Manual on Surveys of Informal Employment and Informal Sector

Draft Chapter 4:

Household surveys on informal sector employment and other types of informal employment

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1. Introduction

Labour Force Surveys (LFS) are one of the most important and widespread statistical inquiries conducted in countries on a regular basis. The principal, and original, aim of labour force surveys (LFS) is to identify and measure the size and characteristics of the economically active population, particularly employment and unemployment. Over time, the use and purposes of LFS have widened to incorporate more topics and to capture greater details about the economically active population. The objective of the present chapter is to describe how LFS can be used to collect data on employment in the informal sector and informal employment. In particular, the chapter provides a review of aspects of the planning, design and implementation of labour force surveys, as well as of data processing, that need to be taken into account for this purpose. Throughout, examples from countries are used to illustrate some of the challenges and design demands which should be considered and how they are being addressed. The discussion in the chapter applies not only to LFS but also more broadly to multi-purpose household surveys in which the labour force is a topic and the dwelling is the final sampling selection unit.

There are many advantages to using labour force surveys to collect information on employment in the informal sector and informal employment. These are discussed in detail in Chapter 3. Given the principal aim of LFS and the conceptual coherence of informal sector employment and informal employment with the labour force framework, incorporating their measurement in this data collection tool is a cost-effective strategy to improve the availability of data on these topics and at the same time expand the depth and scope of labour force statistics in general. There are, of course, several issues in terms of questionnaire design, including content, timing and placement of questions that need to be considered to ensure proper measurement of these topics. These issues are discussed in Section 2 of this chapter. Section 3 addresses the conceptual and operational challenges of collecting data on informal employment in agriculture. Section 4 focuses on secondary jobs, specifically, their relevance to achieve a comprehensive measurement and the challenges of collecting these data. Section 5 takes up data processing, including coding, consistency checks and the treatment of non-response. Section 6 examines the link between time references and quantitative items of information relevant to the identification of informal employment both inside and outside the informal sector. The final section considers the effect that the inclusion of employment in the informal sector and informal employment may have on the overall objectives of a LFS, its implementation and operation.

2. Questionnaire design

As any statistical organization knows, the design of a questionnaire is by no means a simple matter. It is difficult to translate complex concepts into operative, communicable questions and then to decide where to place these questions to create the right context, in the sequence and logic of the interview. A deficient design is the main source of *variable error*, i.e. error which occurs when questions are not understood or are heavily dependent either on the interpretation made by the respondent or on how the interviewer handles them or both. Further, if each interviewer introduces his or her special approach in the process, additional response errors will occur. The aim is to avoid or minimize such errors in questionnaire design.

Several different types of questions are required to measure employment in the informal sector and informal employment through a LFS: 1) Core LFS questions that identify all employed persons in the reference week, including those engaged in activities which may go unreported; 2) related contextual information that can be used in the data processing stage in cases where responses to conceptual questions are ambiguous or not clear; 3) conceptual questions related to the criteria used for defining the informal sector and informal employment; and 4) questions of analytical value (see Box 4.1).

There is a structural sequence that is especially important for questions on employment in the informal sector and to a lesser extent for informal employment. Questions of type 1, 2 and 3 should proceed in that order, that is, first identify whether the persons are currently employed, their kind of occupation, status in employment, etc; then go to important contextual characteristics related both to their status in employment and to the activity/economic unit they are engaged in, and finally to the conceptual question(s) listed in type 3. The placement of type 4 questions (those with analytical value) is less critical. Placement of these questions may be linked to the sequences for each status in employment category for it can be "universal" for any kind of worker or situation (when and how her/his current activity started, antecedents, hours worked etc.).

Box 4.1 Types of information relevant for measurement of informal sector employment and informal employment through LFS:

1. Key/strategic information needed by any LFS: a) Activity status, that is, if the person is economically active, and if so, if the person is employed or unemployed -a precondition for

those considered as informal. b) Basic employment characteristics, such as occupation (ISCO), status in employment (ICSE), branch of activity (ISIC/NAICS/NACE), et cetera.

2. Contextual/circumstantial information to assist in the decision process during the data processing stage: type of work place or operational conditions under which the activity is conducted (information that allows an identification of home based workers, street vendors, persons providing services at the client's dwelling, etc.); a recognizable trade name; and for informal employment: type of contract (written, oral contract).

3. Conceptual information to identify the informal sector: a) registration; b) legal organization and ownership of the enterprise; c) type of accounts; d) product destination and e) kind of economic activity; f) size of the economic unit, i.e. persons employed and their type, if included as criterion to define the informal sector, else, it can be considered as contextual/circumstantial information. To identify informal employment: contribution by employer to pension funds/retirement schemes; de facto employment-based coverage of social security, health care or any other protection schemes either private or public.

4. Analytical information connected with the concepts of reference: a) for self-employed if they are suppliers to other entrepreneurs (to detect if there is a kind of outsourcing relationship); if they operate either more than one type of business or more than one economic unit within one business (the self-employed worker/entrepreneur as a head of a network consisting of many outlets) or rather in a stand- alone manner; when the business started and if it operates all year; b) for any type of worker in paid employment or in self-employment if they are trying to shift to another activity or remain in the current one; if a former job/ activity were similar or quite different from what they are doing now.

2.1 Questions on activity status

A necessary precondition for the measurement of persons employed in the informal sector and informal employment is their correct identification as 'employed' in the first place. For this, special probes can be included at the start of the interview for activities or jobs that may otherwise go unreported, such as unpaid work performed by contributing family workers in small family enterprises, activities carried out by women on their own account at or from home, casual or atypical work and activities geared towards the production of goods for own final use by households (if considered as employment at the national level). Many countries already include such probes in their LFS questionnaires to improve the measurement of employment in general. However, inclusion of these probes is particularly important for employment in the informal sector and informal employment as the bulk of activities that tend to go unreported tend also to be informal.

The probes can be presented as a set of categories in a question, and the response(s) entered against the appropriate category(ies), or as a question with yes/no response categories, and an activity list entered on the questionnaire or on a prompt card. An example of the first approach is the question used by South Africa in its Quarterly Labour Force Survey. An example of the second was used by Mali in its 2004 LFS (Enquête Permanente de Emploi Aupres des Menages).

Example 4.1. South Africa

Quarterly Labour Force Survey, as from 2008

		YES	NO
2.4	**In the last week....**		
	(a) Did you work for a wage, salary, commission or any payment in kind (including paid domestic work), even if it was for only one hour?	1	2
	Examples: a regular job, contract, casual or piece work for pay, work in exchange for food or housing, paid domestic work.		
	(b) Did you run or do any kind of business, big or small, for yourself or with one or more partners, even if it was for only one hour?	1	2
	Examples: Commercial farming, selling things, making things for sale, construction, repairing things, guarding cars, brewing beer, collecting wood or water for sale, hairdressing, crèche businesses, taxi or other transport business, having a legal or medical practice, performing in public, having a public phone shop, etc.		
	(c) Did you help without being paid in any kind of business run by your household, even if it was for only one hour?	1	2
	Examples: Commercial farming, help to sell things, make things for sale or exchange, doing the accounts, cleaning up for the business, etc.		
	If yes to any part of Q 2.4 go to Section 4, otherwise go to Q 2.5		

Example 4.2. Mali

2004 Enquête Permanente de Emploi Aupres des Menages

EA3. **Bien que vous ayez déclaré ne pas avoir travaillé, la semaine dernière, avez-vous réalisé l'une des activités suivantes la semaine dernière, à domicile ou à l'extérieur ?** .... |__|__|

(Si code <10, passez à AP1)

1. En travaillant dans une affaire personnelle
2. En fabriquant un produit pour la vente
3. En faisant quelque chose à la maison pour un revenu
4. En délivrant un service rémunéré
5. En aidant dans une entreprise familiale
6. Comme apprenti rémunéré ou non
7. Comme étudiant qui réalise un travail
8. En travaillant pour une autre famille pour un revenu
9. N'importe quelle autre activité pour un revenu
10. Aucune activité de ce genre

2.2. Conceptual questions on the criteria used for defining the informal sector

A main challenge in a household survey that includes employment in the informal sector and informal employment as topics is to gather information on the nature of the economic unit where the individual works. [1] Questions needed to identify informal sector units can be introduced into a LFS questionnaire using various approaches. The choice will depend on a series of considerations about how best to gather information on the criteria used for defining the informal sector, the wording of the questions and response options, their relative ordering and placement, the need for screening questions or filters, etc. To a large extent, the overall design approach will depend on the prevailing institutional and administrative context as well as on how each country assesses the impact of the conceptual questions on the respondent (i.e registration, type of accounts), and on the interview as a whole. If the needed information is likely not to be known by some respondents or if certain conceptual questions are deemed to put unnecessary risk or stress on the interview, then additional questions and filters may be needed. It will depend also on the kind of information that is obtained before entering the phase in the interview where the conceptual questions are included, as well as on how much contextual information is useful to guide both the interview process and the analysis of the information gathered.

[1] Issues related to the collection of information on informal employment outside of the informal sector are discussed later in this chapter (see section 2.3).

Individual questions related to each and every criterion may not be necessary or even appropriate in many settings. For example, in countries where household production for own consumption is not considered as employment, questions to establish the product destination (at least some market output) are not needed. At the same time, although the criteria that define the informal sector according to the 15th ICLS recommendations overlap in some ways, collection of information on one criterion alone is usually not sufficient. For example, although non-registration in fiscal terms implies that the unit is an unincorporated enterprise of the household sector, the reverse is not true. Similarly, that a complete set of accounts is not kept confirms the unincorporated nature of the economic unit (and serves to exclude quasi-corporations) but will not necessarily verify its registration status. Many production units around the world are not required to have a balance of accounts in order to be registered. An example is the case of Mexico where tax legislation allows micro-businesses to register without a complete set of accounts. Almost seven million or 3.8 percent of non-agricultural employees in Mexico work in unincorporated enterprises in the household sector which are registered with tax authorities. For this reason, it is important that the questionnaire design takes into account the national context, includes conceptual questions that can help make the necessary distinctions, and leaves the final decision with respect to which activities should be classified as informal sector to be made at the data processing stage.

Leaving the final classification of informal sector units to the data processing stage is useful because it allows for a more detailed analysis of the data collected, particularly for ambiguous cases or where the respondent is not able to provide the requisite information during the interview process. For this reason, it is important that contextual questions such as place of work be asked of all respondents likely to be employed in informal sector units, and that "don't know" answers to crucial questions such as type of accounts or registration are not used as filters to exclude respondents from subsequent questions which could yield useful information on the nature of the economic unit.

To ensure complete measurement of informal sector employment, the conceptual questions used in the identification of informal sector units should be asked of persons in all status in employment categories; that is, employers, own-account workers, employees, contributing family workers and, were relevant, members of producers' cooperatives, in respect of their main and secondary jobs.[2] Thus, in designing questions which may require detailed knowledge of the economic unit, such as registration and type of accounts, care should be taken to ensure that the question formulation and answer categories can be understood and answered by the majority of respondents,

[2] Issues specific to secondary jobs are discussed in section 4 of this chapter.

regardless of their status in employment, and whether they are self-respondents or proxy respondents.

The country examples below show the various approaches that are being used to include in LFS questions aimed at identifying informal sector units. The corresponding sections of the national LFS questionnaires are included in Annex 1 of this chapter.

Country examples

Mexico, in its LFS (Encuesta Nacional de Ocupación y Empleo - ENOE) uses a building block approach to launch the conceptual questions to identify the nature of the economic unit. In the ENOE the informal sector is defined as all household unincorporated enterprises which do not have a complete set of accounts and are not registered. The strategy followed is to place the conceptually significant questions such as lack of accounts (or lack of written accounts) in a section of the questionnaire designed to capture the characteristics of the economic unit as provided by the respondent (see Figure 4.1, section 4). These questions are placed at the end of a sequence of questions rather than at the beginning so that important and sensitive contextual information is not jeopardized.

As in many other LFS questionnaires, the ENOE is divided into sections or *baterías* (see figure 4.1). Sections one and two determine if the person is economically active and if so, whether employed or unemployed. Section three identifies the status in employment categories and has two trajectories, one for persons in paid employment and the other for self-employed persons. The first three sections contain most of the strategic, key information in any LFS. Section three also contains important information that has a role in the identification of the informal sector because by means of question 3q in the case of persons in paid employment and question 3g for self-employed persons (that is own account workers and employers) the size of the unit, the ICSE category (contributing family members/salary workers) as well as partnerships are identified. In addition section three includes analytical questions not explicitly shown in the diagram, depending on the specific type of status in employment. For paid workers/employees, there are important questions that have conceptual value in identifying informal working conditions but are not related to the informal sector as such.

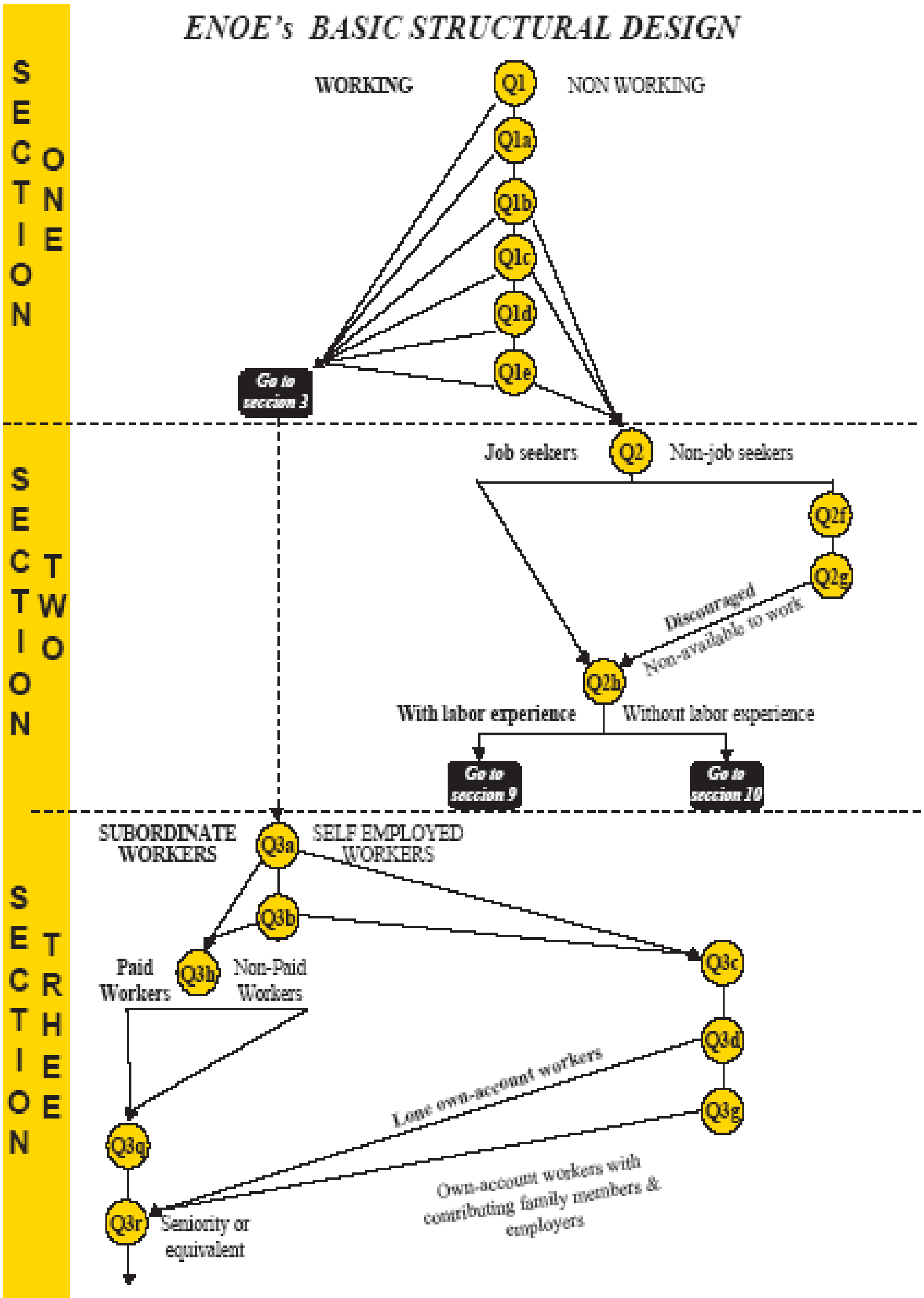
Section four of the questionnaire introduces the set of conceptual questions which aim to identify the informal sector, in particular the nature of the economic unit. The first question in section four is for all respondents. From there, an elimination process, or building block approach, takes place that will identify the informal sector. Question 4 asks if the business has a trade name. It also serves to separate paid domestic workers from what follows once it detects that the economic unit is actually a household which hires the services. Question 4b separates the agricultural sector and businesses from institutional activities (the latter will be classified either as public, private or private non-profit activities in question 4d). In question 4c business activities are divided into corporations, firms and the like and independent, personal or family businesses which in turn are split by means of question 4e. The function of this question is to identify the most sophisticated kinds of personal/family businesses, taking into account the description of facilities. What remains are the candidates to be considered as in the informal sector. These are funneled to question 4g which considers how the accounts are handled in managing the personal/family business. Because this question has been placed at the end of the filtering process, some key features of the activity are already known. For example for some activities such as street vending it is clear that they are part of the informal sector before arriving at question 4g; hence the strategic role of the question is to identify the less obvious cases which operate with some resources, premise, and/or vehicles, and even those that consist of a one person office.

The specific wording of question 4g and its pre-codified response options can be seen in the annex. In the ENOE design, letters in bold refer to what is communicated by the interviewer to the informant; what is not in bold is for the interviewer only. The text not in bold anticipates the kind of responses the interviewer may receive and assists him/her in knowing how to handle them. During the processing phase some of these response options are considered equivalent. For example, options one and three in question 4g are interpreted as a clear signal of the existence of “a complete set of accounts”, so the activity does not belong to the informal sector. Option three is not read aloud because, in Mexico, any explicit mention of tax payment procedures /tax authorities by the interviewer could be intimidating; therefore it applies only if the respondent spontaneously mentions it.

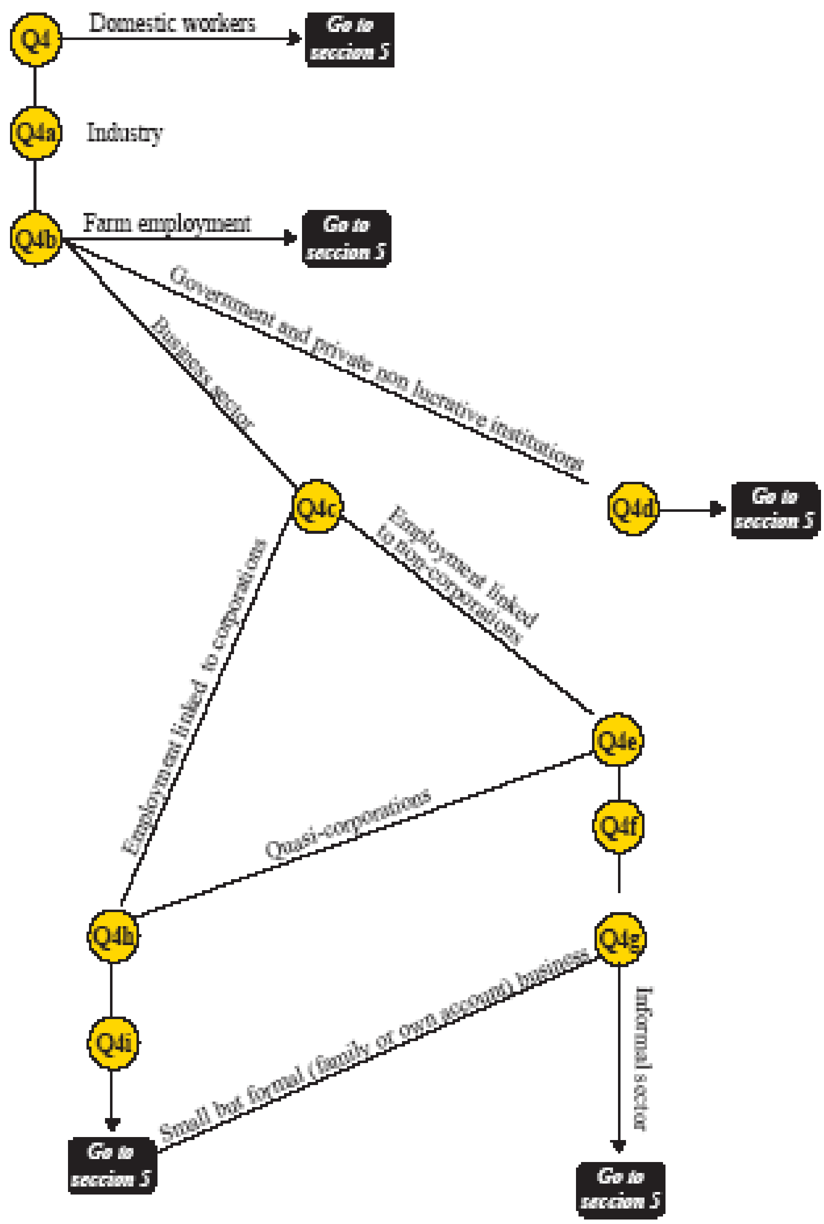
Through this approach, the ENOE questionnaire identifies if the respondent is linked to activities conducted under rudimentary accounting practices. Once rudimentary practices are identified, two key characteristics of the unit are revealed without explicit questions: 1) that the production unit in which the respondent works corresponds to an unincorporated enterprise of the household sector; and 2) that the unincorporated enterprise can be classified as in the informal sector. This demarcation also allows separating out those micro-businesses that are not informal.

The size criterion is not applied in Mexico as part of the filtering process. Rather it is a result associated with the qualitative/contextual information enlisted by the questionnaire to identify the informal sector. It was considered preferable not to prejudge whether the unit is informal based on size alone. This is particularly useful, for example, in the treatment of street vendors who tend to organize themselves in hierarchical extended networks, making it difficult in practice to apply the rule of number of employees to the main economic unit, for the boundaries of the unit are somewhat amorphous and ambiguous.

Figure 4.1 Flow diagram for questions to identify persons employed in the informal sector **(**ENOE, Mexico, circa 2009**)**



S E C T I O N F O U R *



* Labor market's tipology in terms of the SNA's Institutional Sector Frame

During the ENOE questionnaire design process, intense discussions took place related to the placement of questions, for example on accounting practices. Should the question be placed in the sequence of self-employed workers or made as a universal question to refer to all workers? The former approach was selected for statistical considerations. From section three, the number of workers who are self-employed is already known. However this information cannot be used to obtain a total because the weighting factor for the number of declared workers is, by necessity, the same as the one for the self-employed (the owner of the business). Hence it is better to focus on workers who are part of the sample so each worker/employee in it is linked to her/his own weighting factor in order to obtain an aggregate figure for total employment in the informal sector. For this reason, respondents in all of the status in employment categories, which are candidates for identification as informal sector activities, need to be channelled to the core of section four and then questioned on the economic unit, such as in question 4g. As elaborated in Chapter 6, this is one problem with the modular approach addressed only to business owners. The figure for total employment in the informal sector thus obtained may differ from a source where each individual has its own factor, creating an integration problem in the mapping of the whole labour force shown by the matrix in Chapter 2.

The United Republic of Tanzania, in its 2005/2006 Integrated Labour Force Survey, defines informal sector units as household unincorporated enterprises with less than ten employees and without a complete set of accounts. The conceptual questions to identify informal sector units are included in section D on the characteristics of the main (only) economic activity (see Annex 1). This section uses a filtering approach to progressively exclude those persons outside the scope of the informal sector from the sequence that identifies informal sector enterprises. Question 18(a) asks the status in employment of the respondent and also identifies those working in agriculture as self-employed persons or contributing family members. These two latter groups are asked an additional question on their main activity and are then removed from the sequence of questions on informal sector. The next filter, question 22, combines features related to the legal organization, ownership and, to some extent, registration of the economic unit. The question serves to filter out from the sequence those units clearly outside of the scope of the informal sector: government, parastatals, political parties, registered partnerships, non-governmental organizations, registered cooperatives, international and regional organizations, and household production for own consumption.

Next, a question on the size of the enterprise is asked and used to further remove from the sequence those working in enterprises with 10 or more employees. Those remaining in the sequence are then asked the remaining question to establish the accounting practices. The question itself consists of two phases: the first is similar to the surveys of Mexico, India, Ecuador or Venezuela in that it is formulated in terms of whether the economic unit keeps written accounts; a second stage goes deeper, and asks whether the accounts include balance sheets specifying assets, liabilities and investment withdrawals. Those who in the first phase (question 24) answer “Don’t know” or “No” and those who in the second phase (question 25) answer “No” or “Don’t” are considered to be in the informal sector and are channelled to section E which asks detailed contextual and analytically relevant questions about the informal sector unit.

The sequence used by Tanzania identifies those persons employed in the informal sector in an efficient way through the use of filter questions as described above. Question 22 provides a rather complete classification of economic units under an institutional perspective. However, it is also a complex question given its structure and range of response categories. Use of such a question requires strong interviewer training and probing during the interview in order to ensure its proper application. Likewise, the questionnaire uses a comprehensive approach to establish the type of accounts. This is a rather rigorous way to identify unincorporated enterprises of the household sector. Its proper application depends, again, on strong interviewer training and probing during the interview to ensure that respondents clearly understand the meaning of the response options. Because identification of informal sector units is done during the interview process, proper application of the filtering questions is particularly important. Still, the treatment as being in the informal sector of the “don’t know” responses to the questions on the type of accounts allows for the careful analysis and possible re-classification of ambiguous cases to be done during the processing stage.

The labour force survey of Ecuador (ENEMDU) uses also a filtering approach to ask the conceptual questions aimed at identifying persons employed in the informal sector. The definition of informal sector enterprises used is based on size, type of accounts and registration of the unit. Similar to Mexico, the ENEMDU places the sequence of conceptual questions at the end of the section on characteristics of the main activity, within a block of questions specifically devoted to collecting information on the characteristics of the establishment (section 2).

The filtering approach used, however, is much simpler. Unlike Mexico or Tanzania, Ecuador does not attempt to identify unincorporated household enterprises through questions on legal organization or institutional sector. Rather it uses the questions on status in employment (42) and size of the establishment (47) as filters. These two questions are used to exclude, from the questions on type of accounts and registration, government employees and domestic workers employed by households, as well as those employed in establishments with 100 or more employed persons. Although size is used as filter, the threshold is set high, thus leaving the final identification of informal sector units to be done at the processing stage. For those persons working in establishments with less than 100 employed persons, an additional open-ended question is asked on the actual number of persons employed. Given the importance of this question to identify informal sector enterprises, it is best to use narrower ranges, particularly for micro-enterprises, as response categories in order to reduce the potential for reporting errors. Countries using questions on size of the enterprise that use ranges as response categories include Mali, Mexico, Moldova, Tanzania, and South Africa (see Annex I).

The next question on type of accounts (48), like that used by Mexico, has simple response options to distinguish between those with: complete set of accounts, with accounts kept in notebooks, and with no register of accounts. Unlike Mexico or Tanzania, the ENEMDU also includes a final question (49) that identifies registration with tax authorities, thereby gaining greater conceptual purity in the identification of informal sector enterprises. Overall, the filtering process used by Ecuador is not as selective as those used by Tanzania or Mexico. As a result, a larger group of workers employed in units not likely to be informal are asked the questions on type of accounts and registration. The approach, however, is simple and less dependent on interviewer training.

Mali, in its 2004 LFS (Enquête Permanente d'Emploi Auprès des Ménages), includes also an explicit question on registration as part of its sequence of questions in order to identify informal sector enterprises. The survey defines informal sector enterprises as private enterprises with less 11 persons engaged, which are not registered with the National Institute for Social Protection (INPS) and do not have accounts. The approach used is similar to that of Tanzania and Ecuador in that a simple filter is used to channel those persons likely to work in informal sector units to the corresponding conceptual questions. The filter is based on a question about the institutional sector to which the unit belongs (AP4). Based on answers to this question, persons employed in public administration, public enterprises and parastatals, and international organizations are excluded from the sequence of questions used to identify the informal sector. Kept in the sequence are: persons employed in private enterprises, non-governmental organizations, and associations (cooperatives, unions, churches, etc.), and persons employed by households. Keeping NGOs and associations in the sequence of questions on informal sector is consistent with the national context, where the boundaries between such institutions and businesses are sometimes blurred.

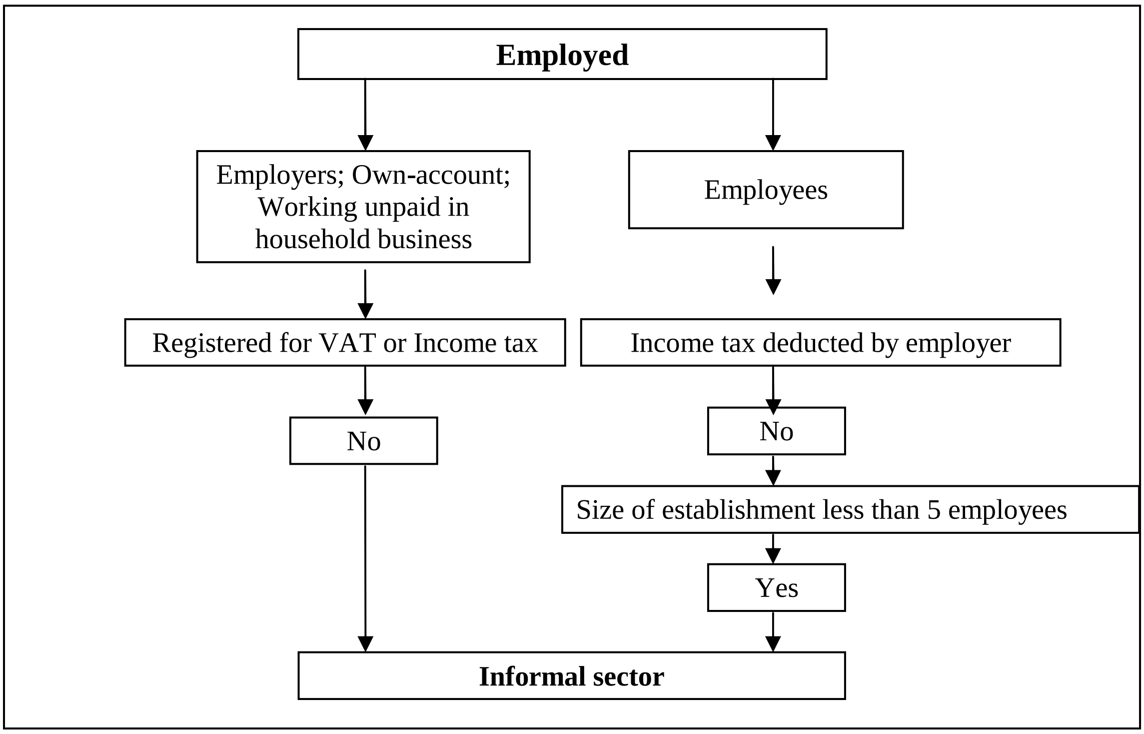
For those remaining in the sequence, a question on size of the enterprise is then asked (AP5). This is followed by the question on registration of the enterprise (AP6). The question used asks the respondent for various specific types of registration. Although only non-registration with the INPS is used to identify informal sector units, all respondents regardless of the answer provided remain in the sequence of questions relevant to informal sector unit identification. The question of registration is followed by a question on place of work (AP7). The last conceptual question asked is a simple question on type of accounts (AP8c) with yes, no, and don't know response options. Identification of informal sector enterprises is, thus, not done during the interview process but rather during the processing stage.

A rather simple approach to identify informal sector units is used by the Republic of Moldova in its continuous LFS. The survey defines informal sector units as household unincorporated enterprises which are not registered, including agriculture. Household unincorporated enterprises are identified through a question on the institutional sector where the activity is carried out (24). The first two categories, i.e. "enterprise, organization, institution (as a legal entity)" and "private agricultural enterprise (farm)", are recognized as legal entities. The next two response categories, i.e. "private enterprise; private notaries' or lawyers' office, partnership (without the right of a legal entity)" and "individual work activity", are considered as household unincorporated enterprises not constituted as a legal entity separate from their owners. The response option "auxiliary household" refers to the household production of agricultural goods for own consumption. This is the only response option that is removed from the sequence which takes respondents to the question on registration of the enterprise (25). The question on registration is a simple direct question with response options "Yes", "Is being registered", "No", "I don't' know." In the case of self-employed persons, the last three response options are used to identify informal sector enterprises, while in the case of employees only the second and third options are used. Moldova uses a very limited filtering approach in order to be able to cross-classify, at the data processing stage, as many variables as possible for consistency checks.

The Quarterly Labour Force Survey (QLFS) of *South Africa* uses a rather different approach in order to identify persons employed in informal sector units. According to the definition used in the QLFS the informal sector comprises: employers, own account workers and contributing family members employed in household unincorporated enterprises not registered for VAT or income tax; and employees not registered by their employers for income tax and working in establishments with less than 5 employees. A main feature of this approach is the use of two tracks based on status in employment to channel employees on one side, and the self-employed on the other, to parallel questions on registration (see Figure 4.2).

The approach by South Africa has been developed after years of fielding various different types of questions to identify informal sector units. From these experiences, it was identified that a single question on registration was not adequate because employees, in particular, did not know if the businesses they were employed in were registered. Thus, it was decided that a parallel question, which captured information on the registration of the enterprise but which employees where likely to know about, would be more appropriate. Prior experience also made it evident that there was a need to specify the type of registration that was conceptually relevant. VAT registration and income tax registration were thus chosen. These are concrete forms of registration that are consistent with the establishment register in South Africa.

Figure 4.2 Two track approach to identify persons employed in the informal sector **(**Quarterly Labour Force Survey, South Africa**)**



The current question on registration addressed to employees thus asks whether the employer deducts income tax from their salary/wage (4.10). Employers, own account workers and contributing family members are asked two questions related to registration: Whether the business is registered for VAT and whether it is registered for income tax. Once these parallel questions are asked, the respondents are channeled back to a common sequence of questions on place of work (4.15) and number of employees (4.16). Thus, crucial information relevant for the identification of informal sector units is collected for all persons in employment.

[Insert Philippines example here on use of size of enterprise by sex and status in employment]

Overall, there are various ways of incorporating in a LFS questions that are conceptually relevant to the identification of informal sector enterprises. The choice of questions depends to a large extent on the national context. Thus, thorough testing of questions should be conducted prior to final selection of a design approach. The testing should focus not only on cognitive aspects but also on the extent to which the filtering approach permits a more detailed assessment of ambiguous cases during the data processing stages, as well as on the overall impact of the proposed design on respondents and the interview as a whole. Essential elements highlighted at the start of this section should be taken into account in the final design approach.

Treatment of home-based workers

The 15th ICLS recommended that outworkers be included among informal sector enterprises if they constitute enterprises on their own as self-employed persons, and if these enterprises meet the criteria of the informal sector definition (see chapter 2). Their identification in labour force surveys, however, can be complex and thus require some consideration.

India, in its 1999-2000 Socio-economic Survey (NSS 55th round) allocated design resources to identify and describe the characteristics of outsourced home-based workers (block 5.1). In addition to questions on location of the workplace (column 9) there are others to find out whether the person works under given specifications (column 14) and if they are written (column 18); whether the client provides either credit, raw material or equipment (column 15), and information on the basis of payment (column 17) and the number of outlets for the disposal of goods (column 16).There are elements in these questions that can be used to assess the degree of dependency of workers on the client.

In the 55th round of India's Socioeconomic Survey as well as in the Mexican ENOE the essential feature of self-employment is considered to be having autonomy to carry out operations. To the extent that home based workers meet the following conditions they are considered as self-employed: a) they are not supervised on their daily production activities; b) they incur some economic risk or have to meet certain costs (for example, actual or imputed rent on the buildings in which they work as well as costs incurred for lighting/power, storage or transportation, etc.); and c) they receive a fee or remuneration consisting of two intermingled parts: the share of the labour and profit for carrying on the activity, i.e., the SNA concept of mixed income. The surveys of both India and Mexico take the position that where there is operational autonomy, the relationship established is supplier-client rather than employee-employer. This point does not preclude an inquiry about how much room or *manoeuvre* space the supplier has in maintaining an outsourcing relationship.

Not all household surveys converge on the issue of outsourcing. For instance, in Argentina's Encuesta Permanente de Hogares (EPH) an outsourcing relationship with only one establishment makes this a dependent arrangement [3] and those home-based workers are considered within the salary workers' category. The implication of the differences in criteria is that India and Mexico count outsourced home-based workers as in the informal sector because their operational autonomy makes them self-employed workers conducting a household unincorporated enterprise. By contrast Argentina does not consider home-based workers in the informal sector; however, they are included in informal employment in so far as these workers are not able to exercise any labour rights. However, the latter criteria may become difficult to apply if the home-based worker starts to hire paid workers at the time she/he maintains a link with the sole establishment from which the outsourcing is made. In that case there are two dependency relationships, one above the home-based worker (the outsourcing) and another below her/him (hired workers). A choice will need to be made concerning which criteria should prevail. Following the criteria used in the EPH, a change in status in employment by becoming an employer determines that the home-based worker is no longer part of informal employment unless she/he is determined to be a part of the informal sector. The point here is to emphasize that employment relationships involving outsourcing are often complex and are difficult to use in order to identify even the basic characteristic of status in employment.

[3] See INDEC, *La nueva Encuesta Permanente de Hogares de Argentina 2003,* Instituto Nacional de Estadística y Censos, Ministerio de Economía y Producción, Secretaría de Política Económica, República Argentina, Sección 2.4.3 (Categoría Ocupacional) p.p. 9

It is clear that any labour force survey design must consider cases that are at the borderline of status-in employment categories within the conceptual framework (see Chapter 2). However, the EPH of Argentina is perhaps one of the most complete approaches in dealing with outsourced home-based workers. It includes questions on how many clients the activity has and the nature of the activity as in Mexico but also includes questions on raw materials, equipment, and vehicles as well (owned, rented, lent) as in India.

2.3 Questions to identify informal employment outside the informal sector

Informal employment outside the informal sector includes informal paid domestic workers and persons engaged in subsistence agriculture.[4] It also includes informal employees working for formal sector enterprises, in other words the emerging phenomenon of informalization of labour relationships. That is, concern is placed on the flexibility and unprotected nature of employment rather than on the type of the activity or economic unit.

In identifying workers in informal employment, their classification by status in employment is important, as is the nature of the job in terms of their entitlement, de jure and de facto, to social protection and other employment benefits as determined by national labour legislation. Thus, most of the design investment to identify persons in informal employment outside the informal sector should go a) to ensuring proper identification of paid dependent workers and b) to identifying situations in which labour relationships have been informalized.

There are two important considerations for the proper identification of paid dependent workers. First, it is important that status in employment is not confused with payment modalities. Non-fixed payment arrangements are increasingly common and might exist among both dependent workers and the self-employed. Thus, by themselves they are not conclusive in establishing employment status. The other consideration is whether a person is accountable to an authority figure in conducting her/his work. This more than any other feature determines if the person is a dependent worker. Therefore, to be a paid dependent worker may include a wide range of modalities and working conditions.

In its ENOE, Mexico takes these two considerations and explicitly identifies individuals that are paid dependent workers at the start of section 3, through questions 3a and 3h

[4] Issues specific to the treatment of agriculture and subsistence activities are discussed in section 3 of this chapter.

(see Annex 1). Questions are also included on union membership (3i), existence of a written contract and its duration (questions 3j and 3k). Employment benefits are covered in questions 3l and 3m. By contrast, the question on health care access provided by employment-related contributions to the social security system, which is used to identify informal jobs, is asked of all workers (6d). This reflects the importance of knowing whether own account workers and employers (besides contributing family workers) are part of non-protected employment even though their classification as formal/informal employment might be decided merely on the grounds of the formal/informal condition of their enterprises (Hussmanns, 2004).

India's approach to this issue is illustrated by the NSS 61st round (2004-2005), in which paid dependent workers were asked questions on the type of job contract, whether the person was eligible for paid leave, and the availability of social security benefits. The survey defines employees in informal jobs as those not entitled to social security benefits or paid sick or annual leave. An important feature of India's NSS 61st round, schedule 10, block 5.1 is the central importance that coverage of provident funds has among social security benefits. This along with health care access is important in LFSs world-wide. However, for the LFSs of both India and Mexico, if an employee operates in her/his individual capacity with no contribution on the part of the employer either to a provident fund or health care schemes, then this cannot be considered a job-related benefit.

A recent social policy trend in developing countries is the introduction of schemes to protect persons rather than workers with the aim of achieving universal coverage of basic aspects of social security independent of employment. As a consequence, an informal worker may have some protection, but this is not a protection coming from his/her work. This poses challenges in terms of questionnaire design and also in the contents of training manuals and staff training. Great clarity is required in questioning persons about job-related benefits. The timing of these benefits is also important. This distinction is in line with the 16th ICLS (1998) resolution on the measurement of employment-related income which recommends that schemes of universal coverage are not to be considered as employment benefits.[5]

The monthly Household Labour Force Survey of Turkey emphasizes this point, by explicitly linking registration for social security to the person's job and highlighting this element of the question in the questionnaire (see example 4.3 below). Turkey defines informal jobs of employees as those without any social security registration related to

[5] See ILO, XVI ICLS, Report II, p.p. 41-43, Geneva, October 6-15, 1998.

the job. As in the case of Mexico, the question is asked to all workers regardless of status in employment. A similar example asked of employees only is that of South Africa's Quarterly Labour Force Survey (see Annex 1).

Example 4.3. Turkey

Monthly Household Labour Force Survey

42. Are you registered with any social security institution related to this job?

1. Yes
2. No

The Republic of Moldova uses a broader definition which considers employees in informal jobs as those for whom the employer does not pay social contributions, or who do not benefit from paid annual leave (or financial compensation for untaken leave), or who will not be given paid sick leave in the case of illness or injury (see example 4.4). In the case of paid annual leave and paid sick leave or compensation for unused leave, the question phrasing avoids using terms such as "entitled to..." and instead asks if the persons "benefits from..." in order to capture the de facto situation.

Example 4.4. Rep. of Moldova

Continuous Labour Force Survey

18. Does your employer pay contributions to the pension fund, health insurance and unemployment fund for you? • Yes, sure.. 1 • Possibly.. 2 • No.. 3 • I don't know.. 4 **CONTRIB**
19. Do you benefit from paid annual leave or compensation for unused leave? • Yes.. 1 • No.. 2 • I don't know..3 **CONAN**
20. Would you benefit from paid sick leave in case of illness? • Yes.. 1 • No.. 2 • I don't know..3 **CONBO**

The extent to which the questions to be included in the survey questionnaire need to emphasize or probe for the de facto access to employment-related benefits is to be determined on the basis of national circumstances. Where labour legislation is generally enforced in the country, need for probing/emphasis may not be necessary. However, where the de jure and de facto situations might differ substantially, it is important to take this into account in the design of the questions.

Questions related to type of work contract

Questions on the type of work contract are important to the topic of informal employment for analytical purposes. However, type of work contract is not a defining variable for informal jobs. Although not having a written work contract is likely to imply not having access to employment-related benefits or employers' social contributions, the reverse is not necessarily the case. For this reason it is important that specific questions on employers' social contributions and employment-related benefits, as discussed in the previous section, be included in the questionnaire.

A detailed approach to collecting information on work contracts is shown in the LFS of the Republic of Moldova, where the question on contract is split into two clearly differentiated parts, covering the type of contract (questions 13 and 14) and its duration (questions 15 and 17). This approach makes it possible to capture the wide range of work contracts: apprenticeship, probation, seasonal work, replacement work, public employment program, specific service or task, etc. In particular, the question makes it possible to collect information to distinguish whether an informal employee operating outside the informal sector is working on the basis of a personal agreement without a written contract, in contract modalities of limited duration, or on the basis of other contracts.

A summary table of items included in selected LFS questionnaires related to the criteria for defining informal sector employment and informal employment is included below. The left side of the table shows aspects relevant to the informal sector concept defined by the 15th ICLS (1993) along with other items that the Third Meeting of the Delhi Group (1999) recommended to enhance comparability in the international reporting of data. The right side of the table covers questions on employment conditions relevant to determining if the working arrangement involves an informal labour relationship.

Selected national LFS questionnaires:
Items related to informal sector and informal employment

[Insert table here]

3. Treatment of agriculture and subsistence activities

In many ways, and not just for those concerned with employment, collection of data on activities in the agricultural sector requires special considerations. In addition, the specificity of agricultural activities demands that these data be presented and disseminated in separate tabulations. For example, in the United States there is a long tradition of distinguishing between non-farm and farm activities.

The challenge which agricultural activities pose is both conceptual and operational. What works or is well understood and communicated through surveys in urban areas does not necessarily apply in rural areas. Rural labour markets have their own logic and rural survival strategies cannot easily be described by the standard categories and definitions. Time references can be equivocal and more flexible approaches are needed. These significant differences need to be considered in designing a LFS questionnaire and its procedures in order to have a sound approach to respondents in rural areas.

Agricultural activities take place in many of the modalities considered in the SNA institutional sector frame; hence a complex configuration needs to be considered. In developing countries modern and clear -cut entrepreneurial forms of production coexist with traditional forms and with diverse situations in the middle of these two extremes. There might be economic units analogous to quasi-corporations as well as others closer to the nature of informal sector activities, yet different somehow from those with a profile that barely goes beyond self -consumption.

The 15th ICLS recognized that, in theory, the concept of informal sector should encompass agricultural activities. However, considering the sampling demands and operational complexity of surveys of agricultural activities, it proposed that the first data collection effort should be focused on urban areas and only later rural non-agricultural activities should be included (paragraph). In any case, the approach considered by the ICLS involved agricultural censuses or already available agricultural surveys which could be adjusted in order to include the informal sector as a topic in their design. At the time of the 15th ICLS, the prevailing notion was that data collection on the informal sector required specialized surveys and that it would be difficult and costly to integrate agriculture activities in such surveys.

The 15th ICLS caution stands even today, above all if the issue at hand is national accounting where the focus is the flow of goods and services generated by economic units. However it is less valid in terms of employment. If the concern is measurement of informal employment inside and outside the informal sector and there is a LFS with national coverage (both urban and rural areas), the opportunity to extend the survey to cover such topics should be seriously considered.

Experience has shown that a carbon copy of what worked reasonably well with non-agricultural employment may not work well with persons engaged in agriculture. Questions on the nature of the economic unit are essential. Trial rounds previous to the implementation of the final version of the Mexican ENOE showed, for instance, that questions on the way accounts are kept were quite difficult to answer by a proxy respondent and increased the non-response to well above 15 percent. Similarly, other distinctions in the trial interviews did not yield acceptable results which would have been helpful in understanding the accounts issue. Even if the core conceptual issue of accounting practices is known and understood, the challenge is to differentiate simultaneously informal, formal and subsistence agricultural activities. Additional elements are needed to do this.

As a first step, subsistence agriculture will need to be distinguished as a separate component regardless of whether agricultural activities are included or not as part of employment in the informal sector (unincorporated enterprises of the household sector). Self -consumption/subsistence agriculture is a sub-classification within the household sector. However, because it is not a market-oriented activity, it should not be included in the informal sector. One issue to be resolved concerns “backyard agriculture.” Backyard agriculture may be classified as subsistence agriculture if understood as production for final use. However, if backyard agriculture is considered as a source of employment, the implication is that almost everyone within working age in rural areas will have a job, thus distorting any indicator which is calculated as a proportion of the economically active population. The equivalent effect for the population as a whole would be to include household services for self -consumption as an economic activity.

The notion of subsistence agriculture in the SNA framework is different than backyard agriculture. In this approach subsistence agriculture is a survival strategy where the main activity is production for self- consumption and goods are sold only when a surplus is obtained, and even then when some conditions are met. Insofar as it is done only on an occasional basis it cannot be considered a market-oriented activity. This kind of agriculture takes place in plots or in the family's land endowment; therefore it is not a backyard activity or one that takes place only in a space adjacent to the dwelling. In other words, a real productive resource exists. For this reason it is considered as a source of employment (as opposed to backyard agriculture).

In order to distinguish between subsistence and market- oriented agricultural activities, it is important to formulate questions that any household member can answer, for example if crops are sold, consumed or both, and if the activity is conducted with only the contribution of family members or if it also involves paid work. In addition it is very helpful that the national version of economic classifications distinguishes - either within branch of economic activity (ISIC, NAICS or NACE) or occupational groups (ISCO) - if the production/type of work is connected with typical subsistence crops. If so, it will be obvious by looking at specific codes that many agricultural activities do not meet the conditions of subsistence (e.g. people involved in coffee plantations cannot be part of subsistence agriculture as coffee definitively is a market -oriented crop).[6]

Subsistence activities are identified by the following key operational characteristics: a) production takes place in a plot or land endowment rather than in the area adjacent to, part of or linked to a dwelling; b) the activity is devoted to subsistence crops and does not coexist with other activities which are commercial in nature; c) although part of the production of subsistence crops might be sold, some of it is consumed by household members; and d) paid workers are not involved but instead household members. If one of these items is not available, it is helpful to verify at least that the activity is small - scale, e.g. no more than five persons are involved in the production process (as discussed in Section 4).

[6] A farmer's production unit can be devoted to a mixture of crops with some intended for self-consumption and others grown to be exchanged either for money or commodities. Classifications should consider these situations and provide criteria to guide coding on which set of activities has priority. A practical approach, when there is a mix of subsistence and market-oriented corps, is to give, priority to those grown for sale. This should be reflected in the code. This implies that the mere presence of commercial crop codes places the activity outside subsistence agriculture (See Section 4). Raising animals complicates the picture. Animals may be used for self-consumption or for sale but if the latter is the case, it is important to know if they are sold on a current basis --as part of production-- or as an asset (as if they were a saving in kind) when some contingencies or circumstances compel owners to do so (e.g. paying debts). The interviewer will need to frame questions in terms of what people usually do, rather than in terms of fixed reference periods in dealing with many aspects of agricultural activities (See Section 5 below).

The next step is to address what criteria can be used to classify agricultural activities that are not subsistence but rather analogous to informal sector employment. The single fact that a “complete set of accounts” is not kept poses a two-fold problem. On the one hand, it is not sufficient to distinguish activities as subsistence agriculture and on the other to distinguish formal from informal agricultural activities. The problem here is that in many developing countries the mere idea of asking both peasants and farmers this kind of questions is odd as they cannot hire a bookkeeper or accountant. The double- entry principle has no meaning in their context. This is so alien to these farmers that in practical terms it is not a surprise that in answering such questions a negative response (to the fact of keeping accounts) cannot be distinguished from a non- response since the respondent may not understand what the interviewer is speaking about or looking for.

Another possible alternative involves questions on registration. In countries, where land reform has taken place, every land endowment is registered in some form. Land can be illegally occupied, but this is normally so sensitive that any inquiry in this regard in isolated locations may endanger the survey operations if not the survey personnel. Moreover, if non-registration is equated with illegal occupation of land, only a few peasants would be identified as in the informal sector, simply because they are the exception not the rule. The point here is either to follow the 15th ICLS recommendation and use the informal sector concept only for non-farming activities, or depart from the conceptually meaningful criteria of registration and type of accounts by using some other kind of information to identify informal activities.

Criteria, which can be used to identify agricultural activities as informal rather than subsistence, are the market orientation of the activity and the role of a household member or members in operating it. The first thing to detect is the presence of contributing family members. Crops are of a commercial or market nature, if conducting the activity involves paid workers (even if only on a temporary basis). However, if crops have a clear commercial orientation and at the same time household members have a role in producing them, the use of paid workers becomes less relevant because the market profile already has been established.

The next challenge is to distinguish informal sector agriculture from the rest of market-oriented agriculture. In principle two kinds of situations arise. The less demanding problem occurs where either the activity is conducted by an incorporated enterprise or, if not, where all of the work force involved is paid (on a salary basis or by any other payment agreement). In other words, the economic/employment unit has the characteristics associated with an entrepreneurial unit. More difficult is the situation where there is a mixture of paid work force and contributing family members. In dealing with agriculture it is not useful to establish a clear cut distinction between informal sector enterprises and unincorporated enterprises that are not informal. Alternatively, the distinction stands but only by using a more quantitative than qualitative criterion.

The quantitative approach to establishing the distinction between formal and informal agricultural activities can take either of two directions. One is that, given a mixture of labour inputs (paid and unpaid), the informal sector includes those activities where the main share of the labour inputs comes from the owner and contributing family members.[7] The other is in terms of the size of the paid and unpaid labour inputs. Those units that use five or less paid workers, as in the Delhi Group recommendations, will be in the informal sector. The decision as to which approach is better is more a matter of operational convenience than of conceptual coherence. While it may seem preferable to decide on the basis of the kind of work force that is predominant, a hidden problem is equating paid labour inputs to the labour inputs provided by contributing family members since the intensity of paid work may be different from that of unpaid work. For this reason, the use of the size criterion in rural areas may have a stronger bearing than in urban areas. However it also has its drawbacks and complications.

In terms of data dissemination the Mexican ENOE distinguishes only subsistence agriculture from the rest of farming activities (either equivalent to the informal sector or not). The country has not yet decided to include agriculture as a part of the informal sector and only considers it as a part of informal employment in general, if the criteria related to labour conditions are met. Still, all the elements mentioned above are included in the survey design to distinguish the equivalent of informal sector employment in farming units from employment by agricultural corporations and quasi-corporations. Thus, identification of informal sector employment can be made based on information other than on accounting practices, given the above discussion. Specifically, the criteria which can be used to separate employment in the informal sector from employment in other agricultural unincorporated enterprises and quasi-corporations is size (below/above five paid or unpaid workers). The following are the relevant questions (see Annex I).

[7] This raises another technical issue: Is the classification of informal sector made on the basis of persons or in terms of hours worked? Ideally the latter (hours) would be the most satisfying but in a LFS this creates many complications. For instance, it involves not only asking the employer about his/her hours worked but also about those worked by the employees. This is solved better by either a modular approach or a mixed survey if agricultural activities are included within their scope.

Q3: Identification of the type of crops and activities the worker is engaged in by means of the national adaptation of ISCO.

Q3c: Output destination of the economic unit (self-consumption, market destination, both).

Q3d: The activity is conducted only with the self-employed worker or with the assistance of employees.

Q3g: Self-employed workers: Number of workers by type (paid, unpaid, partners)

Q3q: Dependent workers: Number of workers in the economic unit where she/he works.[8]

Q4: Identification of the economic unit as an enterprise (corporation) or not an enterprise (option one).

Q4a: Identification of the combination of activities which take place in the economic unit by using a branch of economic activity classification (ISIC, NAICS, NACE or the like).

4. Secondary jobs

It is important that LFS collect data on all economic activities, both main and secondary jobs. Secondary activities are also important for national accounts statistics. However, the topic 'secondary jobs' introduces further complexity if the unit of analysis is the individual rather than the job. In preparing a labour matrix or statistical table, cases where an individual has two jobs are subject to double counting. This is one reason why most countries classify individuals in terms of the main job only, and statistics for individuals with multiple jobs are disseminated in separate templates or tables and not integrated in one presentation. This approach, however, makes the data much less

[8] It is desirable to include a second question to distinguish the composition of the work force (paid, unpaid), especially once a small scale operation is detected. Q3q is comparable to the question addressed to self-employed workers (Q3g). Experience and trial rounds have shown that in agricultural activities, paid dependent workers usually report only other paid dependent workers. However if they are asked directly about contributing family members of the employer, they often respond in terms of the total number of family members. An independent worker (e.g. an employer) will probably provide more accurate data. This has implications for the quality of data.

useful because jobs rather than persons are the unit of reference in the national accounts systems, and many labour studies focus on labour inputs and productivity[9]

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LFS tend to underestimate secondary jobs. There are several reasons for this. One contributing factor is the respondent's interest in concealing anything other than the main job. Another is both the respondent's and the interviewer's interest in speeding up the interview. For example in LFS organized in rotating samples a dwelling is visited "n" times before leaving the sample. At first, something very time consuming may work, but it may not work when repeated again and again. The underestimation of secondary jobs also stems from poor question design in some LFS. The question on other economic activities is often understood or even phrased in terms of wage/salary jobs, thus obliterating the presence of independent/own-account secondary activities. This happens because there is also some resistance by LFS designers to duplicate the length of questions devoted to the main activity in the section on possible secondary activities, given its implications for the length and costs per interview[10]. Of course, there are countries where the LFS duplicates for secondary activities what was asked for the main activity. For example, Venezuela's LFS formulates each question for both main and secondary activities in parallel instead of in a sequential format. Nevertheless, concern about costs is warranted, particularly where a new topic is being introduced. It is a challenge to balance improvements in questionnaire design with the time and costs of interviews. This challenge raises questions such as: How to achieve balance? And: When does it become necessary to explore proxy approaches?

The first problem is to separate the identification of a simultaneous economic activity from the detailed information which will be collected on the activity once it is identified. The key is that the first question asked should be explicit in exploring not only forms of paid wage or salary employment but any type of economic activity. In the Mexican LFS this is handled (see Annex, Q7) by using just one question carefully formulated and designed to include self-employment as well as forms of paid employment.
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[9] This underlies the idea behind the concept of full-time equivalent as opposed to simple head counts of employed persons. See OECD: *Productivity Manual: a guide to the measurement of industry level and aggregate productivity growth,* Chapter 4, Paris, 2001.

[10] In terms of cost considerations for the field operations, the possibility of duplicating whole sections of a questionnaire requires more paper and ink but also increases the burden of work assigned to each interviewer. Since the number of dwellings assigned to each interviewer is the same, a longer questionnaire will reduce efficiency. This in turn also creates incentives in the interview not to push too far in identifying more than one economic activity per person.

[11] The design of this question tries to solve in one stroke the identification of another economic activity by using options that are proxies of categories of status in employment. However, at most this approach allows a separation of independent employment modalities (the first three options)

Any strategy to improve the identification of parallel activities is useless if clear criteria have not been established on how to determine if the activity is different or if it is simply some aspect or variation of the main activity. In situations, where it is obvious that the survey respondent refers to parallel and distinct economic activities, it is not difficult to identify secondary activity. This occurs in cases where the respondent combines two different statuses in employment, for example as a dependent worker during the first part of the interview and then as self-employed in response to a question on a secondary activity. However, not all cases are so clear. If clear criteria are not established, for example, in dealing with the self-employed, there is the risk that having different clients (especially if the activity corresponds to one in the services sector) will be taken as different jobs. This could yield an overestimate of secondary activities. This might be regarded as a simple mistake but if the self-employed lead many businesses, it could be a major problem. It is very important that in the part dealing with the main activity some questions address the issue of whether or not the own-account worker/employer leads more than one business and the businesses fit in the same market niche (offering the same kind of goods or services). For example, if the own-account worker/employer has many outlets related to the same kind of business (i.e. many taco outlets) he/she has one job, but if one is a taco outlet and the other is in retail trade he/she has two jobs.

Questions 3e and 3f of the ENOE questionnaire were made to detect such situations and to distinguish persons, who command a kind of network of outlets consisting basically of the same type of business, from individuals operating not only many outlets but also outlets which are different in kind. Once the interviewer has this information he/she can decide whether the entrepreneur actually runs more than one economic activity (see Section 7). A good guideline for establishing if a self-employed person has a secondary job is whether the business is identified in the coding process as belonging to a different branch of economic activity.

For dependent workers attention should be given to the kind of employment/economic unit. If the employment is linked with a different economic unit than the one declared in the main activity, then it is a secondary job, even though the task performed by the

from paid employment (four and five) and from contributing family members (six). It was not designed to distinguish among independent workers, i.e. between employers and own-account workers. At the same time, it is not possible to distinguish cases in option four that are truly subordinate/dependent workers. To make these distinctions the design in the Mexican LFS would need the same questions as the opening part of section three on main activity - with all the resources this implies. By adopting the shorter approach to ask questions on parallel activities, the decision was consciously made by the LFS designers to focus primarily on the correction of underestimation and only as a secondary objective to classify secondary activities by status.

individual in terms of ISCO may be the same. An implication of the economic unit criterion is that even though the type of activity is the same, the fact that the respondent works for two different businesses or enterprises (that is, the respondent's answers to Q4 and Q7b are different) establishes that there are two different labour relationships and thus two separate jobs.

It might be argued that the criterion suggested is not the same for self-employed persons and dependent workers. However the difference is only apparent for the real reference here is the employment/economic unit. In this approach, if a self-employed person manages a network of businesses of the same type - even though they are located in different places - it is the same economic unit. If the dependent worker is also working for the same network he/she is working for the same economic unit as well. Further, to be engaged in another business signifies for both self-employed and dependent workers that they are in different economic units and thus have secondary jobs. The branch of economic activity is not the key conceptual criterion but an operational one of secondary importance to the identification of another economic unit.

The key issue for designing questions for the section on secondary jobs is to adopt an overall approach on whether conceptual questions and filters are needed or these questions will be handled only as proxies. These questions are especially important with respect to the nature of the economic unit and the informal sector. The decision depends on the importance of parallel activities as a survival strategy in the country. If the phenomenon is widely extended and already well measured (for example by field verifications of the LFS or by comparison with other surveys on the issue such as household income and expenditure surveys), there is no question that the costs of adopting the option of duplicating questions for a detailed inquiry on secondary jobs are justified. The problem is that many countries first need to determine the extent of underestimation. If they are in that phase or just addressing it (the Mexican case), a more cautious approach might be implemented by using proxy questions.[12]

[12] In the case of the Mexican ENOE, an important proxy question is absent and ought to be implemented: information on the size of the economic unit should not be neglected, especially if the issue of the agricultural equivalent of informal sector activities is to be addressed (see section 3). This criticism is not directed at the philosophy adopted (i.e. whether or not to duplicate, in the section on secondary activities, all the questions on the main economic activity). Rather the criticism refers to not considering at the secondary stage the proxy questions needed once this philosophy is adopted.

5. Data processing

It is important in the data processing stage to go beyond the specific methods of a labour force survey to understand in a more abstract way the logic of the approach outlined in this manual. Most of what has been discussed in this chapter is summarized in the flow diagram shown below. The flow diagram is important here because it places the identification of employment in the informal sector and informal employment in both, questionnaire design and data processing, in a step by step approach. The general direction of the flow is to identify which part of the employed population is directly engaged in the informal sector and then to direct questions to the remaining persons employed under informal employment conditions, even though they may not be linked to informal sector economic units. The overall picture tells us that the identification of the informal sector is a strategic part of the identification of the broader concept, informal employment, as a whole. The left side of the diagram deals specifically with agricultural employment in an approach involving proxy/circumstantial information. This information is a basis for making more reasoned decisions in the data processing stage.

Informal Sector Employment and Informal Employment: identification process taken step by step.

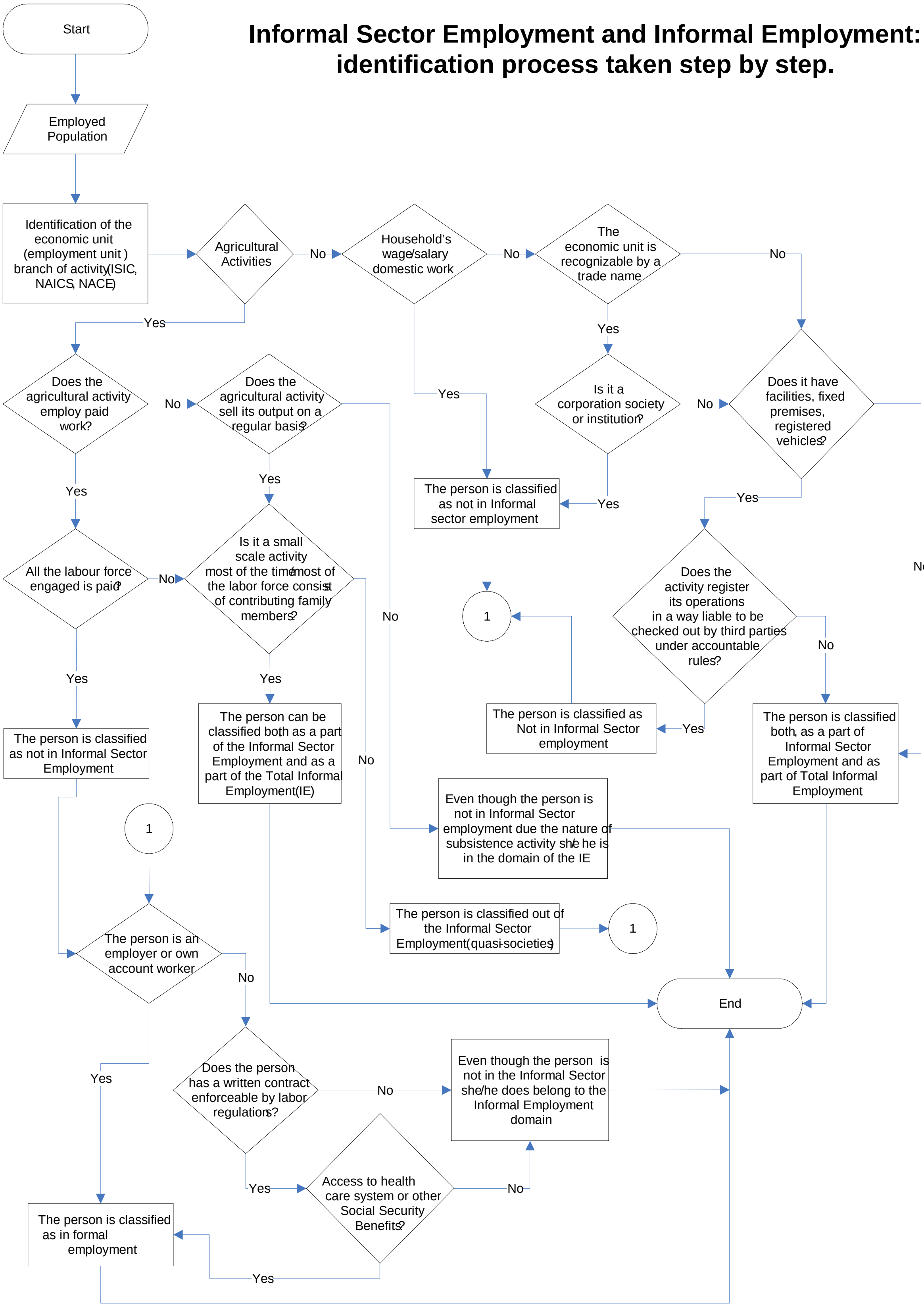
As with all models, this diagram simplifies complex reality to show the process used to identify informal sector and informal employment. The model reduces everything to a "yes" or "no" kind of decision. However we know that answers must include a third response: "don't know" or non- responses. Open questions (as opposed to pre-coded questions) are those where the interviewer writes down the description provided by the respondent. This type of question is used for example in collecting information on type of occupation (codified by ISCO) and branch of economic activity (codified either by ISCO, NAICS or NACE). The answers provide a resource to deal with problematic cases. The information gained by open questions is an asset insofar as the national adaptation of these classifications provides separate descriptions and thus specific codes for those activities which by their very nature are informal.

If the sequence shown in the diagram faces a non-response at any key junction, these codes provide an alternative platform to secure a decision. Of course, this approach carries its own provisions and difficulties. Either interviewers are trained in mastering the classifications used in data processing or other steps must be taken to ensure that they understand what is essential in the description provided by the respondent.

Generally, open questions imply a cluster of unwritten questions by means of which the interviewer guides the respondent towards the core issue. Clearly, the quality of response to these questions depends heavily on the skills and experience of the interviewer and will not be uniform in any national survey operation. Accurate coding also requires that an edit check system and routines to detect a conflict between coding and the flow of the interviews be built into the data processing operation. In other words, consistency checks will need to be put in place once the skip checks are made. In addition, specific instructions on procedures to integrate data into a data base will need to be prepared for those responsible for questionnaire analysis and editing. In so far as coding guidelines are included as part of a broad data processing scheme, many situations can be solved in a satisfactory way.

Coding also is difficult when an activity is not clearly informal. The standard industry classifications do not necessarily distinguish informal sector activities because this distinction is not encompassed in the conceptual frame or codes of the classification. For this reason the steps of the diagram below need to be followed whatever its shortcomings might be. If an ambiguous response or a non- response occurs at any junction of the sequence or flow, then a strategy for dealing with the situation is needed. Activities should be classified as informal sector only if the evidence is compelling. It is preferable to err in the direction of not including as informal sector an activity that in fact is part of it (the so -called type one error), than to include an activity that actually is not part of the informal sector (type two error). This means that it is better to draw an honest figure on non-responses than try to force a value. In theory in an aggregate scale, binary classification errors (informal vs. not informal) should compensate each other in a probabilistic survey if the sample is sufficiently large. As a consequence, it is better not to introduce a systematic error or bias through imputation.

Informal Sector Employment and Informal Employment: identification process taken step by step.



6. Other considerations for survey design

As discussed, a LFS that includes the identification of both informal sector employment and informal employment as a whole will need to rely to some extent on proxy respondents. The demand for precision from these respondents should not be overplayed. Questions which request quantitative information might suffer greater inaccuracies since they seldom are self-evident from the proxy respondent's point of view. While the structure of the diagram in the previous section reflects mainly qualitative items, some information on quantitative variables is also needed for contextual, consistency and analytical needs. For example, information on the number of persons employed by the economic unit is needed to determine the unit's size. In dealing with small scale operations certainly it would not be too difficult or challenging to obtain this information from proxy respondents; nevertheless it may become more problematic than it seems at first sight.

Since many informal sector activities are seasonal in nature, the number of people engaged in such units tends to vary depending on the time of year when the survey is taken. If agricultural activities are incorporated in the concept of the informal sector, capturing seasonal activities is even more important. The economic unit may hire workers during harvest time but may have no employees during the rest of the year. As seen in Section 3, the issue has a strong bearing on the determination of the nature of these activities and, thus, more contextual information is needed. It is clear that a respondent cannot be classified as informal during one part of the year when the number of workers in the unit equals or is less than the national definition for an informal sector unit, and formal during the rest of the year once the number of workers happens to be higher than the reference already set. In such cases, a question may be formulated which asks for the minimum or for the maximum of the work force engaged in the activity. Alternatively, the reference period may be the same as the one used in the continuing survey.

This leads to a consideration of the more general topic of time reference in questions on the number of persons employed and the market orientation of an activity used to identify informal sector activities. Where a LFS is not conducted on a continuing basis, the snapshot it provides may be misleading. For this reason, it is important to address these issues through a wider time span, even longer than the season of the year that corresponds to the interview. This may not solve the problem of capturing seasonal workers but it will minimize the bias that may occur in having a short reference period. If the time period in the question is precise and brief, it is likely that the circumstances that surround the activity will be contingent as will the conclusions derived from the data.

However, for some items, precise estimates of time are important. It is analytically relevant to know how long the respondent has been operating or managing her/his current economic unit (see Q3r and Q3s in the ENOE questionnaire; the issue is also addressed by Argentina's EPH and the Moldovan LFS). It is also useful knowing something about the past, such as if the person lost a previous job and if so, whether that happened recently (this implies some precision in specifying when it occurred). In rotating samples it is possible to obtain information on this issue not by asking but by means of a longitudinal analysis of households during the time they are in the sample. This kind of analysis is difficult to conduct and many provisions need to be made, given changes in respondents from one period to another as well as attrition which in turn requires adjustments in weighting and other factors. An alternative is to gather some information by means of the questionnaire itself (section 9 in ENOE)

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7. Effect on main objectives and operations of the survey

A final discussion is needed on the overall impact that the introduction of questions on informal sector and informal employment has on the duration of the interview and on the willingness of the public to participate in and to complete the entire survey. The answer goes far beyond the design of a survey. It also involves broader survey planning and the reliability and confidence the national statistical institute has with the public. Proper planning and public confidence requires the investment of resources. As a rule, a new survey or the redesign of a survey needs to be tested before full implementation. Testing helps to ensure that accurate and non speculative answers can be obtained and to better understand what affects the duration of the interview and non-response rates. In the case of Mexico's LFS, parallel rounds were conducted[13] in order to compare the results from the previous LFS with the new ENOE. Comparison of the results shows that total non-response rates did not increase in a statistically significant way after the introduction of new topics and increasing the length of the survey. Moreover, although the introduction of new topics may not have helped to improve the partial non-response on sensitive issues such as earnings, it did not worsen them either.

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[13] ENOE operations began in Jan 2005; the parallel rounds with the earlier survey known as ENE were conducted twice, in 2003 and 2004.

The inclusion of the new items in the LFS increased the average duration of each interview by roughly 20 to 25 per cent. This required an increase in field staff operations in order to reduce the burden of dwellings per interviewer and maintain at a constant level the time invested per assignment. It also increased the time required for supervision of interviewers. In particular, additional technical and logistical resources were provided for operational staff in order to apply quality controls in the sub-sampling of households selected to verify if the interview was actually conducted and conducted properly.

The perception of the public with regard to this kind of operation needs to be addressed in a practical way. It is not sufficient to train the field staff simply by telling them how to present the importance and objectives of the survey to respondents. The field staff must also be provided with material that conveys in plain and convincing language the dispositions and guarantees the national legislation gives to those who cooperate in the data collection effort and why the information they provide is important to the success of the activity.

In summary, introducing new topics and concepts into a LFS certainly is not a cost -free exercise. However, such reforms trigger an investment (or at least justify it) in improving the quality of field operations and systems and the benefits will spread to the whole LFS.

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