

Guidance Notes

Informal Economy Task Team

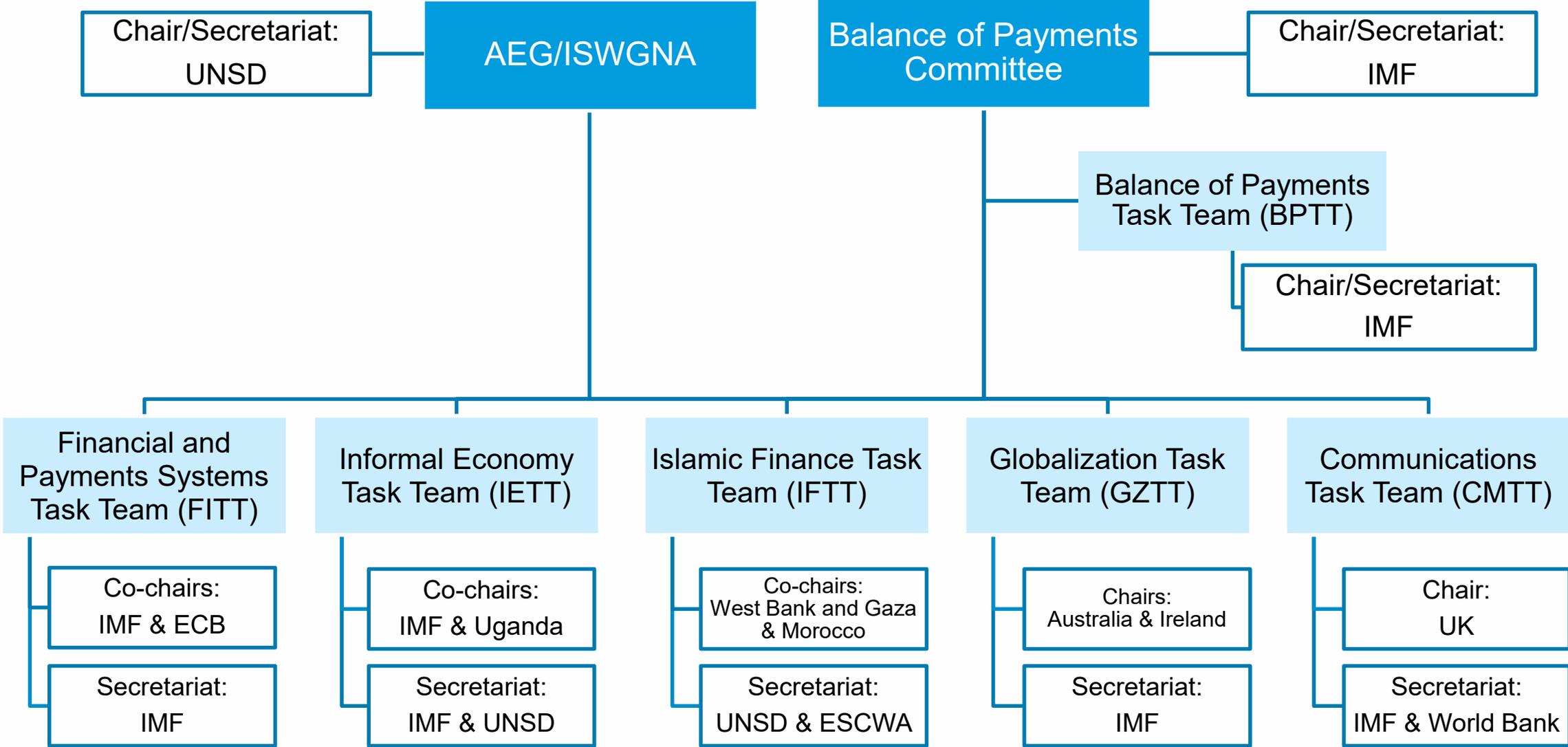
Update of the Statistical Manuals
(*2008 SNA and BPM6*)

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The views expressed herein are those of the author and should not be attributed to the IMF, its Executive Board, or its management

Joint Task Teams for Updating the *BPM6* and the *2008 SNA*



Mandate of IETT

- Mandate spans mostly Phase I of the update process (now to March 2022). Within that timeframe, the IETT is expected to:
 - undertake thorough research on informal economy issues
 - discuss and reach conclusions, with proposals to be presented to the AEG/ISWGNA, BOPCOM and the ILO Working Group for the Revision of the Standards for Statistics on Informality
 - propose a testing and experimentation strategy for the guidance notes
- The IETT may also be consulted during Phase II on an “as-needed” basis, should any significant issues arise during the worldwide consultation process.

Mandate of IETT

Prepare **guidance notes** that:

- ✓ Present a coherent set of statistical standards necessary for measurement of work and economic activity, including cross-border transactions, in the informal economy.
- ✓ Identify and delineate the statistical issues on the informal economy that should be addressed as part of the update of the Manuals

Guidance notes should be based on country practices and contribute to global coverage and harmonization of statistics on the informal economy across countries.

To avoid duplication, IETT will:

- ✓ Take account of current or completed work on topics related to research issues under its purview.
- ✓ Coordinate with other Task Teams or Working Groups.

What is the Informal Economy—Conceptual Fragmentation

Shadow economy—underground economy—unrecorded economy—grey economy—black economy...and about 30 different terms*

Common themes (emphasis may change)

- ✓ the part of the economy that is missing or not easily covered in official statistics,
- ✓ production taking place outside the regulated economy,
- ✓ the production of households.

much of the policy discussions—and measurements—are affected by these varied, broad definitions that are not always consistent.

* Handbook on Measuring the Non-observed Economy (2002)

What is the Informal Economy—2008 SNA

- **2008 SNA outlines two approaches with different goals that overlap but are NOT the same**
- Exhaustiveness: Ensure that all activities including those that may be described as “hidden” or “underground” are encompassed in measures of total activity (non-observed economy)
 - Goal is an accurate measure of economic activity
 - A view of the economy that is as complete as possible and is as comparable over time and across countries as possible

Non-observed economy

What is the Informal Economy—2008 SNA

- Define what is meant by the **subset of economic units** that can be considered “**informal**”
 - ***Recognizes the analytical importance, especially in developing countries, of measuring that part of the economy that reflects the contribution of people without formal jobs to economic activity***
 - *Implications*
 - ✓ *Taxation—broadening the tax base*
 - ✓ *Income inequality—lower average wages*
 - ✓ *Gender equality*
 - *COVID-19 pandemic and the informal economy*
 - ✓ *Informal economy may be more susceptible to external shocks*
 - ✓ *Lockdowns and the lack of social protections*

Guidance Note A: Statistical Definition and Scope

- ✓ Overarching guidance note
- Statistical framework and classification of informal economy (including identifying aspects of the informal economy in existing classification systems)
- A common/ integrated conceptual and operational definition of the informal economy, taking account of various concepts of informality
- Cross-cutting issues, including the delineation of illegal/underground/non-observed activities and the delineation of formal/informal/own final use production/non-profit institutions in the economy.
- Build on the ongoing work of the ILO Working Group

Guidance Note A: Statistical Definition and Scope

SNA production and formal/informal economy dichotomy

➤ Production or employment that is neither formal or informal?

The parameters of the informal economy

- ✓ Economic units
- ✓ Producers/Activities
- ✓ Employment and jobs

Special issues:

- ✓ Production of goods for own use
- ✓ Illegal activities/illicit financial flows

Guidance Note B: Informal Economy and Cross Border Flows

Production in the informal economy that may be directly related to cross-border transactions

✓ mainly in the current account

- Household production of tourism services for non-residents, including vacation rental services and operating small eating establishments.
- Remittances transmitted through informal channels by workers without access to formal financial institutions.
 - the informal “hawala” system predominantly used in the Middle East and South Asia, represents one form of informal money transfer.
 - ▶ These workers may also be engaged in informal employment, including short-term and seasonal work, because they may not have the appropriate employment permits.
- Income from informal economy production may also transmit the remittances through formal money transfer channels.

Guidance Note C: Informal Economy and Digitalization

- Relationship between digitalization and the informal economy:
 - Data collection from digital platforms (collaboration with the Digitalization Task Team).
 - Digital platforms can be a useful source of data on informal activity as they provide a link between formal enterprises and the informal economy
- Increasing household participation in production activities facilitated by digitalization
 - Ride sharing services (Uber)
 - Accommodation services (Airbnb)
- Conventional household surveys and enterprise surveys may need to be transformed to collect comprehensive information on the production of households.

Guidance Note D: Informal Economy Presentational Framework

Presentation in the system of national accounts and the external sector statistics to ensure users have a clear understanding of the informal economy and its evolution.

How aspects of the informal economy may be identified in existing classifications and accounts or the development of special classifications and accounts.

Recognize the flexibility of the statistical standards to provide for alternative presentations of the underlying accounting frameworks

- ✓ while remaining internally consistent and integrated.

Timeline for Guidance Notes

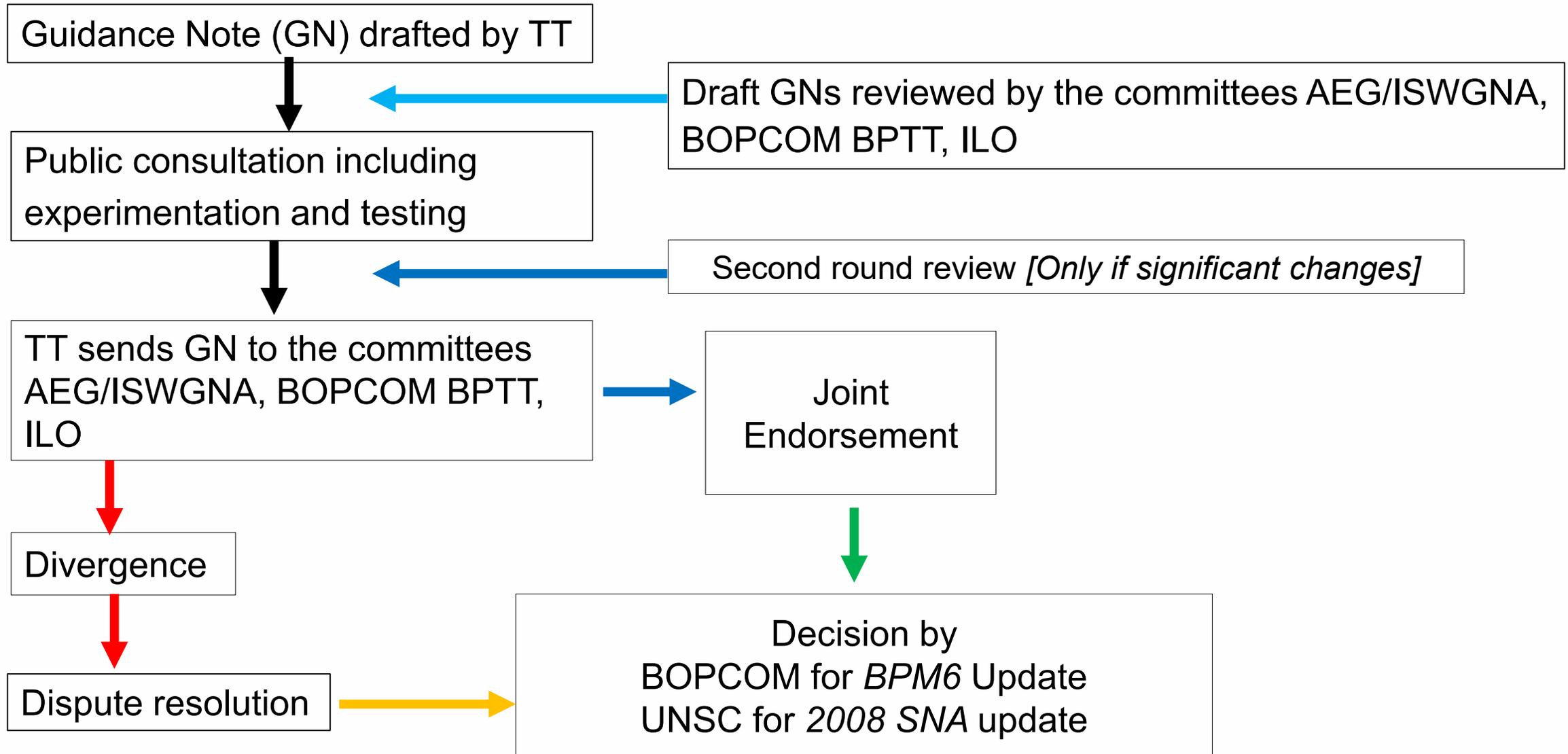
October 2021

- ✓ Overarching Guidance Note: Statistical Definition and Scope
- ✓ Informal Economy and Cross Border Flows
- ✓ Informal Economy and Digitalization

February 2022

- ✓ Informal Economy Presentational Framework

Guidance Note Life Cycle



Terms of Reference and other information on the work of the
IETT available at:

<https://www.imf.org/en/Data/Statistics/BPM/IETT>

Thank You