

# Building the System of National Accounts - informal sector

Statistics Explained

This article is part of a [set of background articles](#) explaining in some detail how statistics producers, such as national or international statistical institutes, may build a coherent [system of national accounts \(SNA\)](#), especially in developing countries. The articles are based on the official Eurostat handbook [Essential SNA - Building the basics](#) and they focus particularly on the early stages of the implementation.

In many least developed and developing countries, the observed and [non-observed informal sector](#) involves an important labour force, which contributes to economic production. This article defines and presents the criteria used to identify the informal sector, the measurement methods to be adapted to country specificities and the most relevant [statistical surveys](#) used for estimating this sector of the economy. The economic impact of the informal sector is hard to measure because of the difficulty in defining and analysing the phenomenon owing to the limited available information. This is often due to the financial restrictions faced by statistical offices and the characteristics of the informal sector in a specific country.

## Place of the informal sector in the economy

The [informal sector](#) manifests itself in different ways in different countries, different regions within the same country, and even different parts of the same city. It encompasses different kinds of activities, different types of enterprise, and different reasons for participating. Informal activities range from street vending, shoe shining, food processing and other minor activities requiring little or no capital and skills and with marginal output, to those involving a certain amount of investment in skills and capital and with higher productivity, such as manufacturing, tailoring, car repair and mechanised transport. While some informal sector activities resemble traditional activities in handicrafts, food processing or personal services, others such as car repair, recycling of waste materials or transport, are new and arise from modernisation.

1. A woman selling on street the cakes she cooked in-home. She has no license for this activity, but her cookies are bought by people from neighborhood who appreciate the taste. Sometimes she bakes cakes to order for special occasions in exchange of money.
2. A man who uses his own car and carries out a taxi activity, main (or additional) source of income. He is registered and has a licence provided by the government.
3. A woman who takes care of a child of another woman, more than 9 hours per day. She did not find another job in the area, and sees no prospects for an improved employment situation. She is paid for this job with less than the minimum threshold which is required by Government as a gross wage.

**Figure 1: Examples of informal activities**

Reasons for participating in the informal sector range from pure survival strategies undertaken by individuals facing a lack of (adequate) jobs, unemployment insurance or other forms of income maintenance, to the desire for independence and flexible work arrangements and, in some cases, the prospect of quite profitable income-earning opportunities, or the continuation of traditional activities.

It should be noted that the vast majority of informal sector activities provide goods and services whose production and distribution are perfectly legal (in contrast to criminal activities or illegal production). There is also a difference between the concept of the informal sector and that of the hidden or underground economy, because informal sector activities are not necessarily performed with the deliberate intention of evading the payment of taxes or social security, but to reduce production costs.

## Defining the informal sector

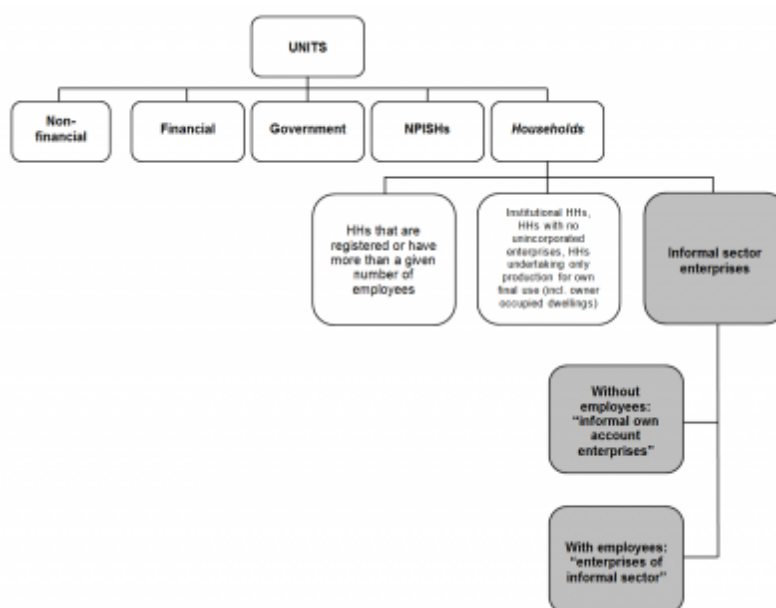
The informal sector definition was adopted by the [Fifteenth international conference of labour statisticians \(15th ICLS\)](#) in January 1993 and was linked to the conceptual framework of the SNA. This helps ensure compatibility with informal sector statistics and other economic and social statistics, and measurements of it are integrated in the overall economy. To be consistent with the framework of the SNA and provide separate GDP accounting for the informal sector, the definition was based on production units or enterprises rather than on employment relations. Furthermore, the informal sector was considered a sub-sector of the SNA institutional sector [households](#).

The above definition is only an 'umbrella definition' of the informal sector, as its scope and coverage depends on national circumstances. The conditions under which these activities come into existence and the constraints under which they are undertaken confer certain characteristics on them, leading to specific criteria for determining what is meant by informal.

The criteria used to identify the informal sector in the SNA framework may be classified as follows:

- General essential criteria:
  - legal organisation of the enterprise: unincorporated enterprise;
  - ownership of enterprise: belong to a household;
  - type of accounts: absence of separate complete accounts;
  - production destination: at least some production is destined for sale or barter, household enterprises with no market production (own-account agriculture or construction), services of paid domestic workers, services from owner-occupied dwellings being excluded.

- Additional operational criteria:
  - size limit of the enterprise: the number of employees engaged in the production is left to the country’s discretion (for international reporting, countries should provide figures separately for enterprises with less than five employees);
  - non-registration of enterprise and/or of employees in an enterprise within some arm of government;
  - economic activity: non-agricultural activity including units mainly involved in agricultural sector and performing secondary non-agricultural activities;
  - location of units: urban and rural areas.



**Figure 2: Informal sector - Source: The 2008 SNA, European Commission, IMF, OECD, UN, World bank, 2009**

Figure 2 shows the units of the informal sector in the economy.

**Production units** are household unincorporated enterprises. Depending on types of employment involved, they are further sub-divided:

- Informal own-account enterprises, which basically represent household enterprises as described above, and which may employ contributing family workers and employees on an occasional basis but not employees on a continuous basis and which have the characteristics described in the definition. Informal enterprises may comprise those who are not registered as provided by specific laws or may include all own-account enterprises.
- Enterprises of informal employers are household enterprises that employ one or more employees on a continuous basis. Depending on the country, enterprises of informal employers are determined based on a threshold employment size and the non-registration of the enterprise or its employees. All or at least some of the goods or services produced are meant for sale or barter. In many countries, household enterprises engaged in agricultural activities are deliberately excluded, although the 15th International conference of labour statisticians and [SNA 2008](#) do not recommend this exclusion.

The main recommendations for defining the informal sector are:

1. All countries should use the criteria of legal organization (unincorporated enterprises), type of accounts (no complete set of accounts) and product destination (at least some market output).
2. Specification of the employment size limit of the enterprise in the national definition of the informal sector is left to the country's discretion. For international reporting, however, countries should provide figures separately for enterprises with less than five employees. In the case of multiple-establishment enterprises, the size limit should apply to the largest establishment.
3. Countries using the employment size criterion should provide disaggregated figures for enterprises, which are not registered, as well as for enterprises, which are registered.
4. Countries using the criterion of non-registration should provide disaggregated figures for enterprises with less than five employees as well as for enterprises with five and more employees.
5. Countries, which include agricultural activities, should provide figures separately for agricultural and non-agricultural activities.
6. Countries should include persons engaged in professional or technical activities if they meet the criteria of the informal sector definition.
7. Countries should include paid domestic services unless these are provided by employees.
8. Countries should follow paragraph 18 of the Resolution adopted by the 15th ICLS regarding the treatment of outworkers/home workers. Countries should provide figures separately for outworkers/home workers included in the informal sector.
9. Countries covering urban as well as rural areas should provide figures separately for both urban and rural areas.
10. Countries using household surveys or mixed surveys should make an effort to cover not only persons whose main job is in the informal sector, but also those whose main job is in another sector and who have a secondary activity in the informal sector.

**Figure 3: Delhi Group on Informal Sector Statistics recommendations - Source: Measuring the Non-Observed Economy - a Handbook, OECD, 2002**

## Informal economy

In the extended conceptual framework, the informal economy is considered as comprising informal employment (without secure contracts, worker benefits, or social protection) both inside and outside informal enterprises:

- Informal employment in informal enterprises (small unregistered or unincorporated enterprises), including: employers, employees, own-account operators, and unpaid family workers in informal enterprises;
- Informal employment outside informal enterprises (for formal enterprises, for households, or with no fixed employer), including: domestic workers, casual or day labourers, temporary or part-time workers, industrial outworkers (including home-workers), and unregistered or undeclared workers.

The informal economy consists of a wide range of informal enterprises and informal jobs. Despite its heterogeneity, there are meaningful ways of classifying its component segments:

- by type of economic unit and
- by employment status.

Informal enterprises consist of micro-enterprises (with an employer plus some employees), family businesses (with an owner operator and, sometimes, unpaid family workers) and own-account operations (with an individual owner operator). Informal employment relations consist of informal enterprise employees as well as domestic workers without a regular contract, casual day labourers without a fixed employer, temporary workers obtaining work through an agency, part-time workers for a fixed employer, industrial outworkers for formal or informal firms (and their intermediaries) and unregistered or undeclared workers. Figure 4 presents the framework of informal employment in the economy.

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

**Figure 4: The conceptual framework for the informal economy - (a) As defined by the Fifteenth International Conference of Labour Statisticians in 1993 - (b) Households producing goods for their own final use and households employing domestic workers - Source: ILO, Decent Work and the Informal Economy Report VI, International Labour Conference, 90th Session, Geneva, 2002**

Figure 4 should be read as following:

**Dark coloured cells** refer to jobs that by definition do not exist in the type of production unit in question. **Light coloured cells** refer to jobs which exist in the type of production unit in question but which are not relevant for the informal sector. **Unshaded cells** refer to types of jobs represented in the different segments of the informal economy:

- Cells with numbers 1 and 5: Contributing family workers: no contract of employment and no legal or social protection arising from the job, in formal enterprises (cell 1) or informal enterprises (cell 5). Contributing family workers with a contract of employment, wage, social protection, etc. would be considered employees in formal employment.
- Cells with numbers 2 and 6: Employees who have informal jobs whether employed by formal enterprises (cell 2) or informal enterprises (cell 6).
- Cells with numbers 3 and 4: Own-account workers (cell 3) and employers (cell 4) who have their own informal enterprise. The informal nature of their jobs follows directly from the characteristics of the enterprise they own.
- Cell with number 7: Employees working in informal enterprises but having formal jobs (this may occur, for example, when enterprises are defined as informal using size as the only criterion).
- Cell with number 8: Members of informal producers' cooperatives.
- Cell with number 9: Producers of goods for own final use by their household (e.g. subsistence farming).
- Cell with number 10: Paid domestic workers employed by households in informal jobs.

## How to measure the informal sector

### Estimation methods

Several approaches may be used to estimate activity in the informal sector. The choice or combination will depend on the objectives which range from very simple such as only having information about the evolution of number and characteristics of persons involved in the informal sector, or more complex such as obtaining detailed information about the characteristics of the enterprises involved, the main activities undertaken, number of employees, income generation, capital equipment, etc. The choice of measurement method depends upon data requirements, statistical systems organisation, financial and human resources capability and user needs, especially policy makers involved in economic decision taking.

In Mozambique the majority of economic units concerned with the NOE phenomena are included in the informal sector. In order to estimate the size of this part of economy, a project was conducted with the technical assistance of ISTAT (Statistical Institute of Italy). Due to the lack of other informative sources, a specific survey directly measuring IS (**INFOR04**) has been carried out in order to improve the knowledge on its characteristics. However, due to the continuous changes in the IS, the update of information proves to be a fundamental aspect; implementing a survey on a regular basis to study the IS is of course a solution, but rarely feasible, because of its high costs. Consequently, a two-step approach was experimented in Mozambique:

1. **The INFOR04 survey**, in which designing and implementing a specific sample survey on IS was designed and implemented in 2007 (INFOR04). The questionnaire was designed based on the socio-economic framework of the country. The starting point was not to ask the interviewer to decide whether the respondent belonged to IS but to ask him/her to propose questions to the respondent following a set of filtering rules that, step by step, would help to identify people belonging to IS; hence a questionnaire filter area was designed. In this module, questions about the recording of the activity in any register (at national and/or regional level, at the tax agency, etc.) were considered. In addition to the module, other modules of the questionnaire asked for the characteristics of the job such as the kind of activity, the plot production etc. Results were analysed and validated by the Mozambican experts. The figure shows the importance of the informal sector that actually is the largest part of the Mozambican labour force.
2. **An indirect estimation of Informal Sector**: the experience of the 2008 **Household Budget Survey** using an attached ad-hoc module. Since to run an IS survey every year is not sustainable, a sub-optimal solution was found in taking advantage of some other already planned surveys to gather information on, at least, the most important variables featuring the IS. It was decided to include in the questionnaire of the Mozambican 2008 Household Budget Survey (**IOF08**) a module similar to the questionnaire filter of INFOR04 used to understand whether the unit can be included in the informal sector or not. These information associated with those of some variables of IOF08 may give some interesting results on the IS that can be used to update the results of INFOR04. Of course the quality of estimates related to the IS variables may be affected by the fact that the focus of IOF08 is on different aspects, for instance the different definitions of variables, and the different preparation of interviewers. The results show that the quality of the process should and could be improved. The estimates were only reliable at a high level of aggregation. Nevertheless, this way of proceeding is feasible and further steps towards quality can be easily done taking into account this first experience.

In particular it was noticed that an improvement of data quality can be obtained by making the interviewer more sensible to the IS questions in order to avoid measurement errors and partial non-responses that were actually one of the main problems of this experience. In our opinion, using a IS module attached to a Labour Force Survey or to a Living Standard Measurement Survey could avoid most of the problems met with the HBS because of the similarity of topics to be dealt with.

**Figure 5: Examples of informal sector surveys - Source: How Can We Measure the Informal Sector?, Dalisay S. Maligalig and Margarita F. Guerrero**

The main methods used to obtain estimates of the magnitude of the informal sector can be separated into three classes:

### 1. Direct methods

Direct methods are microeconomic in nature and based on surveys or the results from tax audits used to construct estimates of total economic activity and its official and unofficial (or measured and unmeasured) components. In order to make a direct estimate of the informal sector several approaches are used:

- to conduct a special survey on the informal sector;
  - to expand the coverage of the existing regular surveys, such as labour force or household surveys, with information pertaining to the informal sector;
  - to carry out mixed household–enterprise surveys.
- Special surveys on the informal sector, even if they are the most appropriate for data collection, are very costly and often entail sizeable financial and human resources.

### 2. Indirect methods

Indirect methods are macroeconomic in nature, and combine various economic variables and a set of assumptions for producing estimates of total economic activity (that is, measured and unmeasured, official and unofficial). Hence, only the size of the informal sector may be estimated, not any other relevant information and indicators about the country, like the extent of social protection, access to education, health, credit, differences in wages and working conditions and prevalence of poverty. Indirect methods can be sub-classified as follows:

- Discrepancy methods that rely on differences between aggregate income and expenditure that capture the economic activity of the informal sector or between labour force and formal employment. This estimation of the informal sector based on the differences between aggregates requires having independently obtained measures of GDP using expenditure and income approaches and thus, limiting its application in practice.
- Monetary methods are by far the most used in the empirical literature. They are based on the assumption that hidden transactions use only cash; so, estimating the quantity of money in circulation

and then taking away the incentives that induce agents into informality (usually taxes) should give a good approximation of the money used in informal activities.

- Physical input methods use discrepancies in electricity consumption and GDP. This method has limitations due to the assumption of a constant coefficient of use per unit of GDP which does not consider technological progress and starts its estimation from a base year in which the magnitude of the informal economy is zero or negligible (an unrealistic assumption for most countries).

### 3. Model approaches

The Model approach for measuring the informal sector involves using structural equations to link unobserved variables to observed indicators and cause. The most common method is that of the Multiple Indicator–Multiple Cause (MIMIC) model that imputes a level of underlying informality from a set of presumed causes of informality on the one hand, and measurable consequences of it, on the other. Among the causes that can be included are taxation level, inflation, salaries, and unemployment; the indicators refer to the currency in circulation and real GDP. The two main components of the model, the measurement equation and the structural equation, provide the size of the informal economy using the causes and indicators included in estimations.

The use of the model is not recommended for compiling national accounts. As [ISWGNA](#)<sup>1</sup> presented, these methods suffer from serious problems that cast doubt on their utility for any purpose in which accuracy is important, such as the estimation of national accounts indicators.

### Statistical data for estimating the informal sector

A major challenge for developing countries and economies in transition is the statistical measurement of the informal sector with respect to size, characteristics and contribution to GDP.

There are not many countries that conduct regular surveys to measure employment in this sector and even fewer measure its contribution to GDP.

One of the main reasons for the lack of estimates is the limited resources of national statistical systems which do not allow for integrating regular data collection on the informal sector.

Depending on their objectives, countries use a variety of survey tools for measuring the informal sector, including independent ad hoc surveys, mixed household-enterprise surveys, labour force or other household surveys, enterprise/establishment surveys and economic censuses. For example, some statistical offices adopt a fragmented approach using different methods, questionnaires and reference periods in conducting *ad hoc* industry surveys of informal sector enterprises which reflect, for instance, the relative importance attached to a particular industry at a given point in time. Other countries limit their surveys to major urban areas only.

Bearing in mind that resources are often limited in countries with a large informal sector, national statistical offices should prioritise their strategic objectives for estimating the informal sector.

The first step, as for the general strategy for the SNA implementation offered in the article [Building the System of National Accounts - strategy](#), is that the main users of the statistics are consulted. This consultation ensures that the data to be produced is relevant to the needs and priorities identified at national and international levels and builds support for developing statistical programmes.

The [ILO guidelines](#) on employment statistics in the informal sector and informal employment serve as a framework for defining the main measurement objectives and data requirements necessary for establishing the national data collection programme. The main data which needs to be provided with respect to the informal sector refer to:

- the number of persons engaged in informal sector units by employment status and kind of economic activity and
- the number of informal sector enterprises by kind of economic activity and by type (i.e. informal own-account enterprises, informal employer enterprises).

The second step of the strategy refers to establishing the approach for collecting data and defining the main indicators to be estimated. The various survey approaches used are:

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<sup>1</sup>See: SNA News, Number 22/2006

### 1. Household surveys

These surveys including [labour force surveys \(LFS\)](#) and [household income and expenditure surveys](#). They are the best data collection tools if the objective is to monitor the evolution of informal sector employment and informal employment in terms of the number and characteristics of the persons involved and the conditions of their employment and work. For this purpose, questions pertaining to the definition of the informal sector can be incorporated into LFS survey questionnaires and asked in respect of all persons employed during the survey reference period, irrespective of their employment status. A household income and expenditure survey provides information about household demand for goods and services produced in the informal sector.

However this method, not being an appropriate source of information for estimating the total number of informal sector enterprises, is limited as far as disaggregation by industry, estimation of the total demand for informal production and other economic characteristics are concerned.

### 2. Enterprise survey

The most suitable approach for data collection when the objective is to monitor the number and characteristics of the informal sector units is to use enterprise and establishment surveys. These types of surveys provide reliable information on different aspects, such as: the number and characteristics of the businesses involved; their production activities, income generation, and fixed capital; the conditions and constraints under which they operate; their organisations and relationships with the formal sector, etc.

However, an enterprise survey fails to capture the diversity and mobility of informal sector activities as they do not cover households.

A crucial aspect underlying the quality of the statistics produced by informal sector enterprise surveys is the framework used to select the survey sample, particularly how complete and up-to-date it is. A business register can usually be used, when one exists, although in general it does not cover informal sector enterprises. An establishment census offers an alternative, even if it represents an 'upper' frame for the informal sector, especially for 'identifiable' establishments. However, constraints in using such data sources are: high costs, possible overlaps, failure to capture enterprises such as in-home food processing, ambulant trade, construction, etc. For these reasons, countries considering the possibility of establishing a regular statistical programme for the informal sector based on this approach need to plan early on how the approach would fit within the overall data collection schedule and with the financial and human resources available.

### 3. Mixed household and enterprise surveys

This approach includes:

- The modular approach: informal sector attached to household survey. In this case, a special questionnaire for evaluating the informal sector is attached to the existing LFS or household survey and the two surveys can be conducted simultaneous or, more usefully, subsequently (first the household survey and then the informal sector survey). This approach permits monitoring of trends in the informal sector over time, if the base survey (the household survey) is conducted regularly and an informal sector module is attached at sufficiently frequent intervals.
- The standalone approach: informal sector survey designed as an independent survey represents a better option from a technical point of view because its sample can be specifically designed and selected to meet the set requirements (for example by branch of activity). The use of this approach is based on a multi-stage design involving the following steps: (i) selection of areas (census enumeration areas) as primary sampling units; (ii) listing or interviewing of all households in the sample areas; (iii) selection of sample households with owners of informal sector enterprises (household unincorporated enterprises with some market production) and (iv) interview of sample householders and enterprise owners. The advantages in the quality of the results obtained using this approach must be balanced against the complexity of the survey and operations required (sample design, estimation procedures, qualified survey staff, sound training of interviewers, etc.).
- Integrated approach: informal sector surveys as part of a survey system designed to meet several objectives. These are seen as special types of modular surveys. They are designed to meet several measurement objectives at the same time, such as data collection for the informal sector, labour force characteristics, household income and expenditure, etc. For this reason, this approach is especially useful for countries that do not have a regular household survey to which an informal sector survey can be attached. These surveys are based on a sample in which the number of households with informal sector enterprises is extended as much as possible in order to obtain a larger representation of the various types of informal sector.

The different approaches presented highlight the diversity in scope and coverage of the various informal sector surveys, which complicates their comparability across countries and over time (see Figure 6). At the same



time, flexibility in criteria adaptation is an important characteristic for measuring the informal sector given its unique economic structure and policy interests in each country. Bearing in mind the need for flexibility and international comparability of the dynamics and structure of the informal sector, the best approach is the Fully Integrated Rational Survey Technique (FIRST) methodology. This approach is based on a modified mixed household-enterprise survey integrated into a comprehensive data collection programme on economic statistics. However, its application requires financial and human resources and is difficult to conduct on a regular basis.

Type of survey \ Region	Africa	Asia & Pacific	Latin America	Economies in transition	Total
Mixed survey	15	2	4	1	22
Labour Force Survey	8	6	14	5	33
Households survey	11	–	5	2	18
Establishment censuses and survey	11	4	–	–	15
<b>Total</b>	<b>45</b>	<b>12</b>	<b>23</b>	<b>8</b>	<b>88</b>

**Figure 6: Number of surveys on the informal sector across countries and data collection methods**  
 - Source: Informal sector: Statistical definition and Measurement issues, P. Gennari, 2004

Addressing these critical issues in data collection on the informal sector, the [Interregional Cooperation on the Measurement of Informal Sector and Informal Employment \(ICMISIE\)](#) <sup>2</sup>project proposed the '1-2' survey, which is a specific kind of mixed household-enterprise survey.

The '1-2' survey utilises the LFS in the first phase as a tool for collecting information on informal employment and some of the required informal sector data items. Each individual respondent in the LFS will be asked about his/her main and second jobs so that Household Unincorporated Enterprises with at least some Market production (HUEMs) can be identified. In this way, the data collected through the LFS construct the sample frame for the second phase, which is an enterprise survey for household unincorporated enterprises with at least some market production (HUEMs) as a statistical unit. The HUEMs survey collects data on production in line with international recommendations on industry, construction, trade, and services statistics.

The '1-2' survey can be successfully used by developing countries with limited budgets for data collection but with a large informal sector impacting on the development of their economies. They can conduct the survey once a year; while the HUEM survey may not be conducted annually, LFS surveys will gather information on informal employment that may be used for identifying informal enterprises. In this way, the informal sector's contribution to GDP can be fully integrated into the national accounts data compilation framework.

<sup>2</sup>ICMISIE is a multiyear and multilateral development account project of the United Nations, with the Economic and Social Commission for Asia and the Pacific as lead agency, whose objectives is to increase the availability of data on the informal sector and informal employment and to improve the calculation of the informal sector contribution to employment and GDP.

Interregional Cooperation on the Measurement of Informal Sector and Informal Employment was an important project developed by UN Economic and Social Commission for Asia and the Pacific (ESCAP), in cooperation with the Economic and Social Commission for Western Asia (ESCWA) and Economic Commission for Latin America and the Caribbean (ECLAC). The project was implemented in the period 2007-2009 in close collaboration with United Nations Statistics Division (UNSD), International Labour Organization (ILO), the Delhi Group, Economic Commission for Europe (ECE), Economic Commission for Africa (ECA), WIEGO (Women in Informal Employment: Globalizing and Organizing).

Recognizing the importance of data on the informal sector and informal employment, and their effective use, in promoting evidence-based socioeconomic policies and achieving the Millennium Development Goals and Targets, the objectives of the project were to improve the availability and the analyses of data on the informal sector – including employment and contribution to the GDP – and informal employment in developing countries and countries with economy in transition.

The first component of the project was to raise awareness among the national statistics offices and other government agencies in the participating countries of the importance of collecting and disseminating informal sector and informal employment data, and incorporating it into employment and GDP estimates. The second component was to enhance the capacity to collect, compile, analyse and disseminate informal sector and informal employment data complying with international methodological standards. The expected outputs were published informal sector and informal employment data, and a country report covering data collection, compilation, dissemination and analysis experience throughout the project. The project also contributed to the conceptual work on the informal sector by proposing a standardized data collection strategy and producing internationally comparable data.

One of the countries participating in this project was Saint Lucia, who carried out the "1-2" survey in order to estimate the informal sector and integrate it into the country's national accounts.

**Figure 7: Interregional cooperation project - Source: Interregional cooperation, UNESCAP (an example report from St. Lucia is available here)**

## Concluding remarks

The informal sector represents an important part of developing economies, and governments and international organisations are focussing their attention towards understanding what proportion it represents, why it exists and how it operates so as to take adequate measures to reduce it. Measuring it is an important challenge for developing countries.

The SNA implementation strategy will take the informal sector into account when the compilation of national accounts is well established by using the main phases presented in [Building the System of National Accounts - strategy](#). Information about size and characteristics of the informal sector must be obtained in order to help decision-makers take pertinent measures aimed at improving a country's welfare and reinforcing the important role of national accounts within the statistical system.

## Questions for practitioners

To ensure the exhaustiveness of estimates represents one of the goals of national accountants. In order to build an appropriate strategy for NOE and informal sector estimation, improvement is useful to clarify the following issues:

- Which are the NOE elements in your country?
- How big and important is the informal sector in the country? What are its components?
- How concerned are the main users about any of the NOE problem areas? The bigger their concerns, the more effort NOE measurements merits.
- Is a strategy developed in the statistical office to start the NOE and informal sector estimations or to improve them? Does the statistical office have a multi-year plan and what is the NOE's place in this plan?
- Does the statistical office recognise and attach appropriate importance to its structure in order to implement and develop an NOE and informal sector measurement strategy?
- Could the available data sources be used for estimating the NOE and informal sector? What new surveys must be implemented in the statistical system or new administrative sources used?
- Are there partnerships with administrative agencies with a view to better use of administrative sources to satisfy statistical office data needs; in particular, to address NOE coverage problems and the informal sector?
- Are methods to estimate the NOE and informal sector applied? What are the results? What is the quality of the results? Are the estimates disseminated?

## Other articles

- [Building the System of National Accounts](#) (online publication, overview of all articles)

## Dedicated section

- [International statistical cooperation](#)

## Publications

- [Essential SNA - Building the basics](#)

## External links

- [Afristat](#)

[Guide methodologique pour l'elaboration des comptes nationaux dans les états membre d'Afristat](#) , Afristat, Serie Méthodes No.4, 2001, Chapter II-V: La prise en compte du secteur informel dans les travaux de comptabilité nationale

[International Seminar on Informal Sector - Publications](#) , organised by AFRISTAT, Mali, 2008

- [Bramhla Macis J. - Modelling the informal economy in Mexico; A Structural Equation Approach](#) , MPRA paper No.8504, 2008
- [IMF Working Paper No. 00/204 - Comprehensive Measures of GDP and the Unrecorded Economy](#) , Adrian Bloem and Manik Shrestha, December 2000
- [International Labour Office](#)

[ILO, Decent Work and the Informal Economy Report VI](#) , International Labour Conference, 90th Session, Geneva, 2002

[Measuring the informal economy: from employment in the informal sector to informal employment](#) , Ralf Haussmanns, working paper no.53, International labour Office (ILO) 2004

[Women and men in the informal economy - A statistical picture](#) , International labour Office (ILO) 2002

- [OECD - Measuring the Non-Observed Economy - a Handbook](#) , 2002
- [United Nations](#)

[Documents of the Workshop on Informal Employment and Informal Sector Data Collection Strategy, Tools, and Advocacy](#) , Bangkok, ESCAP, 2007

[Eurostat's Tabular Approach to Exhaustiveness - Guidelines](#) , Eurostat and UN 2005

[Household Accounting: experience in concepts and compilation](#) , Studies in Methods, Series F no 75/vol.1, UN 2000, Chapter II: The informal sector as part of the household sector

[Informal sector: Statistical definition and Measurement issues](#) , P. Gennari, 2004

[Measurement of Informal Sector and Informal Employment in St. Lucia](#) , ECLAC 2010

[Non-Observed Economy in National Accounts: Survey of Country Practices](#) , UN, 2008

[Strategies for Measuring Industrial Structure and Growth](#) , Studies in methods, Series F, No.65, UN 1994

[The '1-2' Survey: A data collection strategy for informal sector and informal employment statistics](#) , UN 2009

[The 2008 SNA](#) , European Commission, IMF, OECD, UN, World bank, 2009, Chapter XXV: Informal aspects of the economy

- [World Bank - Measuring the size of the informal sector](#)