



United Nations
Economic Commission for Africa

**INCORPORATING INFORMAL SECTOR INTO
NATIONAL ACCOUNTS IN AFRICA**

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Chief, Economic Statistics and National
Accounts Section, ACS, UNECA

at

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**INCORPORATING THE INFORMAL SECTOR INTO
NATIONAL ACCOUNTS: PRACTICAL GUIDANCE FOR
COVERING INFORMAL SECTOR IN THE REGION**

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Regional Workshop on National Accounts and the
Development of Economic Statistics Infrastructure
within SDGs Framework

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Amman, Jordan

Outline of the Presentation

- The role of informal sector in the African economies
- Data collection (types of surveys)
- Data processing (use of data from surveys and censuses)
- Data compilation (measuring informal sector)
- Country case studies: Experience and practice of Africa
- Regional-wide efforts: harmonized questionnaire & exchange and of methodology
- Summary and conclusions



Share of Informal Employment (%)

| Regions/Countries/Years | 1990-94 | 1995-99 | 2000-04 | 2005-10 |
|----------------------------|-------------|-------------|-------------|-------------|
| Northern Africa | | 47.5 | 47.3 | 53.0 |
| Algeria | | 42.7 | 41.3 | 45.6 |
| Morocco | | 44.8 | 67.1 | 78.5 |
| Tunisia | | 47.1 | 35.0 | 36.8 |
| Egypt | | 55.2 | 45.9 | 51.2 |
| The Rest of Africa | 76.0 | 78.1 | | 70.0 |
| Benin | 92.9 | | | 96.3 |
| Burkina Faso | 77.0 | | 78.4 | 90.5 |
| Cameroon | | | | 84.0 |
| Chad | 74.2 | 95.2 | | |
| Cote d'Ivoire | | | | 69.7 |
| Dem. Rep. Congo (ex-Zaire) | | | | 77.0 |
| Ghana | | | | 65.3 |
| Guinea | 71.9 | 86.7 | | |
| Kenya | 70.1 | 71.6 | | 76.8 |

Share of Informal Employment (%) (Cont'd)

| Regions/Countries/Years | 1990-94 | 1995-99 | 2000-04 | 2005-10 |
|---------------------------|-------------|-------------|-------------|-------------|
| The Rest of Africa | 76.0 | 78.1 | | 70.0 |
| Lesotho | | | | 70.7 |
| Liberia | | | | 56.4 |
| Madagascar | | | | 73.7 |
| Mali | 90.4 | 94.1 | 82.7 | |
| Mauritania | | | | |
| Mozambique | 73.5 | | | 87.2 |
| Namibia | | | | 43.8 |
| Niger | | | | |
| Nigeria | | 42.9 | | |
| Senegal | | | | |
| South Africa | | | 46.2 | 32.7 |
| Tanzania | | | 57.7 | 46.0 |
| Uganda | | | | 73.5 |
| Zambia | 58.3 | | | 76.3 |
| Zimbabwe | | | 51.6 | |

Share of Informal Sector Value Added

| Countries (years) | Informal sector GVA (including agriculture) in % of total GDP | Informal sector GVA (excluding agriculture) in % of non-agricultural GVA | Informal sector GVA (excluding agriculture) in % of total GDP |
|--|---|--|---|
| Africa (except Northern Africa region) | 63.6% | 50.2% | 31.3% |
| Middle East North Africa | 36.2% | 29.2% | 26.2% |
| India | 54.2% | 46.3% | 38.4% |
| Latin America | 29.2% | 25.2% | 24.0% |
| Transition countries | 19.5% | 13.9% | 10.7% |

Data Collection: Types of Surveys

| Types of Surveys | Northern Africa | Western Africa | Central Africa | Eastern Africa | Southern Africa | Africa |
|---|------------------------|-----------------------|-----------------------|-----------------------|------------------------|---------------|
| Mixed surveys (1-2 or 1-2-3) | 1 | 6 | 4 | | 2 | 13 |
| Mixed surveys (others) | 1 | | 1 | 3 | 4 | 9 |
| Combined surveys | | 1 | | 1 | | 2 |
| Establishment censuses and surveys | 4 | 9 | 2 | | 1 | 16 |
| LSMS type surveys | | 6 | 1 | 2 | 2 | 11 |
| Labor force surveys | 4 | 2 | | 3 | 8 | 17 |
| Total number of countries | 4 | 14 | 6 | 4 | 12 | 40 |

UN-ECA's Operational Guidebook on Accounting for Informal Sector in National Accounts

- **Introduction** (GDP exhaustiveness; Production boundary; Informal sector; Purpose, structure and target users of the guidebook)
- **Accounting for informal economy in national accounts** (Informal economy, informal sector and informal employment; Operational definitions and guidelines for identifying informal sector and informal employment; Measuring informal economy through direct surveys; Accounting for informal economy in national accounts)



UN-ECA's Operational Guidebook on Accounting for Informal Sector in National Accounts (Cont'd)

- **Non Observed Economy in GDP Estimates** (Non-Observed Economy Problem Areas)
- **Eurostat tabular approach for GDP exhaustiveness** (Types of non-exhaustiveness; Identification and adjustment methods for types of non-exhaustiveness)
- **Country Experiences** (Burkina Faso, Cameroon, Ghana, Lesotho, Madagascar, Mozambique, Nigeria, Senegal, Rwanda, Burundi)



Data Processing: Use of Data from Surveys and Censuses

- Observations of experience in Africa
 - Mixed survey approach: most popular in Africa (14 countries)
 - Establishment-based approach: second most popular; often taken with a census;
 - Combined survey approach: Household survey + establishment survey
 - Other approach



Data Compilation: Measuring Informal Sector

- Direct survey approach vs. indirect approach
 - To use indirect approaches for the measurement of the informal sector regardless the existence of direct survey data or not
- Incorporating informal sector into national accounts
 - Mixed (household/establishment) and combined (household + establishment) are preferred method
 - Various surveys are used as data sources (Chart 1 in the document)
- SUTs and IOT
 - Major tools for the compilation of national accounts in that they ensure the consistency of the data obtained from various sources and various approaches
 - ERETES used by 22 countries (11 of 24 countries use it effectively).



Scheme of Labor Input Matrix and Data Sources

| Sources | Agr | Mining | Manuf | Const | Trade | Hotels-rest | Transport | Finance | Admin | Ser to HHs | Ser to ent | Finance | Total |
|--|---|--------|-------|-------|-------|-------------|-----------|---------|-------|------------|------------|---------|-------|
| Population Census (A) or Labour force survey (B) or Other household survey (C) | Total employment by industries and by employment status (self-employed/paid employees), in full-time equivalent (1) | | | | | | | | | | | | |
| Other sources for formal employment: survey of formal enterprises ; social security registers; Other | Paid employment in full-time equivalent and formal employers (2) | | | | | | | | | | | | |
| Establishment Census (or Economic Census) | Total employment (self-employed and paid employees) in unincorporated enterprises with less than 5 employees (3) Total employment in incorporated enterprises and in unincorporated enterprises with 5 and more employees (4) | | | | | | | | | | | | |
| Mixed or combined household/establishment survey (D) | Total employment by industries and by employment status (1) Employment in informal sector (household survey) (5) Employment in informal sector (enterprise survey) (6) | | | | | | | | | | | | |
| Traditional residual | (1) – (2) | | | | | | | | | | | | |
| Better residual | (1) – (4) | | | | | | | | | | | | |
| Informal employment by component | (1) - (4) = (6) + [(5 – 6)] + [(1 – 5) – (4)] Informal employment = informal employment in informal enterprises + informal employment in formal sector + informal employment in unincorporated enterprises of production for own final use | | | | | | | | | | | | |

Country Case Studies: Experience and Practice in Africa

- **1-2-3 surveys**
 - DRC and Senegal
- **Household surveys**
 - Burundi (Living Cond of HH)
 - Egypt (HH Inc & Exp)
 - Ghana (Living Stand)
 - Lesotho (HH Budget)
 - Mozambique (HH Budget)
 - Nigeria (Living Stand)
 - Zimbabwe (HH Inc & Exp)
- **Labor input matrix**
 - Burkina Faso
 - Cameroon
 - Madagascar
- **Other approach**
 - Mauritius
 - Seychelles
 - South Africa



Continental-wide Efforts: Harmonized Questionnaire and Exchange of Methodology

- Training workshops and seminars for capacity building.
- African Group on Informal Sector (AGIS) and African Group on National Accounts (AGNA) to bring countries together to work in this area.
- Compiling a guidebook to operationalize the international statistical standards and recommendations and to share of country practical experience.
- Designing harmonized questionnaires and related manual for the 1-2 survey on the continent.
- Expert Group meetings on the standardized questionnaires and on the methodologic operational guidebook.
- Regular progress reports and updates of the practice used by countries to the StatCom-Africa and CoDGs.



Criteria for Identifying Informal Sector

| Criteria | Objective | Since |
|--|---|----------------------------------|
| 1. Legal organization: unincorporated businesses as separate legal entity of the owners | Identification of unincorporated businesses | - 15th ICLS |
| 2. Ownership : business created and run by members of households | Identification of unincorporated family or individual businesses | - 15th ICLS |
| 3. Type of accounting: no complete accounting system that includes balance sheets | Exclusion of quasi- unincorporated family enterprise businesses | - 15th ICLS - SNA 2008 |
| 4. Destination of production : at least some of the tradable products | Identification of unincorporated family or individual businesses producing tradable goods and services; Exclusion of unincorporated family or individual businesses producing goods exclusively for own household use | - SNA 2008 |



Criteria for Identifying Informal Employment (cont'd)

| Criteria | Objective | Since |
|--|---|--------------------------------------|
| 5. Type economic activity | Exclusion of households employing paid domestic workers Possible exclusion of enterprises engaged in agriculture and related activities | - 17th ICLS |
| 6.1 Number of persons engaged/employees/permanent employees less than n and/or 6.2 Non registration of the business and/or 6.2 Non registration of the employees of the business | Identification of informal sector business as a sub-group of unincorporated family or individual business producing tradable goods and services | - 17th ICLS - SNA 2008 |



Criteria for Identifying Informal Employment

Operationally, in the production units (formal and informal) and in households, employees are considered as having informal jobs if at least one of the following conditions has not been met:

- payment of social security protection allowance by the employer;
- paid sick leave;
- paid annual leave or compensation in lieu.



Summary and Conclusions

- Informal sector plays a very important role in African economies.
- Mixed survey (i.e. 1-2 survey) is most preferable.
- Labor input matrix is recommended to be compiled.
- To finalize the standardized questionnaire for the mixed survey: (a) screening questions to identify informal sector and (b) proper questions to survey on the informal sector.
- Training workshops and seminars, expert group meetings for exchanging and sharing of methodology, continuing the compilation of a practical operational guidebook, and further assisting and supporting countries to follow up.



Summary and Conclusions (Cont'd)

- Recommendations of best practice
 - **Mixed surveys** and **combined surveys** should be privileged and systematically implemented because they provide national accountants with full set of indicators
 - To build **labor input matrix** along with SUT to overcome the problem of data gaps due to a lack of all necessary surveys in both demand and production sides



**Thank you for your
attention!**