

**Comments on draft SNA chapter:
Chapter 25: Informal aspects of the economy**

**Deadline for comments: 30 September 2008
Send comments to: sna@un.org**

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Submission date:	

This template allows you to record your comments on draft SNA chapter 25 “Informal aspects of the economy” and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any or all parts of the template.

There is no file comparing existing text with draft text for this chapter because there is no equivalent chapter in the 1993 SNA.

Save this template and send it as an attachment to the following e-mail address:
sna@un.org

Part I: General comments

In the space below, please provide any general comments. This may cover e.g. the structure of the chapter, issues missing and (lack of) consistency with other chapters of the 2008 SNA.

General comments:

General comment	<p>Australia has not developed a strong view on how the informal sector should be defined or on the policy applications of data on the informal sector. We recognise that informal activity presents significant measurement issues in many countries and is worthy of a discussion in SNA for that reason. However, it would appear that the concept of the informal sector as outlined in the chapter is not well developed.</p> <p>For economies such as Australia, the focus is most likely to be on aspects related to illegal activity and potential understatement of production and income within the formal sector. Much of the ‘non-observed economy’ is in the formal sector.</p> <p>In view of this the title of the chapter could be reconsidered. It could be renamed ‘The non-observed economy’ and discuss the informal economy as a component of the non-observed economy. It would provide a more rigorous scope for the chapter as the meaning of informal sector appears very diffuse and does not sit easily in the SNA.</p> <p>The chapter includes the required information, but requires some tightening/re-arranging.</p>
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	Comments follow below.
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Part II: Comments on specific draft paragraphs and sections

All comments on specific draft paragraphs are welcome. They can be about e.g. scope, content and clarity. Proposing a concrete alternative text or table is also possible. For the paragraphs in separate sections, separate forms are used for providing and collecting comments (see below).

A. Introduction (paragraphs 25.1-25.13)

General comment	The ILO concept of the informal sector as expressed here is not particularly informative in the context of the national accounts as it is describing unincorporated enterprises in the household sector. It does not provide a basis for dissecting those units between those that might be described as ‘informal’. The paragraph needs to refer to further guidance in later sections as to how businesses in the household sector might be further classified as formal or informal.
25.1	
*	Click here and start typing.

* Insert rows in this Word table for each paragraph on which you wish to comment.


B. Characteristics of units in the informal economy (paragraphs 25.14-25.23)

General comment	This section requires some reworking. ‘Characteristics of units in the informal economy’ covers much of the same ground as Section D – ‘The informal sector as defined by the ILO’ and in section F – ‘Work of the Delhi group’. It is suggested that consideration be given to bringing forward material from both those sections to clarify the definition and characteristics of the informal sector in the context of the national accounts.
25.16	Legal incorporation is a characteristic of a formal unit and should not be included as a characteristic of units in the informal economy. Suggest delete from the list.
25.23	The nature of the activity – traditional or modern would appear to be one of the more useful characteristics. It is the final characteristic in the list and is presented in the negative ie. What to exclude from informal activity.

* Insert rows in this Word table for each paragraph on which you wish to comment.

C. The non-observed economy (paragraphs 25.24-25.30)

General comment	This section could be extended. It concentrates on the illegal economy. A major component of the non-observed economy in developed economies is under-reporting of sales and overstatement of expenses in business surveys and administrative sources such as taxation data – part of the so
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	<p>called cash economy.</p>  <p>Adobe Acrobat Document</p> <p>The attached file contains an article on the non-observed economy in the Australian national accounts. It may provide some useful text that could be incorporated in this chapter.</p>
25.28	Too focused on illegal activities. See general comment above.
25.29	Suggest a new sentence at end of paragraph – ‘It is common practice for an upward adjustment to be made to source data to allow ‘allow’ for those transactions that are known to go unreported in statistical collections.

* Insert rows in this Word table for each paragraph on which you wish to comment.

D. The informal sector as defined by the ILO (paragraphs 25.31-25.42)

General comment	Click here and start typing.
25.31	Click here and start typing.
*	Click here and start typing.

* Insert rows in this Word table for each paragraph on which you wish to comment.

E. Informal employment (paragraphs 25.43-25.48)

General comment	Click here and start typing.
25.53	Click here and start typing.
*	Click here and start typing.

* Insert rows in this Word table for each paragraph on which you wish to comment.

F. Work of the Delhi Group (paragraphs 25.49-25.51)

General comment	The material presented here refers to a subset ‘... covers only a relatively small part of the informal sector.’ Is there a more general definition and list of characteristics of the informal sector from the Delhi Group? This needs to be brought forward to help clarify the meaning and scope of the informal sector.
25.49	Click here and start typing.
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* Insert rows in this Word table for each paragraph on which you wish to comment.

G. Deriving data on the informal economy from the SNA accounts (paragraphs 25.52-25.61)

General comment	This section appears to imply that all unincorporated enterprises in the household sector are in the informal economy. This does not seem a useful result. In the Australian context, ABS would consider virtually all of category A1 and A2 households as being in the formal sector. This would not be consistent with paragraph 25.56.
25.59	It is not clear that the proposal to extract enterprises with less than five employees from the corporations sector applies only in the case where such enterprises have mistakenly been included in that sector, or in all cases. If the latter we would argue that the less than five employees is an arbitrary and inexact method of identifying informal or even potentially informal enterprises, particularly in these days when many enterprises pay contractors to undertake activity rather than taking on employees.
*	Click here and start typing.

* Insert rows in this Word table for each paragraph on which you wish to comment.

H. Approaches to measuring activities undertaken in the informal economy (paragraphs 25.62-25.69)

General comment	
25.62	Click here and start typing.
*	Click here and start typing.

* Insert rows in this Word table for each paragraph on which you wish to comment.

I. Studies and handbooks on the informal sector (paragraph 25.70)

General comment	Click here and start typing.
25.70	Click here and start typing.

Part III. Other specific comments

You are welcome to make other specific comments. To assist you in doing so, the following points are provided as a guide to the types of points on which you might wish to comment. Note, though, that you are not restricted to commenting on only these points.

1. Is the description of the non-observed economy (NOE) and “exhaustiveness” sufficient given the existence of manuals devoted to the subject?
2. Is the concept of the “informal sector” as defined by the ILO clear?
3. Is the definition of informal employment clear and sufficient?
4. Are the suggestions in section G to identify the units of interest sufficiently clear?
5. Do you have any comments on the data collections descriptions in section H?
6. Are there any other references you think should be added to the last section?

Specific comments:

Specific comments	Click here and start typing.
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You are also welcome to comment directly on the PDF file of the draft chapter. Please do so by using Adobe Acrobat Version 6 or 7.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make detailed comments, please send a message to sna@un.org requesting a version of the draft chapter that permits you to comment. To optimize your commenting tools, please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>