Measuring Informal Work

ICHID Study Week: Accelerating Progress on SAARC Development Goals (SDG’s)

Renana Jhabvala, SEWA
Outline of Remarks

• Conceptual Debate
  - Informal Economy: Concepts, Definitions, Significance, Progress made in this new field of statistics

• Existing Practices
  - MDGs, SDGs and SaarcDGs
    - Data availability
    - Data on informal employment in South Asia
    - Categories of informal workers

• India Experiences
  - Improper enumeration and women’s work
  - Changes in Survey design in employment-unemployment rounds of NSSO

Resources
Why is it Important?

• Increasing employment opportunities, improving quality of employment and raising the returns to labour are key pathways to poverty reduction and egalitarian and sustainable development

• The quality of employment is generally lower in the informal economy than in the formal economy

• Informal rather than formal employment is on the rise

• Informal rather than formal employment is the main source of employment for women and for men in South Asia
The Informal Economy: What is it?

Different Schools of Thought:

- **entrepreneurial** activities/enterprises: capable of independent dynamic growth
- **survivalist** activities/enterprises: not capable of dynamic growth without support
- **subordinated** activities/enterprises/workers: dependent on or exploited by capitalist firms
- **criminal-underground** activities/units: dealing with illegal goods or services
Informal Economy Statistics Internationally

- International Labour Organization and the ICLS
- Women in Informal Employment Globalizing and Organizing (WIEGO) www.wiego.org
- 46 Country Central Statistics agencies
Informal Sector, Employment and Economy: Definitions

There are three related official statistical terms and definitions which are often used imprecisely and interchangeably by analysts and observers:

• **informal sector** refers to the production and employment that takes place in unincorporated small or unregistered enterprises (1993 ICLS)

• **informal employment** refers to employment without social protection (i.e. without employer contributions) – both inside and outside the informal sector (2003 ICLS)

• **informal economy** refers to all units, activities, and workers so defined and the output from them (ILO 2002).

In sum, the **informal economy** is the diversified set of economic activities, enterprises and workers that are not regulated or protected by the state; and the output from them.
Informal Employment Framework and Status in Employment Categories

• Self-Employed in Informal Enterprises (i.e. unincorporated enterprises that may also be unregistered and/or small)
  o employers
  o own account operators
  o unpaid contributing family workers
  o members of informal producer cooperatives

• Wage Workers in Informal Jobs (i.e. jobs without employment-linked social protection)
  o informal employees of informal enterprises
  o informal employees of formal firms
  o domestic workers hired by individuals/households without employer contributions
Significance

The informal economy is large by whatever measure is used:

- **share of non-agricultural employment**: 45-82% of non-agricultural employment in developing regions (WIEGO 2014 - the 82% is South Asia – highest of all sub-regions world-wide)

- **share of enterprises**: own account enterprises alone (i.e., those without hired workers) account for 85% of total enterprises in India (National Sample Survey Organisation 2012)

- **share of GDP**: informal enterprises (i.e., the informal sector) contribute 25-50% per cent of non-agricultural Gross Value Added in developing countries (ILO-WIEGO 2013) - 46.8% contribution of informal (unorganized) sector – India 2008
Highlights of Progress in this New Field since 1993 ICLS Resolution on Statistics on the Informal Sector

- Adoption of definition of “informal employment” by 2003 ICLS
- Increase in countries with statistics on informal employment – 46 in ILO-WIEGO database and more....
- Measuring Informality: A statistical manual (ILO)
Data Needs for Monitoring MDGs, SDGs and for Policies Related to Employment

**Labour Force** Surveys that provide data on informal and formal employment; competing priorities in statistics budget but for these issues full labour force survey rather than a multi-purpose household survey is optimal

- Labour force survey data on informal employment available for Bangladesh, India, Pakistan (informal sector but not informal employment outside informal sector), Sri Lanka*

Need questions and tabulations that identify special categories of informal workers
- **Place of work question** --Bangladesh, India, Nepal and Pakistan have this question in their labour force surveys and it has been used to prepare compilations of home-based workers (See WIEGO Statistical Brief on home-based workers in each of the countries.)

Need Proper Training of Enumerators to capture Women’s Work
Data on Informal Employment in South Asia (2004-2012)*

- Informal employment 82 % of non-agricultural employment
  - 83% women and 82% men
  - Range 62% in Sri Lanka to 84% in India

- Informal self-employment as % of Non-agricultural informal employment
  - 58% women and 51% men

- Contributing family workers as % on non-agricultural informal employment
  - 26% women and 9% men

Home-Based Workers in South Asia

*How many home based workers (HBW) are there?*

- In 2009-2010, Bangladesh had 2 million HBWs.
- In 2011-2012, India had 37.4 million HBWs.
- In 2008, Nepal had 0.92 million HBWs.
- In 2008-2009, Pakistan had 1.43 million HBWs.

Based on country-level data it can be roughly estimated that there are over 41 million HBW in these four South Asian countries. However, there seems to be undercounting of women workers.
Men and Women in Home-Based Work

![Graph showing the distribution of men and women in home-based work across Bangladesh, India, Nepal, and Pakistan.](image)
## Four Groups of Urban Informal Workers
### India 2011-12

<table>
<thead>
<tr>
<th></th>
<th>% of Urban Employment</th>
<th>% of Urban Informal Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Male</td>
</tr>
<tr>
<td>Domestic Workers</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Home-Based Workers</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>Street Vendors</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Waste Pickers</td>
<td>1</td>
<td>.5</td>
</tr>
<tr>
<td>All Flour</td>
<td>23</td>
<td>17</td>
</tr>
</tbody>
</table>
Improper Enumeration Excludes Women’s Work: Example of FWPR Bihar

**Figure 2.1: WPR of Women and Men in Rural Bihar and India (15–59 years)**

<table>
<thead>
<tr>
<th></th>
<th>MWPR</th>
<th>FWPR</th>
<th>TWPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bihar (NSS)</td>
<td>81</td>
<td>11</td>
<td>47</td>
</tr>
<tr>
<td>India</td>
<td>83</td>
<td>39</td>
<td>62</td>
</tr>
</tbody>
</table>
Improper Enumeration Excludes Women’s Work: Example of FWPR Bihar

Figure 2.2: WPR of Women and Men in Rural Bihar (NSS and IHD data, 15–59 years)

<table>
<thead>
<tr>
<th></th>
<th>MWPR</th>
<th>FWPR</th>
<th>TWPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bihar (NSS)</td>
<td>81</td>
<td>11</td>
<td>47</td>
</tr>
<tr>
<td>Bihar IHD</td>
<td>89</td>
<td>56</td>
<td>73</td>
</tr>
</tbody>
</table>
Recent Changes in Survey Design of India’s NSSO Employment-Unemployment Rounds and Their Impact
(from Dr. Raveendran, NSSO retd.)
Changes

- Introduced data elements for the measurement of informal sector and informal employment
- Included a question “whether worked under given specifications” required for the identification of ‘home-workers’

Impacts

- Data of informal sector and Informal employment became available
- Data on home-based and home-workers became available
61st Round (2004-05)

- Changes
  - Introduced Panel Sampling
  - Place of code expanded without changing the structure
  - The question “whether worked under given specifications” required for the estimation of home-workers dropped
66th Round (2009-10)

- **Changes**
  - Adopted Revised Occupational (NCO – 2004) and Industry (NIC - 2004) codes
  - Introduced two types of Consumer Expenditure Surveys (Double sample) along with the Employment – Unemployment Survey
  - Restricted the sample size to 10 households for each survey
Impact

- NCO – 68 had 5 digit code and data recorded in 3 digits.
- NCO – 2004 had 6 digits and data recorded in 3 digits
- Thus, data on detailed occupational status became unavailable and comparisons with earlier rounds became difficult
- Reduction of sample size resulted in non-capture of several activities pursued by poor classes of population
- Change of code structure of place of work resulted in the misclassification of workers, particularly home-based workers
## Un-realistic Fluctuations in Shares of Home-based Workers Among Total Workers in Custom Tailoring in Gujarat

<table>
<thead>
<tr>
<th>Year</th>
<th>HBWs (000)</th>
<th>Percentage share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>222.1</td>
<td>62.6</td>
</tr>
<tr>
<td>2009-10</td>
<td>104.4</td>
<td>28.4</td>
</tr>
<tr>
<td>2011-12</td>
<td>451.4</td>
<td>76.7</td>
</tr>
</tbody>
</table>
## Un-realistic Fluctuations in Shares of Home-Based Workers Among Total Bidi Workers in Bihar

<table>
<thead>
<tr>
<th>Year</th>
<th>HBWs (000)</th>
<th>Percentage share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004 - 05</td>
<td>78.7</td>
<td>90.7</td>
</tr>
<tr>
<td>2009 - 10</td>
<td>36.9</td>
<td>22.3</td>
</tr>
<tr>
<td>2011 - 12</td>
<td>312.8</td>
<td>93.7</td>
</tr>
</tbody>
</table>
Changes

- Adopted Revised Industry (NIC - 2008)
- Codes for recording place of work were further revised
- Continuation of Double sample for CES and reduced sample size of 10 households
- Data items for the estimation of home workers dropped
68th Round (2011-12)

Impacts

- NIC – 2008 was structurally different from earlier version of NIC
- Adopted without field testing & establishing comparability with earlier rounds
- Industry level comparable estimates with earlier rounds not feasible
- Errors in recording of place of work reduced
- Many activities of regional importance could not be captured due to reduced sample size
- Sampling errors of estimates of different categories of workers increased
Resources

• *ILO-WIEGO*  *Women and Men in the Informal Economy*. Geneva 2013


• Raveendran, Govindan, Ratna M. Sudarshan and Joann Vanek. 2013 *Home-Based Workers in India: Statistics and Trends*. WIEGO Statistical Brief No. 10

Resources

Measuring informality: A statistical manual on the informal sector and Informal employment
ILO, Statistics Institute of Asia-Pacific (SIAP), ADB, WIEGO and India CSO Training workshop on statistics on the informal economy to be held in India during the 2nd week of February

If interested please write to Joann Vanek (WIEGO) at joann_vanek@hotmail.com
Thank You