

**Updating of the SNA-93,  
issue 32: INFORMAL SECTOR**

**Advisory Expert Group's (AEG) recommendations of 04/2006:**

- a) The AEG agreed that there are strong reasons why guidance on the treatment of the informal sector should be added to the updated *1993 SNA*?
- b) The AEG agreed that there seems to be a substantial body of methodological literature and of practical experience available to serve as a foundation on which to prepare guidance on the treatment of the informal sector within the national accounts framework?
- c) The AEG recommended additional other sources to be consulted ?
- d) The AEG agreed that the different meanings of "sector," "informal," "households," and "formal" should be clarified and explained in the updated *SNA*?
- e) The AEG agreed that the updated SNA should describe the differences between the ICLS and SNA definitions of the types of production units and where possible reconcile the differences via bridge tables?
- f) The AEG referred to the general market/non-market distinction concerning the question whether there are advantages to the ICLS "some or all" criterion in identifying market producers.
- g) The AEG considered that the issue underlying question of comparability needs to be refined in consultation with agencies that have an interest in the issue.
- h) The AEG agreed that a bridge table be developed, in coordination with the ILO and Delhi Group, between the informal sector special cases and their SNA counterparts for inclusion in the updated SNA?
- (i) The AEG suggested that a section on issues associated with international comparability be added in the outline for a chapter in the updated SNA.
- (j) The AEG did not express a view about the approach of tracing with broad brush strokes the evolution of the subject as a frame within which to explain differences in terminology and differing analytical needs.
- (k) The AEG noted the need for the chapter to provide a good introduction to the subject without attempting to reproduce all the material of a Handbook.
- (l) Several AEG members would like to volunteer for the sub-group to be set up to provide advice and review progress on the development of a recommendation on the informal sector.
- (m) The Joint National Accounts meeting to be held at the UNECE in Geneva in April 2006 was mentioned as a forum, in addition to the Delhi Group, whose views should be sought.

**German opinion:**

The informal sector or hidden economy is a general measurement problem in many countries, although - as it seems - with a quite differing importance. On the other hand, the impact is mainly on the GDP-level and less on the GDP-growth rate.

The Federal Statistical Office uses various measures to produce GDP figures as comprehensive as possible:

- Explicit imputations are made in those areas where large-scale censuses are conducted only at long intervals (e.g. the census of crafts, and the census of distributive trade and the hotel and restaurant industry). Special calculations are also performed for own-account construction and tips.
- In many cases, implicit coverage of hidden/informal economic activities is ensured by the calculation method itself. For instance, agricultural production is determined on the basis of areas under cultivation and the relevant average yield. Also, rents are calculated through the stock of dwellings – broken down by size and other characteristics – and the relevant rents per square metre.

However, the Federal Statistical Office does not compile separate estimates of informal economic activities as part of national accounting:

- We consider that the ability to measure informal or hidden economic activities is quite limited. Due to highly uncertain or not available sources, separate figures on informal activities inevitably will not perform the required reliability and therefore decrease the (international) comparability of GDP.
- To the extent that informal economic activities are covered implicitly by the calculation methods already in place, it would be necessary to remove these from independent estimates in order to avoid double counting. However, information on their volume is not available.

Specific points:

- We agree to extend the present description of the SNA 1993 a little bit, but it should be made very clear, that the measurement problems are big. Mostly, the ability to produce reliable and sound data is not given. At the same time we propose as a general rule, not to publish separate figures on the hidden economy in the core system.
- We strictly are against the proposal of an alternative segmentation of households as presented in document SNA/M1.06/15. The split of “(household) enterprises with market production” into “informal sector enterprises” and “other household enterprises” might be interesting for developing countries (for some theoretical reasons). We are extremely sceptical, that the reliable data strived for, can be obtained simply by censuses as proposed in the attachment to document SNA/M1.06/15. Therefore such a disaggregation at best should be presented on a voluntary basis in satellite accounts.
- We are in addition very sceptical concerning the proposal of producing (publishing?) data for the different categories, i.e. illegal production, underground production, production for own final use, non-observed production and informal economy. In our experience there are (significant) overlaps between these concepts and that it is definitely not possible to produce reliable data for the different categories.