



Mexico: in-depth review, outcomes and comparison of Guidance Note on Informal Economy concepts and current practices and challenges in setting in practice the statistical framework for the new base year 2018 for the SNA Mexico.



25 may 2022

ÍNDICE

1

**In- Depth Review
and Statistical
Framework of the
Informal Economy**

2

**Measurement of the
Informal Economy
in Mexico**

3

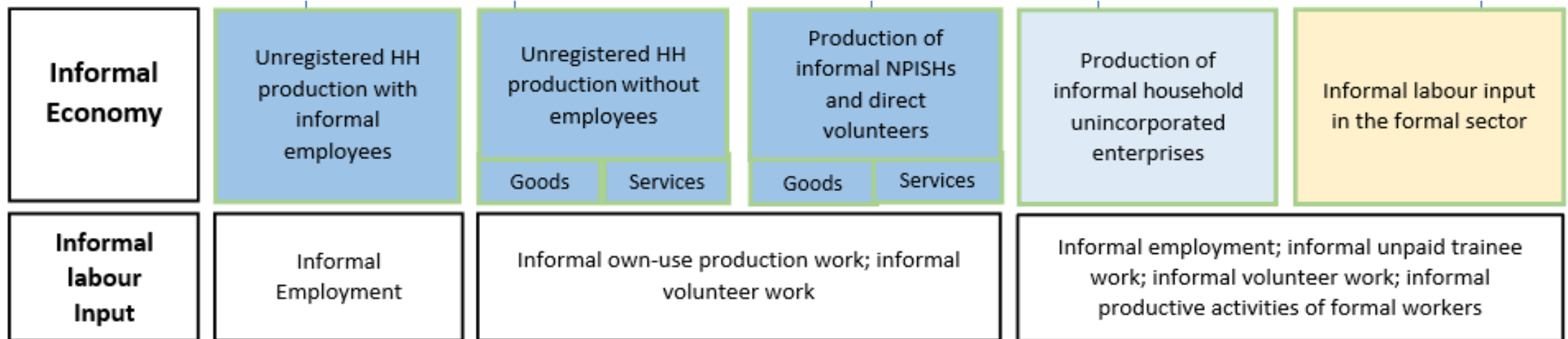
**Challenges for the
new base year 2018
the SNA Mexico**

SCOPE OF THE INFORMAL ECONOMY



Step 1: Identifying the **domain** of the economy : Household own-use production, Informal sector and Informal work and its compensation in the Formal sector.

Step 2: Identifying which productive activities are **informal**.



Source: IE.1 Statistical Framework for the Informal Economy, Joint Informal Economy Task Team (IETT)

Informal economy

The overarching concept of informal economy is defined as constituting of all informal productive activities carried out by workers or economic units within the general production boundary. (2008 SNA, para. 6.25).

Informal productive activities

All productive activities carried out by persons or economic units that are –in law or in practice – not covered by formal arrangements.

SCOPE OF THE INFORMAL ECONOMY



- **Informal productive activities in the formal sector.**

Undeclared and underdeclared production activities by formal economic units are not considered in the framework for the informal economy but should rather be accounted for as non-observed production activity as part of exhaustive measures of production.

Formal economic units can, however, use informal labour inputs for their production. These labour inputs are part of the informal economy.

Workers with formal jobs can also provide informal labour inputs to formal enterprises. For example, when income and hours worked are not declared.

- **The informal sector**

This domain is a subsector of the household sector and comprises all informal unincorporated household enterprises with the following characteristics:

- Production mainly intended for the market. This is a departure from the criterion that at least some production must be sold or bartered in the current ILO definition.
- Are not registered for tax purposes or similar registrations.

SCOPE OF THE INFORMAL ECONOMY



- **Informal production in the household own-use production domain**

- Households producing goods and services mainly intended for own use.
- Informal or temporary NPISHs producing goods and services.
- Direct volunteer work.

Housing services of owner-occupiers are by convention excluded from the informal economy. No informal labour inputs are used for this production activity.

Paid domestic staff are employed by households who are using the labour to produce goods and services for own use. This production is only informal if all paid domestic staff are informal employees.

In-Depth Review

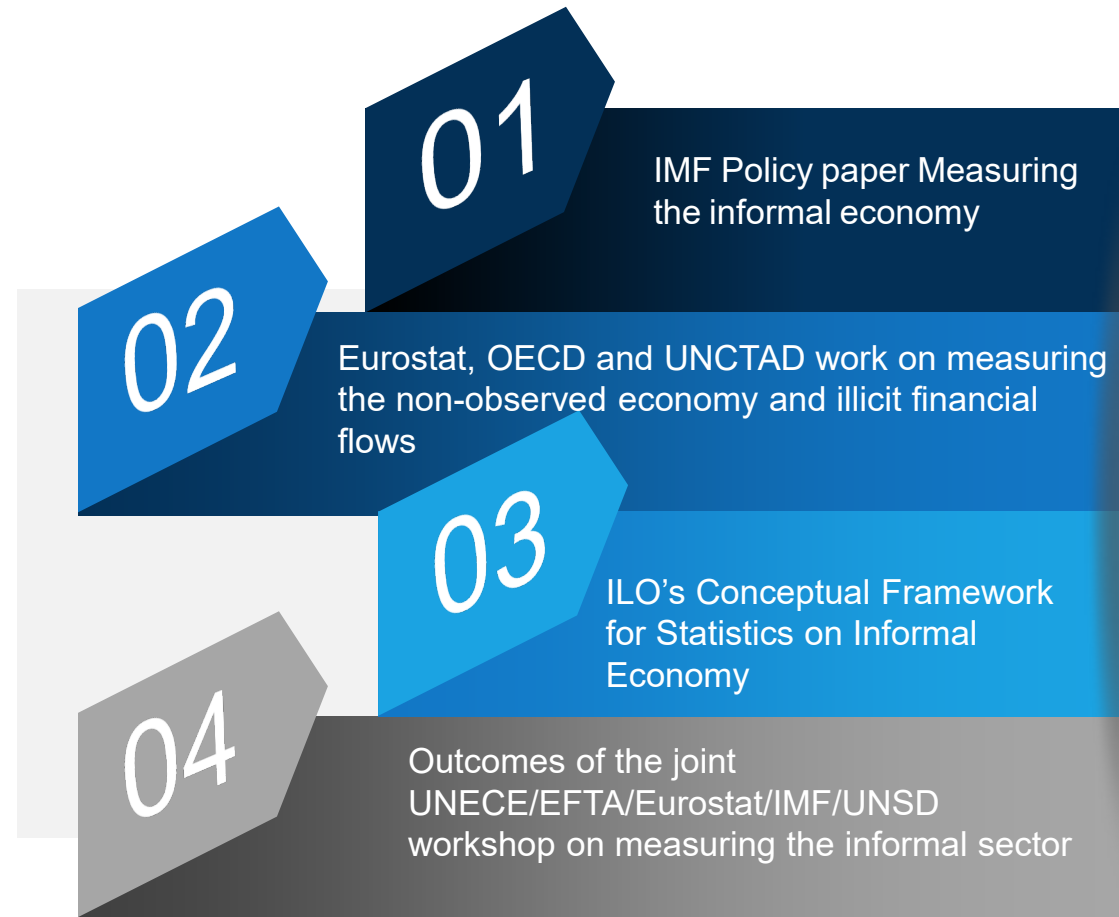


SOURCES

In October 2021 the CES Bureau conducted in-depth review of measuring the informal economy

UNECE, IMF and Mexico prepared the paper providing the basis for the review:

- Policy needs and definitions
- International statistical activities
- Country practices
- Issues and challenges



FRAMEWORK FOR THE INFORMAL ECONOMY



The 2008 SNA recognizes two separate goals:

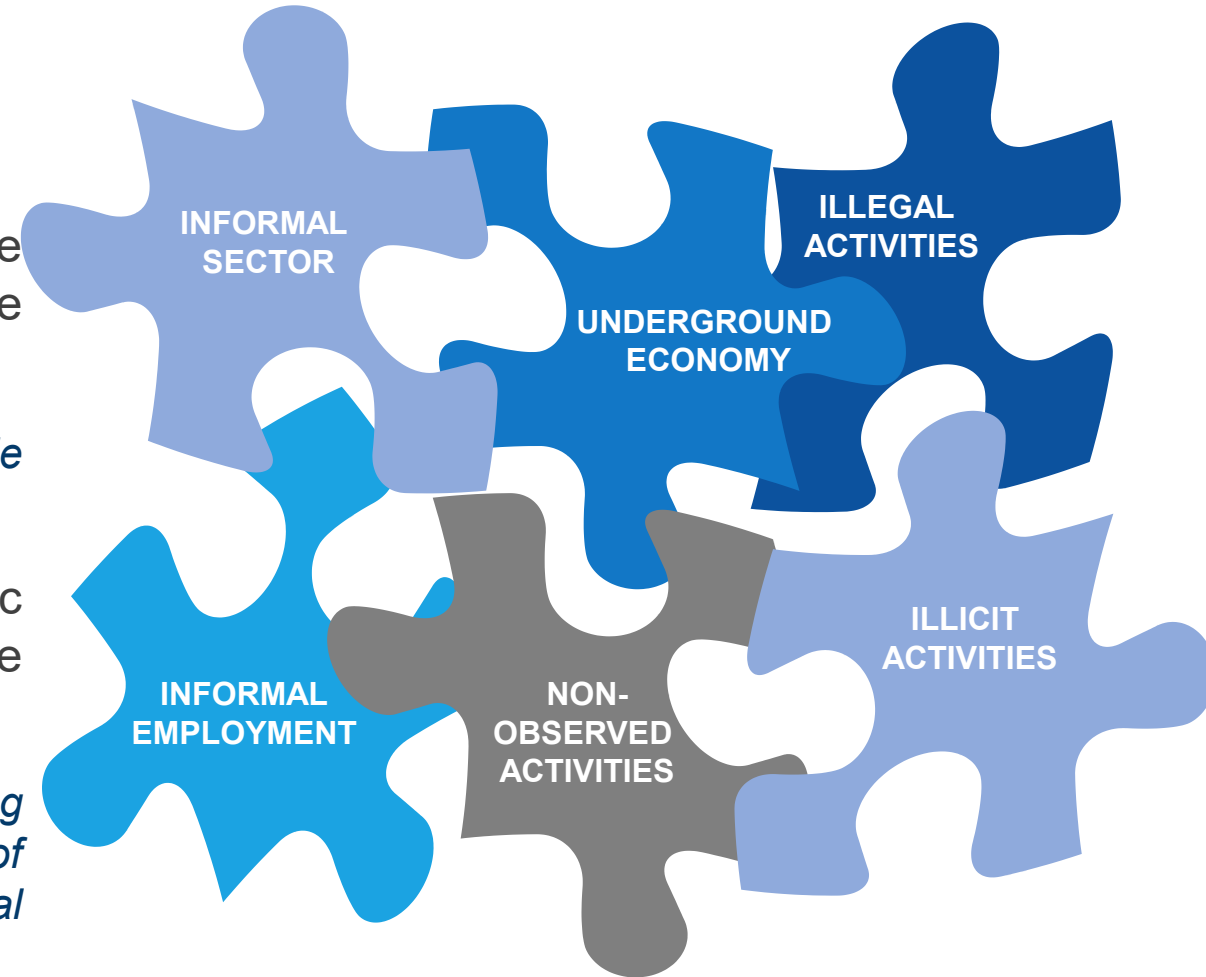
1. "...the first is to ensure that all activities including those that may be described as "hidden" or "underground" are encompassed in measures of total activity.

To have a complete view of the economy that is comparable over time and across economies.

2. To define what is meant by the subset of economic units that can be considered "informal" and to measure this" (2008 SNA. 25.1).

Recognizes the analytical importance, especially in developing countries, of being able to measure and delineate that part of the economy that reflects the efforts of people without formal jobs to engage in some form of monetary economic activity.

(2008 SNA, para 25.3).



FRAMEWORK FOR THE INFORMAL ECONOMY



The proposed statistical framework on informality, focusing on the perspective of the **economic unit** and **its relation to informal productive activities** and the **informal economy**.

The purpose is to include all **SNA institutional units** in the economy depending on their **formal** or **recognized status** and whether **their production** is mainly intended **for the market** (either market or non-market production) or **mainly own-use production**.

INTERNATIONAL STATISTICAL ACTIVITIES

2002

**Measuring the
Non-Observed
Economy, A
Handbook**

OECD, ILO and
IMF

2005

**Eurostat
Tabular
Approach to
Exhaustiveness**

Developed for
the EU
candidate
countries

2008

**Non-Observed
Economy in
National
Accounts**

UNECE survey of
country practices

2016

**UNCTAD
informal cross-
border trade**

2017

**Task Force on
the Informal
Economy
under IMF
BOPCOM**

2018

**Women and
Men in the
Informal
Economy: A
Statistical
Picture.**

INTERNATIONAL STATISTICAL ACTIVITIES

2019

ILO's Working Group for the Revision of the Standards for Statistics on Informality.

2019

Seventh IMF Statistical Forum “**Measuring the Informal Economy**”

2021

UNECE, EFTA, Eurostat, IMF and UNSD workshop on **Measuring Informal Economy for Eastern Europe.**

Eurostat Tabular Approach on Exhaustiveness

2021

UNCTAD and UNODC **Conceptual Framework and Guidelines for the Statistical Measurement of IFFs**

2021

SNA and BPM Update **Informal Economy Task Team**

CHALLENGES OBSERVED IN THE IN-DEPTH REVIEW



The lack of a well-established statistical framework hampers international comparability



Estimate

Separate Informal and non-observed economy



Digitalization

Digitalization and globalization are issues to be tackle.



Surveys

Informal activities specific surveys or adaptation of LFS would be needed.



Resources

Weak statistical systems and resources impede data collection of new services and modes of employment.

CONCLUSIONS AND RECOMMENDATIONS



TERMS & CONCEPTS

Clarification of terminology and concepts. The distinction between non-observed and informal economy: the concepts are linked but respond to different policy needs.

FRAMEWORK

Integrate the measurement of informal economy in the updates of SNA and BPM.

PLATFORM

Setting up a platform to share experience and discuss measurement issues would be useful.

COMMUNICATION AND ENGAGEMENT

Results should be presented in a clear and meaningful way to the users.



UNECE

The UNECE Steering Group on National Accounts to consider the best way to facilitate the implementation of the new framework for measuring informal economy in CES member countries.



MEASUREMENT OF THE INFORMAL ECONOMY IN MEXICO



MEXICO

INFORMAL ECONOMY

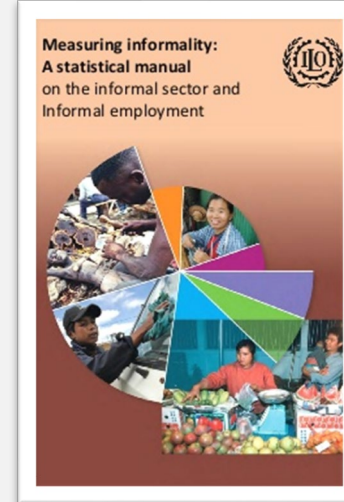
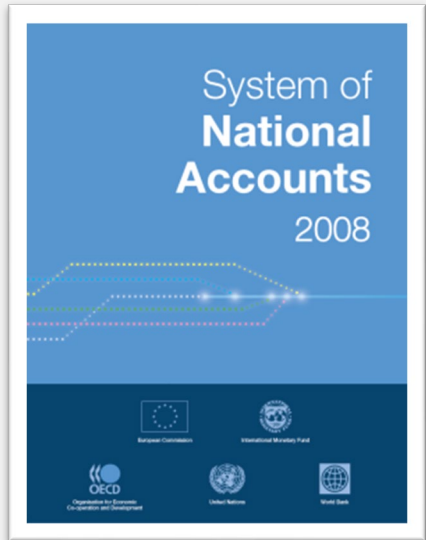


The Informal Economy, which integrates:

- Informal Sector and
- Other Modalities of Informality

Therefore, includes all economic activities carried out by companies not incorporated in a company owned by households and workers working in formal economic units but not under the legal and institutional framework (social security, social benefits, other records), as well as self-consumption work in the agricultural sector and self-construction of housing.

CONCEPTUAL FRAMEWORK



ICLS

SNA 2008

2008 System of National Accounts

2007, 2013 and 2018 NAICS

North American Industry Classification System (NAICS)

Measuring the Non-Observed Economy,

A Handbook (OECD, IMF, ILO, ISTAT 2002).

Measuring informality:

A statistical manual of the informal sector and informal employment (ILO2012)

15th, 17th and 19th ICLS

International Conference of Labour Statisticians (ICLS) (ILO 1993, 2003 and 2013)

CONCEPTUAL FRAMEWORK



15th ICLS (1993)

Definition of Informal Sector and Employment in the Informal Sector characterized by economic units



17th ICLS (2003)

Definition of Informal Sector characterized by jobs and distinction between Informal Employment inside and outside the Informal Sector through the Hussmanns Matrix



19th ICLS (2013)

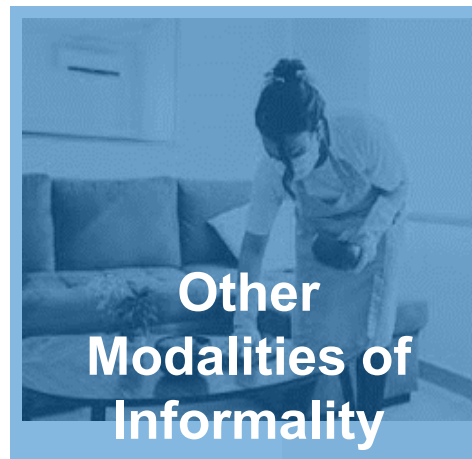
- Considers the production of self-consumption of the agricultural sector.
- It discredits self-consumption in services that do not correspond to productive activities

MEXICO

INFORMAL ECONOMY



Economic units constituted by microbusinesses that do not have the basic registrations to operate, with rudimentary organization and the employment relationships, if they exist, are based on occasional work or kinship. They do not have tax registration.



Value Added generated by the work that does not have the protection of the legal and institutional framework and that is carried out in formal activities, agricultural activities (including self-consumption), and paid domestic work in households.

SOURCES OF INFORMATION



With the information collected in the basic questionnaire, sectoral coverage and cost structures are obtained by economic activity, applying the following criteria:

- Semi-fixed establishments and households
- Staff employed in strata of 0-15 persons for manufacturing activities and 0-5 persons for the rest of the economic activities
- They did not make payments to social security and social benefits



With the information collected in the special questionnaires, sectoral coverage, remunerations and labour productivity per person from informal employment in formal activities are obtained, applying the following criteria:

- Employed Personnel who do not have social benefits

Sources of information

 INEGI

Household Surveys

ENOE ENIGH
ENAMIN



They support coverage by NAICS economic activity sub-sector, strengthen cost structures, determine the personnel employed and the income they receive.

They allow to generate three **Labour Matrices***. Measurement in the following phases:

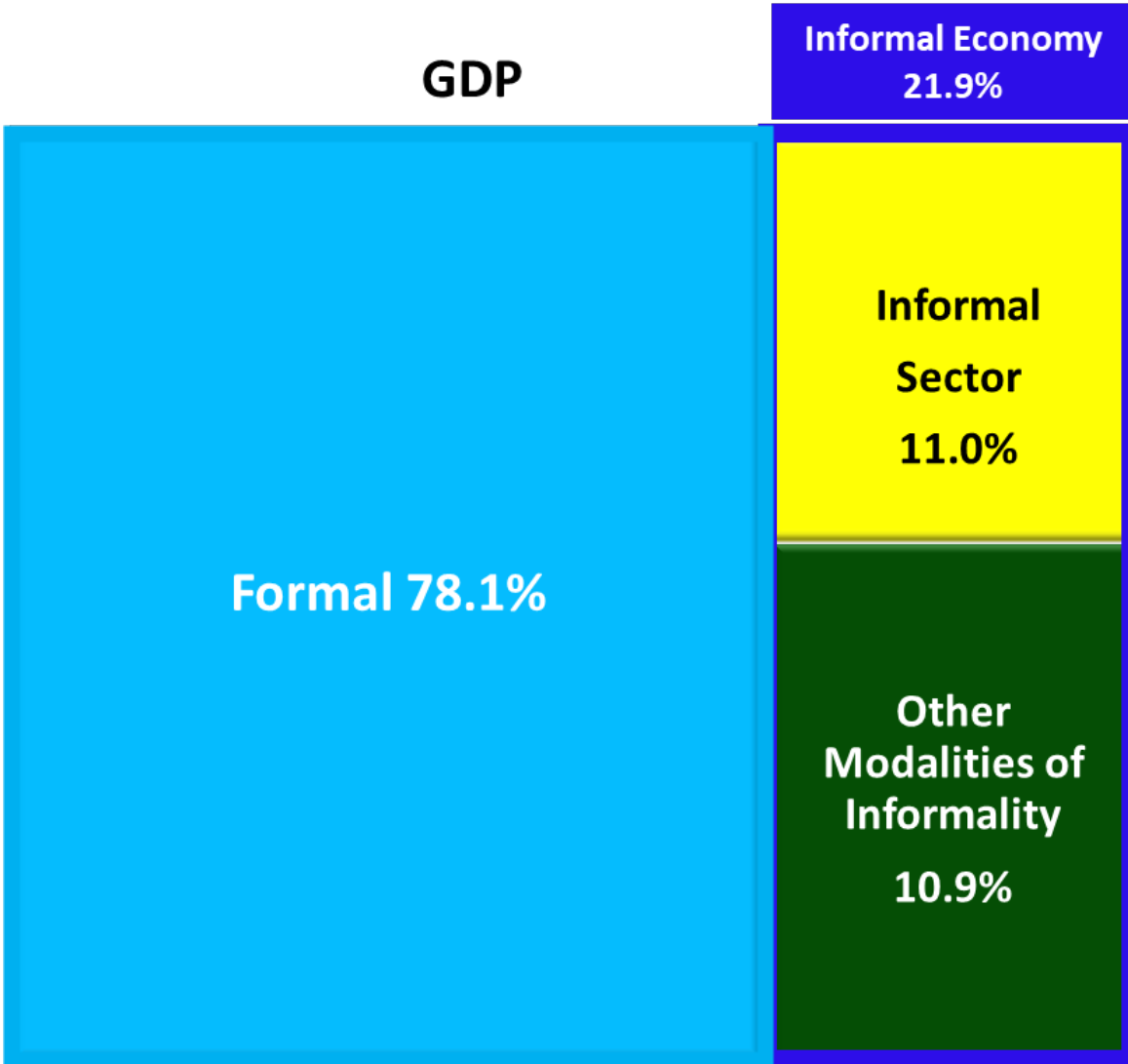
1. Matrix of jobs.- Hussmanns type matrix transformed into an economic matrix of employment. Source: ENOE
2. Per capita income by occupation position. Source: ENIGH
3. Production accounts, primary generation of income and jobs.
Source: ENOE and incomes from households' surveys.

*Following the methodology of the Hussmanns matrix applying some considerations from the household surveys for Mexico

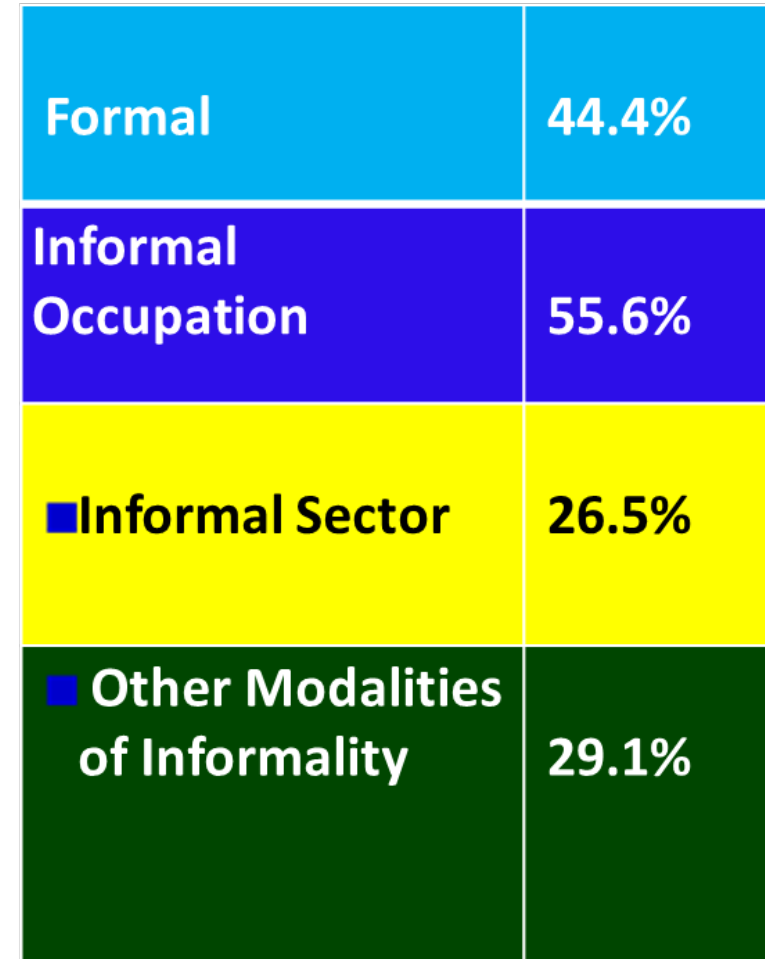
2020 RESULTS



GDP



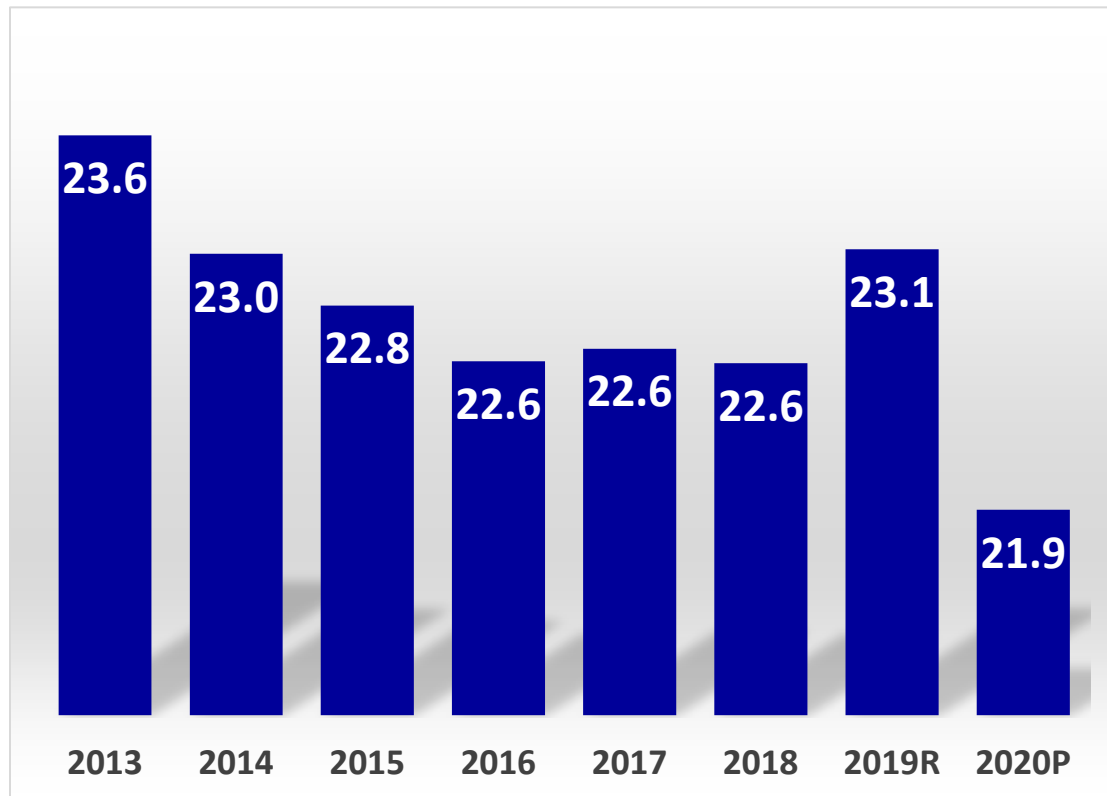
Job Occupation



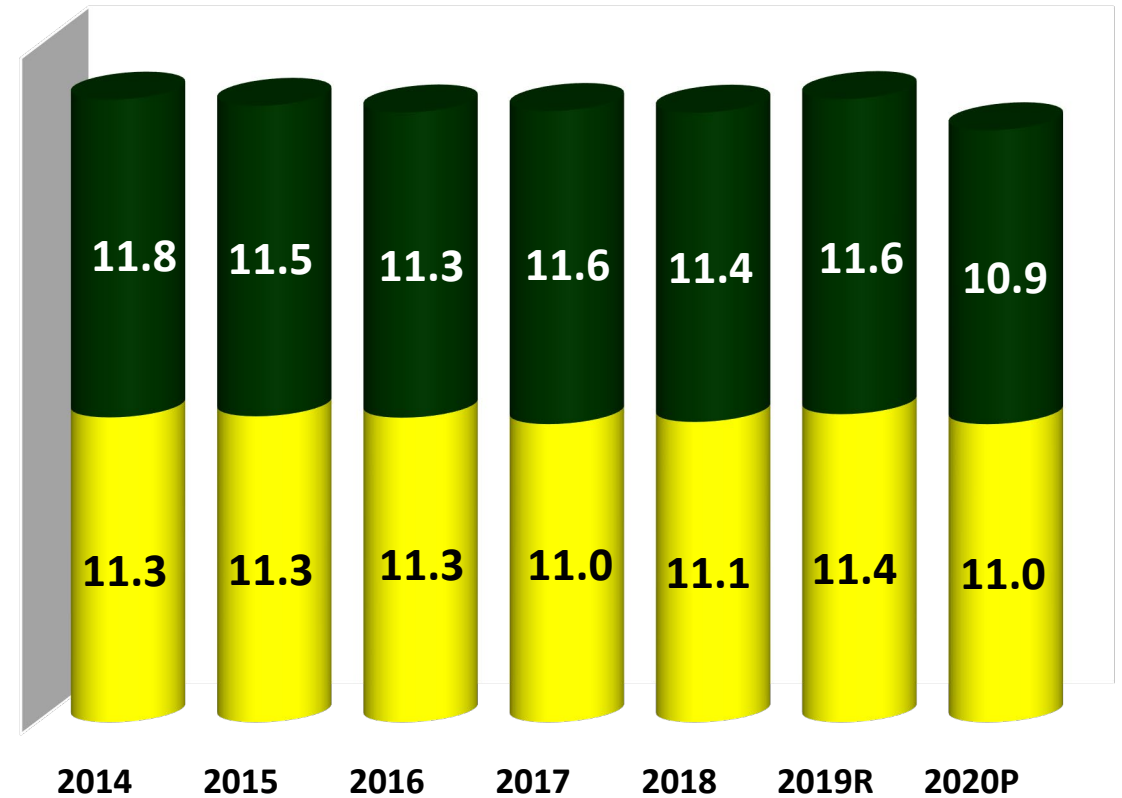
2020 RESULTS



Participation of the GVA of the Informal Economy in the GDP



 Informal economy



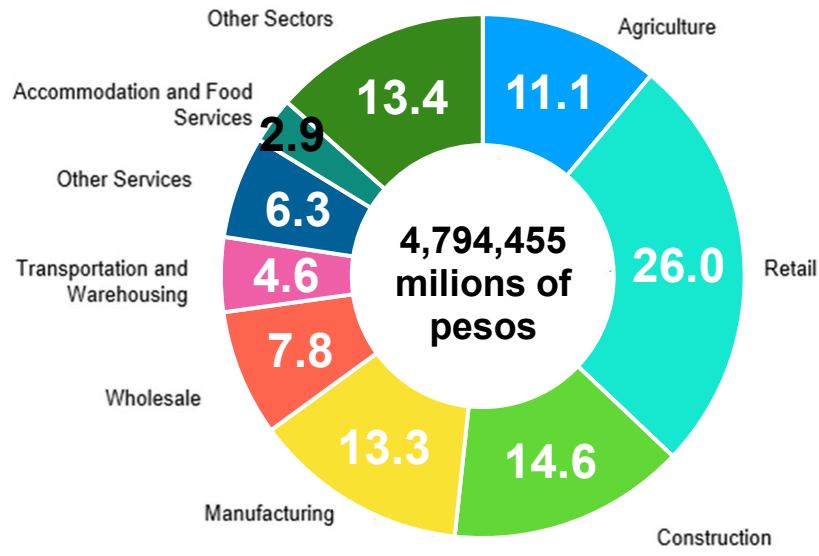
 Informal Sector  Other Modalities of Informality

2020 RESULTS

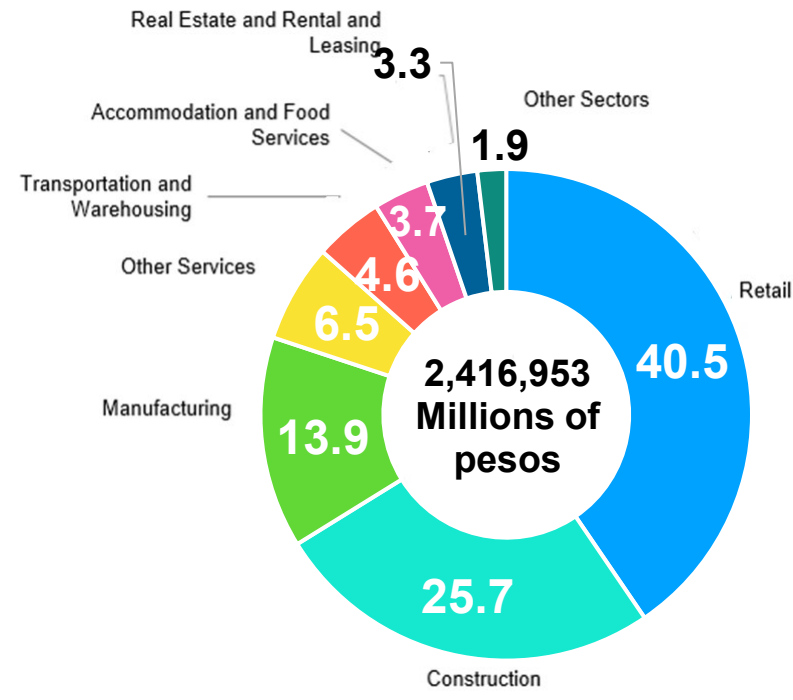


Percentage structure of GVA by sector of economic activity

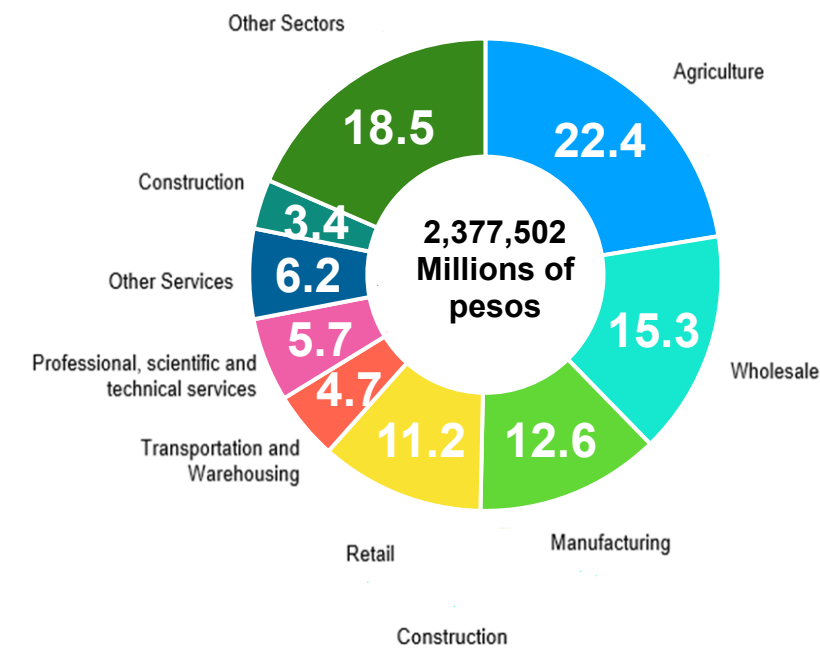
Informal Economy



Informal Sector



Other Modalities of Informality



CHALLENGES FOR THE NEW BASE YEAR 2018 THE SNA MEXICO



CHALLENGES

THE BASE YEAR



- ✓ **Size of the enterprise should not be considered as a criterion to classify unincorporated household enterprises as informal.**

Currently, within the methodology used in Mexico, if size is considered as one of the criteria, the Economic Censuses 2019 also consider it as part of the identification of informal establishments.

- ✓ **Agriculture activities should be included in the informal sector**

In this sector, the information does not allow us to separate the production between own-final use and the informal sector nonetheless the agricultural sector has certain special considerations for the type of employment since they are day laborer and some work for seasons and crop rotation that can have benefits for that the employment is only considered informal.

- ✓ **Own-use production of goods and own-use provision of services can be considered informal productive activities within the informal economy.**

Within the measurements of the informal economy, self-construction and production for self-consumption carried out by households in the agricultural sector are considered, just as indicated by the 17th CIET, not so with the production for own use carried out by the establishments, the latter is part of the formal production and is counted as part of it.

- ✓ **Housing services of owner-occupiers**

Currently, the imputed rent in the measurements of Mexico is part of the Informal sector but the output will be computed for own-final use, and it is the only surplus generated by households. This is to be changed **under the new framework, Housing Services are not part of the informal economy.**



THANK YOU



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