

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

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

Your name:	Mr Sanjiv Mahajan
Your country/organization:	UK / Office for National Statistics
Contact (e.g. email address):	Head of National Accounts Strategy and Development National Accounts Co-ordination Division Zone GE 108 Office for National Statistics 1 Myddelton Street Islington London EC1R 1UW Tel no. +(44) 020 7014 2078 E-mail: sanjiv.mahajan@ons.gov.uk
Submission date:	30 September 2008

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:

<p>General comment</p>	<ul style="list-style-type: none"> • This is a short and well-written chapter albeit some changes are needed to improve the flow and readability. • Given the emphasis in this chapter on the informal sector, it makes more sense to re-title the chapter, either “SNA and links to the Informal Sector” or “The Informal Sector”. • In terms of structure, there should be a brief section (i.e. before Section B) on the coverage and production boundary as laid out by the SNA. This is important given the role and starting point of the SNA and the use and coverage of estimates like GDP and GNI. • More detail and the treatment of a number of areas (briefly) is needed to provide a fuller and more balanced picture: <ul style="list-style-type: none"> ○ Either via a diagrammatic approach or tabular (showing inclusions and exclusions), the links between the informal sector and the main body of the SNA accounts need to be made clearer. ○ In line with the previous point, more is needed on how to extract data for the informal sector from the main sequence of the SNA accounts, and the concepts underlying the informal sector as opposed to the evolution and discussions covering this area. ○ Difficulties in measuring the various areas such as hidden economy. ○ For the different types of activity (e.g. illegal, hidden, etc.) need to provide examples of the type of units undertaking them and the links to any under-recording of the units on Business Registers, thus survey results through to official estimates like GDP. ○ Is there a need to cover how the informal production activities are measured in volume terms? • Need to be consistent with the use of terminology throughout the chapter, for example informal sector or informal economy given no difference has been provided. <p>Style and consistency points for this chapter and/or across SNA chapters</p> <p>This section is evolving and expanding through the process of the feedback provided on the SNA chapters. This should be considered as a check list reflecting various issues identified through the chapters to date but the issue(s) may not occur in each and every chapter.</p> <p>These are a number of specific points which you may wish to consider for “consistency” in the editing of the revised SNA as a whole publication. Examples include:</p> <ul style="list-style-type: none"> • There are various occurrences of American spelling and English spelling of words. I do not know which approach you are applying but consistency within each chapter, and across the chapters, is necessary. I would recommend the English spelling (not surprisingly!). For example, in this
------------------------	--

chapter, both versions have been used, for example, “organizations” should be “organisations”.

- There is an important style point which increases the usefulness for the reader. Many of the cross-paragraph references, for example, if there are exclusions in a list of examples, to know where the exclusions are included elsewhere in the SNA in the same text reference is extremely helpful. Although it is time and resource intensive to cross-check all such references, this needs to be balanced against the value and usefulness for the reader as well as ensuring consistency across the SNA.
- The separation of either a list of examples or list of bullet points need to be consistent across, e.g. “;” followed by for the penultimate point with “and” or use full stops for each point. Whichever the approach, it needs to be the same across the SNA. Also the beginning of a bullet point should start with a capital letter or a lowercase letter, again consistency is needed.
- In the text, reference to tables should be “Table x.x” and not as “table x.x”.
- Use of Latin phrases or the English equivalent written in full? Again, consistency is the underlying theme, I am happy with either approach.

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	<ul style="list-style-type: none"> • A table showing the use of different terms like “illegal economy”, “informal economy”, “hidden economy”, “non-observed economy”, “underground economy”, etc. would be useful together with a sentence or two providing some background description. • Paragraphs 25.9 to 25.13 do not fit well in the introduction and should be considered as a separate section.
25.1	Needs a clearer introduction as it assumes prior knowledge of the concepts and terms. What is covered in SNA production boundary and excluded and then a link to the informal activity concept may form a better introduction.
25.4	1 st sentence, replace “especially in many developing countries and countries in transition.” with “in most countries.”.
25.5	Need to also include issues like different taxation rates and policies, income type thresholds, and border controls.
25.9	<ul style="list-style-type: none"> • Need to provide more emphasis that the definitive source for the concept and definitions for the informal sector is set by the ILO, and not the SNA. • Bullet point (1), remove the “-” before and after “where they exist”.
25.11	1 st sentence, replace “Increasingly it has been realised that production ...” with “It is recognised that production ...”.
25.12	<ul style="list-style-type: none"> • The first part of this paragraph is confusing. It needs to be clearer that the informal economy is a subset of the non-observed economy. • Professional services is a wide category in terms of labour market classification, more specific examples would be useful.

* 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	It is not clear how this section (i.e. Section B) fits in with the Section A part covering “The ILO concept of the informal sector” as these are not the characteristics used by the ILO. Maybe swap them around and state the way the ILO handle these characteristics in their definitions.
25.15	Need to also describe the coverage and exhaustiveness of the Business Register, and in turn, for example, the exhaustiveness reservation EU Member States have to fulfil as part of Statistical Regulation.

25.17	<ul style="list-style-type: none"> • Need to cover a number of other issues such as: <ul style="list-style-type: none"> ○ Grossing ○ Sampling error ○ Non-sampling error ○ Under-coverage of the population and universe on the Business Register
25.18	Need to explain that size is an indicator but not a good indicator, for example there are many units which have low turnover and/or employees but fit within the characteristics of units in the informal economy.
25.20	<ul style="list-style-type: none"> • Need to explain that illegal activity is a subset of the non-observed economy. • Some countries do make explicit adjustments of various illegal activities within their GDP and national accounts estimates. You may wish to use the UK practice as an example. The UK incorporates specific estimates from official sources for smuggling (covering alcohol and tobacco) and VAT fraud (covering missing trader intra-community VAT fraud on items like mobile phones, computer chips, etc., i.e. high-value low volume items) within the UK accounts. • It is also worth recognising when balancing the supply of products and demand for products through the Supply and Use Tables framework, the data confrontation will implicitly incorporate some of the activity missing from some of the data sources.
25.23	<ul style="list-style-type: none"> • What is “modern” as opposed to “traditional”? Need to be clearer what are the criteria being applied. Also, if some of the activities are legal and recognised as within the SNA production boundary, it is not clear why the exclusion reference. • Bullet point (a), last sentence, remove extra space after “...concepts”. • Bullet point (c), remove “-” after “small”.

* 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	
25.24	4 th sentence, replace “1990’s” with “1990s”.
25.26	Again, the link between the non-observed economy and the informal economy needs to be shown more clearly.
25.29	Need to reflect that the tendency of coverage from various data sources is that the unbalanced estimate of GDP using the production approach tends to higher than those from the income and expenditure approaches. Even allowing for this, the production approach is itself not exhaustive and specific adjustments are still needed.

* 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	
25.31	1 st sentence, replace “entities” with “units” or “institutional units”.
25.34	<ul style="list-style-type: none"> • 2nd sentence, remove “is so”. • Need to distinguish from Bed and Breakfast dwellings from those that are owner-occupied dwellings.
25.36	Bullet point a., the term “own-account enterprises” is not a term recognised in Chapter 4, Institutional Units and Sectors, and needs to be explained.
25.41	Replace 1 st sentence with “The SNA sub-sectors split producers depending upon their dominant activity and control into market producers, producers for own final use and non-market producers.”.
25.42	<ul style="list-style-type: none"> • A table or a diagrammatic illustration would be very helpful to illustrate the different inclusions and exclusions between the SNA and ILO for issues like the formal sector, informal sector, households, etc. • It should be clarified that formal segment of enterprise in SNA is confined to only institutional sectors other than the household sector.

* 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	
25.43	Need to explain the differences between informal employment and informal sector, and “why” – some differences can be seen in Table 24.1 but with no explanation. Why does the informal employment definition go beyond the informal sector, for example contributing family workers working for a formal sector enterprise?
25.44	Apart from the first two sentences, the remaining text coverage of the three categories would be better shown as separate bullet points for clarity.
25.45	Replace “...types of employees are considered....” with “...types of workers are considered...”.

* 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	This section, although very important, should really be treated as an annex to the chapter and not included here. This would be in line with the approach elsewhere in the SNA.
25.50	Bullet point d., replace “five and more ...” with “five or more ...”.

* 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	
25.53	Bullet point c., replace “enterprises” with “enterprise”.
25.61	This distinction without clear criteria seems rather weak and subjective. For example, when does an activity switch from “modern” to “traditional”?
25.62	3 rd sentence, need to show the Manual reference in italics.

* 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	
25.64	<ul style="list-style-type: none"> • 1st sentence, remove “establishment” as business survey reporting units cover a mix of enterprises, establishments and local units. This point needs to be shown as a difference from household establishment surveys. • The point of the questions should be addressed to all people in the household to see if they are working informally? The paragraph suggests only “all employed” people. • Need to cover issues like quality, accuracy, response rates of household surveys, limited samples which are often not representative, and grossing problems handling outliers.
25.65	Household surveys have a problem of response bias when classifying businesses. Even something that would appear simple like industry suffers, so that the problem of knowledge of the operations is probably even more rife with response bias.

* 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	

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? Yes
2. Is the concept of the “informal sector” as defined by the ILO clear? No, more is needed for clarity either via diagrams or tables showing inclusions and exclusions.
3. Is the definition of informal employment clear and sufficient? No, see point 2.
4. Are the suggestions in section G to identify the units of interest sufficiently clear? Yes
5. Do you have any comments on the data collections descriptions in section H? Yes, section comments above.
6. Are there any other references you think should be added to the last section? No

Specific comments:

Specific comments	
-------------------	--

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>