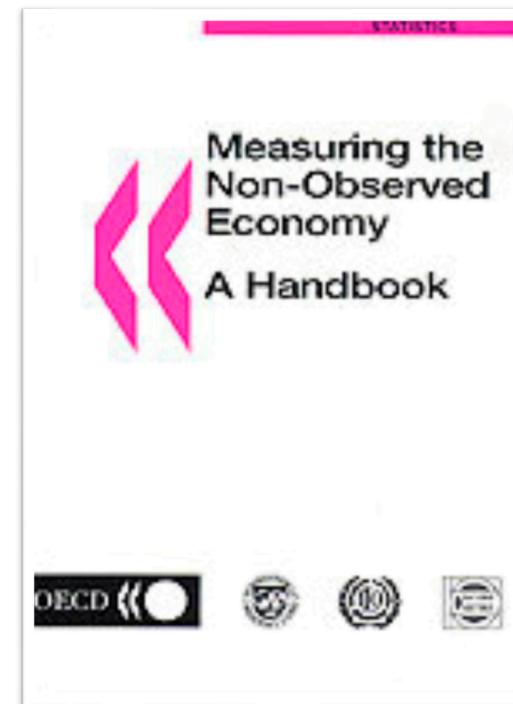
# Conceptual Framework



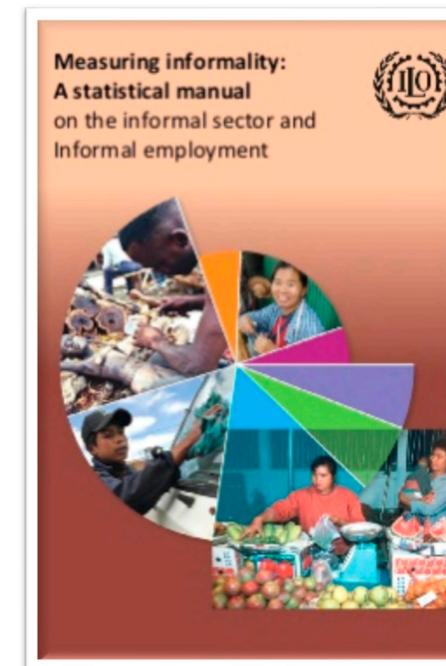
2008 System of National Accounts (SNA 2008)



2007 and 2013 North American Industry Classification System (NAICS)



Measuring the Non-Observed Economy A Handbook (OECD, IMF, ILO, ISTAT 2002).



Measuring informality: A statistical manual of the informal sector and informal employment (ILO2012)



ICLS

15th, 17th and 19th International Conference of Labour Statisticians (ICLS) (ILO 1993, 2003 and 2013)

# Conceptual Framework

## 15<sup>th</sup> ICLS (1993)

- Definition of Informal Sector and Employment in the Informal Sector characterized by economic units

## 17<sup>th</sup> ICLS (2003)

- Definition of Informal Employment characterized by jobs and distinction between Informal Employment inside and outside the Informal Sector through the Hussmanns Matrix

## 19<sup>th</sup> ICLS (2013)

- Considers the production of self-consumption of the agricultural sector
- It discredits self-consumption in services that do not correspond to SNA's production boundary

# Informal economy in Mexico

## Informal Sector



Economic units constituted by microbusinesses that do not have the basic registrations to operate, with rudimentary organization and the employment relationships, if they exist, are based on occasional work or kinship.

## Other Modalities of Informality



Value Added generated by the **work** that does not have the protection of the legal and institutional framework and that is carried out either in formal activities, agricultural activities (including self-consumption), or paid domestic work in households

# Sources of information

Informal Sector.- With the information collected in the basic questionnaire, sectoral coverage and cost structures are obtained by economic activity, applying the following criteria:

- Semi-fixed establishments and households.
- Staff employed in strata of 0-15 persons for manufacturing activities and 0-5 persons for the rest of the economic activities.
- They did not make payments to social security and social benefits.

Informal Employment.- With the information collected by sector specific questionnaires there are detected those cases of employment in bigger economic units not associated with security contributions: focus is placed both in remunerations and gross value added per worker (productivity).



# Sources of information

They support coverage by NAICS economic activity sub-sector, strengthen cost structures, determine the personnel employed, hours worked, and the income they receive.



They allow to generate **Labour Matrices**. Measurement in three phases:

1. Matrix of jobs (full-time equivalent).- Hussmanns type matrix (cross classification of status in employment and institutional economic unit) transformed into an economic matrix of employment.
2. Per capita income by occupation position.
3. Production accounts, primary generation of income and jobs.

# Sources of information



IMSS employment statistics



Allows the identification of activities that are formal and the associated employment, giving a first approximation to personnel who do not have social security in formal activities (OMI), by subtraction against employed personnel in formal activities reported in the ENOE (Mexico's LFS).



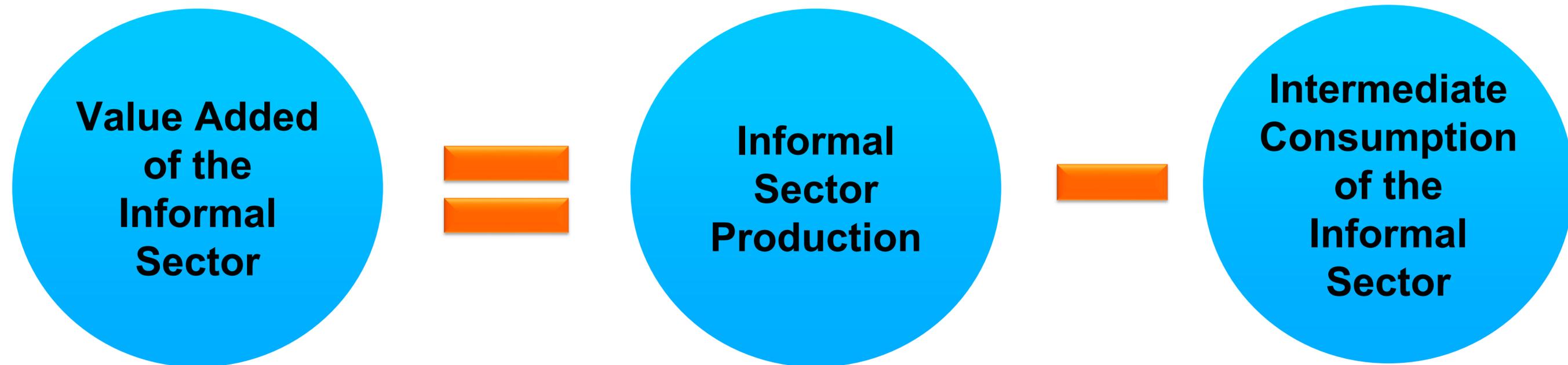
**Supply and Use Tables (SUT)** The SUTs are made by type of production (Formal, Formal Craftsmanship, Informal Craftsmanship, Informal and Processing) and, from the flow of goods to balance the Supply and Use, the values are determined for the Informal Sector on the base year.



**Account of Goods and Services.** Annual updating of the Informal Sector and Other Modalities of Informality.

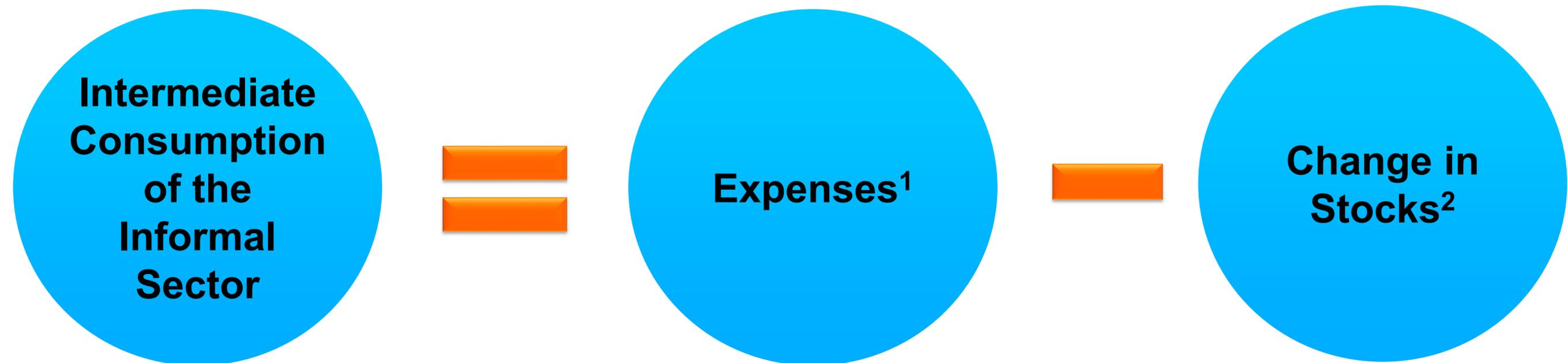
# Methodology

- ✎ The conformation and aggregation of the Production Account of the Informal Sector was obtained estimating each of its components (Gross Production Value (GVP), Intermediate Consumption (IC) and the Gross Value Added (GVA)).



# Methodology

- ✎ The Intermediate Consumption of the Informal Sector (IC IS) is the amount of the goods and services consumed by the production units of the Informal Sector for the development of their activities. Since Informal Sector establishments do not directly measure their intermediate use of goods or services, but rather record their purchases and the variations of its stocks of fuels and materials, so the IC IS consider those variables



<sup>1</sup> Expenses for the purchase of raw materials, supplies and services used as intermediate inputs.

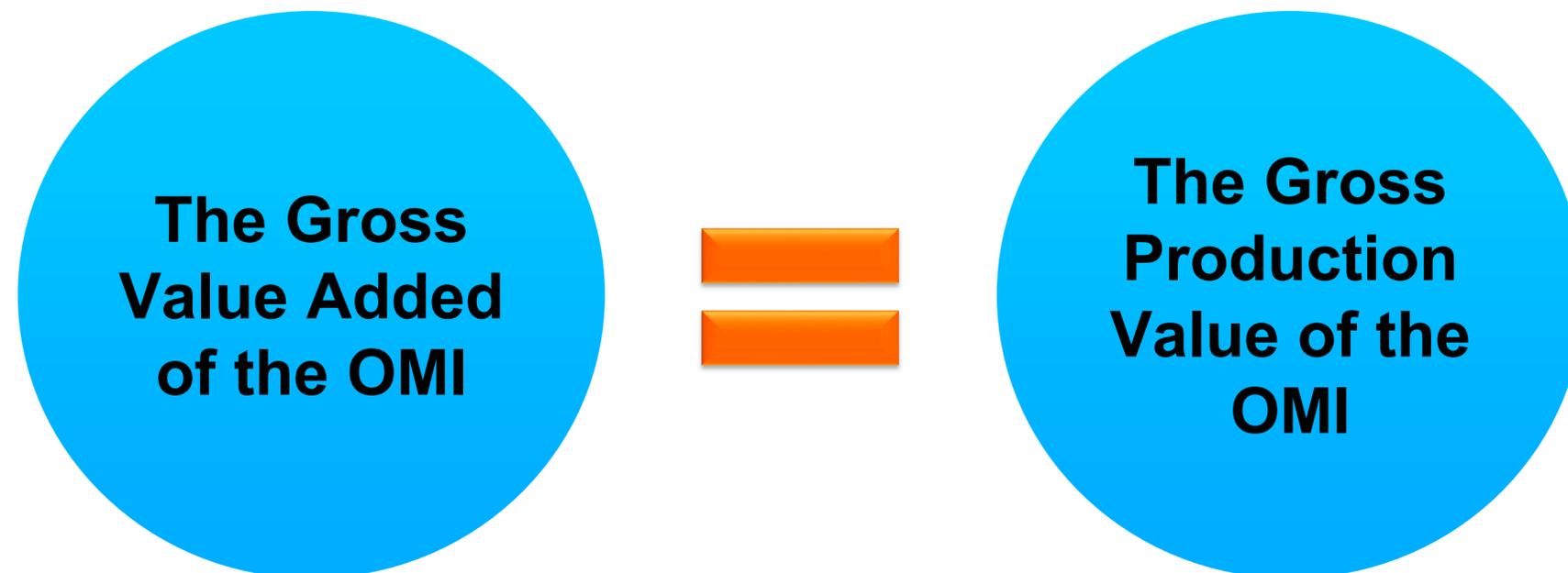
<sup>2</sup> Change in Stocks of raw materials and supplies.

# Methodology

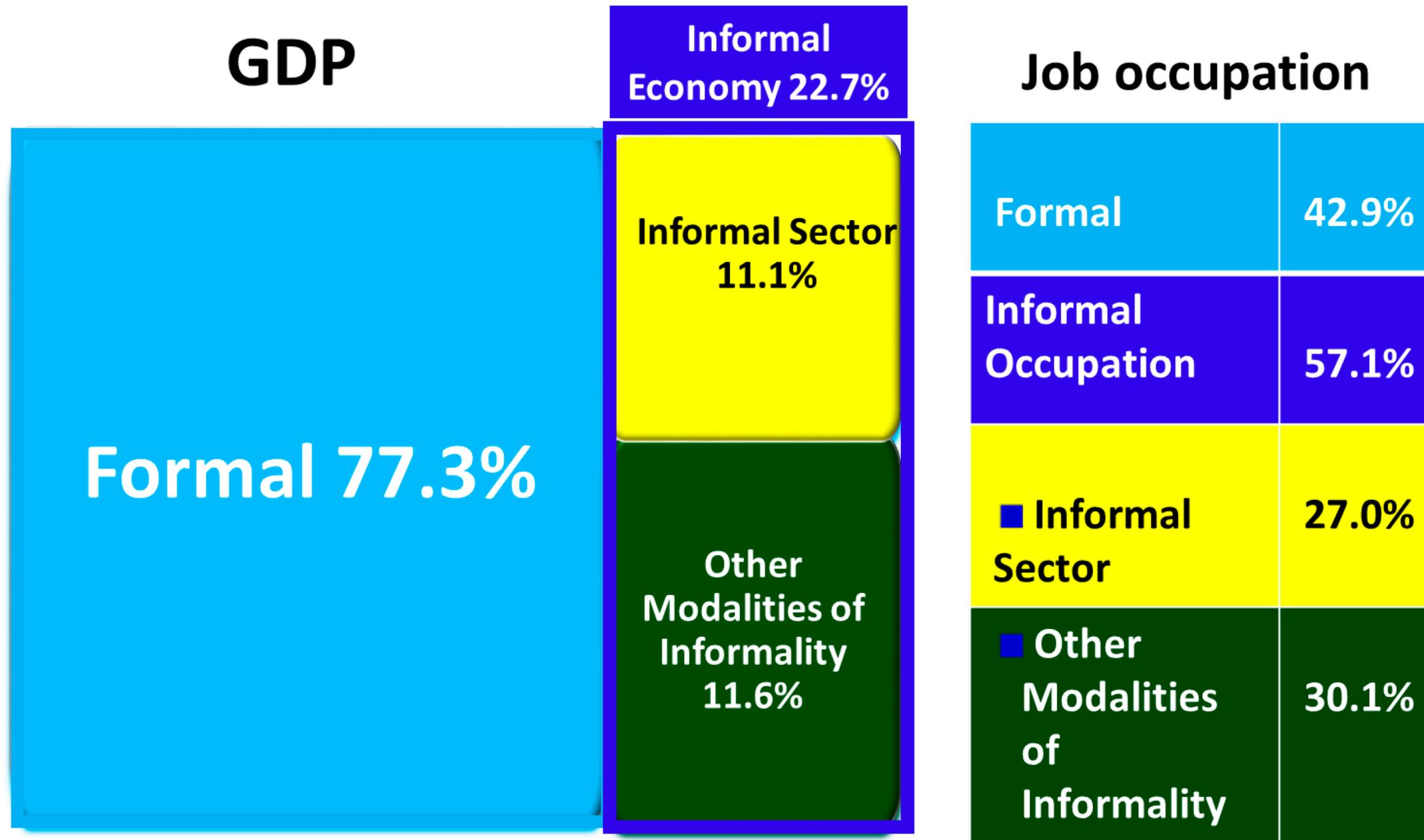
- ✧ The Gross Value Added of Informal Sector (GVA IS) represents the contribution of labor and capital to the production process of the economic units belonging to the Informal Sector.
- ✧ Its calculation was obtained by the characterization of the payment to the labor factor and mixed income by position or status in employment reported for the basic production accounts.

# Methodology

- For Other Modalities of Informality, the measurement considers a labour perspective.
- Gross Value Added of Other Modalities of Informality (GVA OMI) represents the contribution to the production process by the employed population in conditions of informality in the economic units that do not belong to the Informal Sector, as well as those in the Informal Sector.

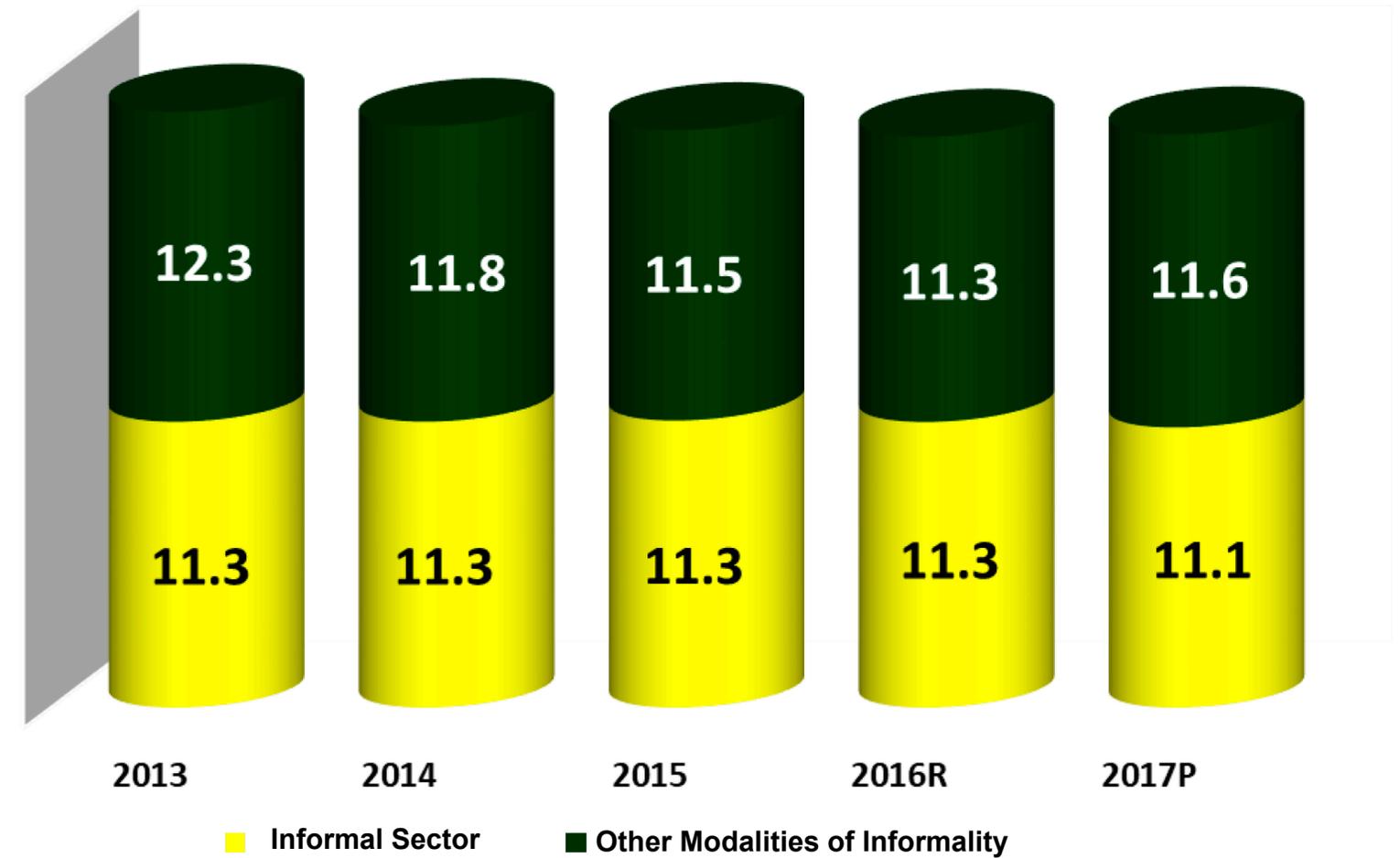
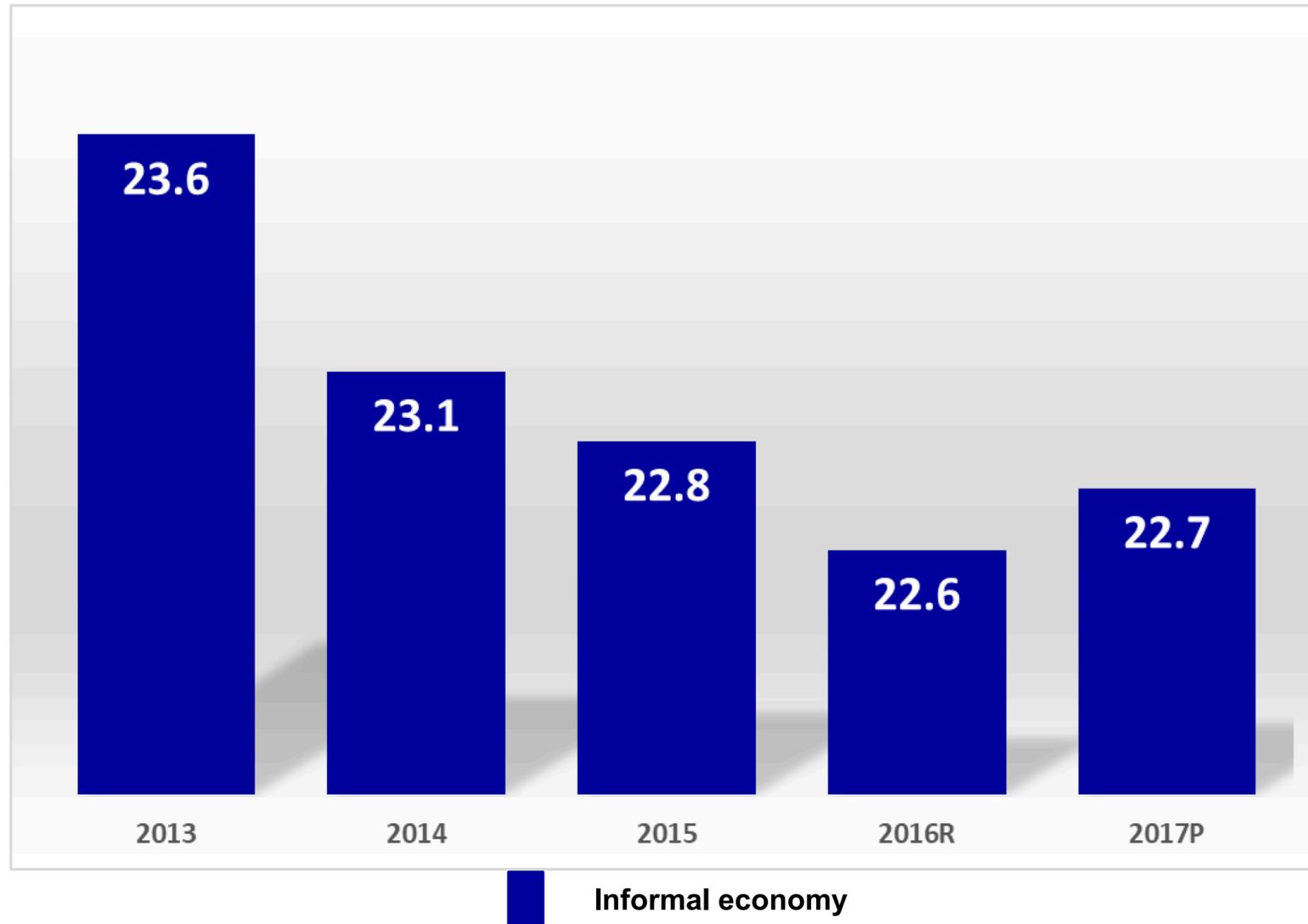


# 2017 Results



# 2017 Results

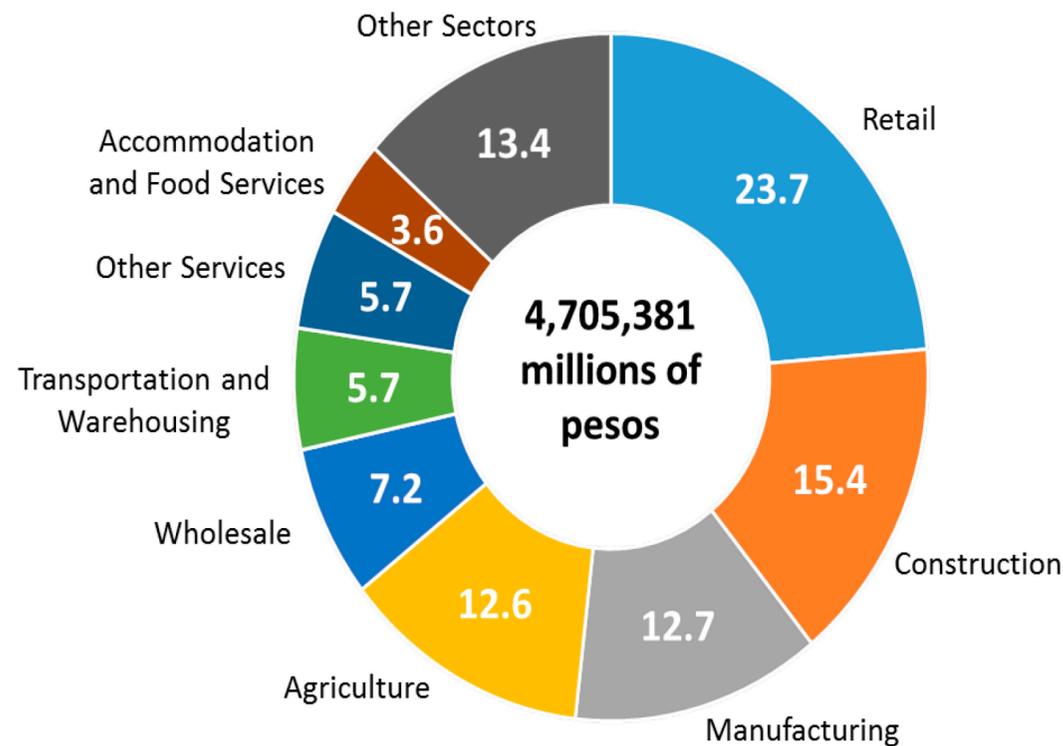
*Participation of the GVA of the Informal Economy in the GDP*



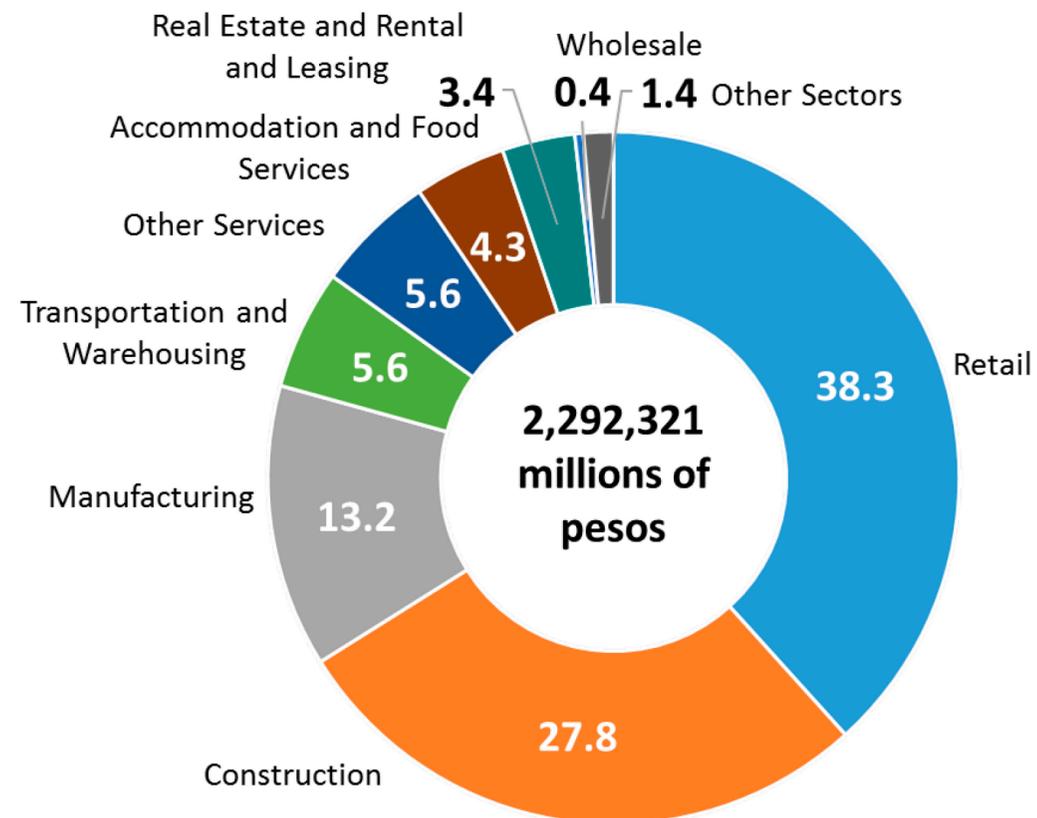
# 2017 Results

## Percentage structure of GVA by sector of economic activity

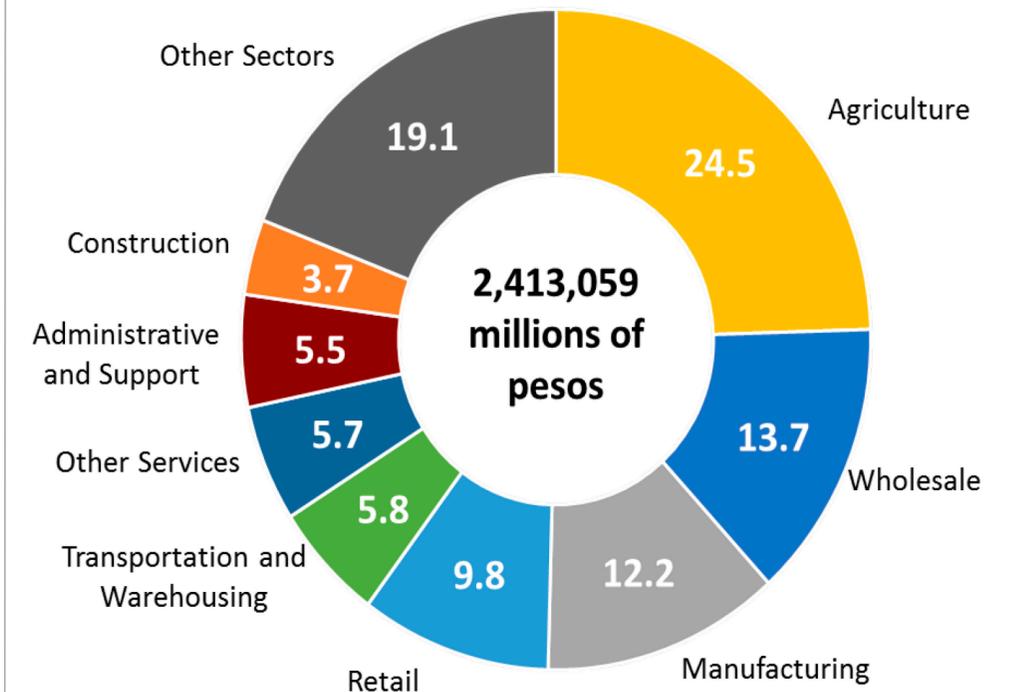
### Informal Economy



### Informal Sector



### Other Modalities of Informality



# Where are we going...

- ✍ In order to keep the conceptual framework on informality issues updated for its application to the Mexican case:
  - The 20th ICLS Resolution is being reviewed.
  - The results of the Household Surveys will be analyzed, derived from the process of continuous improvement.
- ✍ With the new questions incorporated in the basic questionnaire (survey of micro, small and medium establishments) of the 2019 Economic Censuses, we will be able to identify workers who do not have social benefits and social security, as well as establishments that do not have bookkeeping.

# Knowing Mexico

01 800 111 46 34

[www.inegi.org.mx](http://www.inegi.org.mx)

[atencion.usuarios@inegi.org.mx](mailto:atencion.usuarios@inegi.org.mx)



**INEGI** Informa