

Measuring the informal economy



DEVELOPMENT ECONOMICS
DATA GROUP

Grant Cameron

World Bank Group

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Why should we be interested?

- Slower growth and productivity
- Integrity and trust in public institutions
- Impact on tax revenue
- Lack of social protection and insurance
- Economic measurement

The forms of informality

- Informal workers employed by firms
- Informal self-employed work and production
- Informal production by firms

Measurement approaches

- No “standard” definition
- Measure extent (numbers) and intensity (value)
- Focus measures that:
 - Align with policy needs
 - Are international comparable

Measurement approaches

Source data improvements:

- Surveys
- Admin Data
- Sharing data across countries

Estimation improvements:

- Imputations for under-reporting
- Proxies from other observables
- Data confrontation

Conclusion

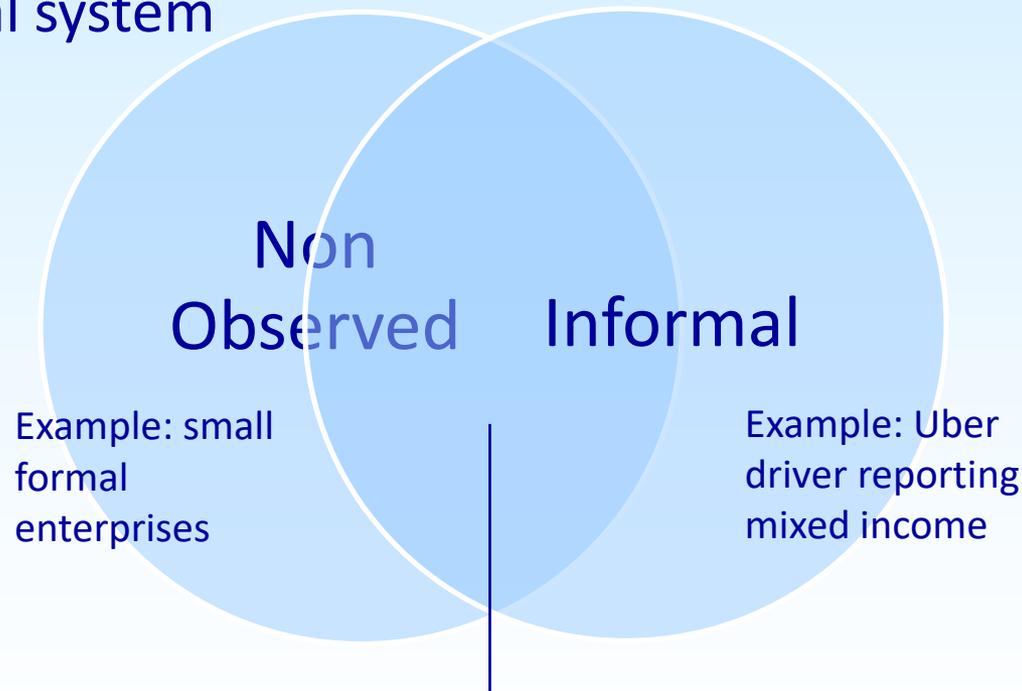
- Identify policy areas of interest
- Adopt an integrated approach through the statistical production process
- Standardize regional approaches to facilitate comparability and data-sharing to fill gaps

Annex

Aside: Links with the “non-observed” economy

Non-observed economy:

- Activities with the SNA production boundary, but not measured by the statistical system



Example:
Informal activities not captured in data

Where does informal production fit in the SNA?

- Identify unincorporated enterprises & self-employed within the household sector where:
 - Assets used do not belong to the production units as such but to their owners
 - Expenditure for production is often indistinguishable from household expenditure
 - Capital goods such as buildings or vehicles may be used indistinguishably for business and household purposes.
 - Impossible to compile a complete set of accounts for these activities

Informal production in the SNA (in red)

Gov' t	Corporations	Households						NPISH	
	Registered or "large"	<u>Unregistered or "small"</u>	Self – employed			Unincorporated enterprises with employees			
			Market producers	Producers for own final use		Market producers	Producers for own final use		
	<u>Selling most or all</u>		<u>Selling some</u>	Not Selling	<u>Selling most or all</u>	<u>Selling some</u>	Not Selling		

What real sector components can be measured?

- For the “red” elements in the previous table:
 - Production (of which is own use)
 - Intermediate consumption
 - Value added
 - Compensation (for unincorporated enterprises with employees)
 - Gross mixed income
 - Consumption of fixed capital
 - Net mixed income