

Seventh IMF Statistical Forum

Measuring the Informal Economy

SESSION V: PANEL DISCUSSION ON KEY TAKEAWAYS

November 15, 2019

Chair: Mr. Gerry Rice (Communications Department, IMF)

Panelists: Ms. Lisa Grace S. Bersales (University of the Philippines)
Mr. Gabriel Quirós-Romero (Statistics Department, IMF)
Mr. Francois Roubaud (French Research Institute for Sustainable Development)
Ms. Irmgard Zeiler (UN Office on Drugs and Crime)

PANEL TOPIC

The panel discussed main messages and key takeaways related to the Forum's topics, as well as lessons that could be learned by those seeking to better understand or better measure the informal economy.

SUMMARY OF DISCUSSION

1. *Having listened to and heard various speakers and presentations and panels, what are the two or three key takeaways?*

Ms. Zeiler: One key takeaway was that current discussion on the informal economy are somewhat fragmented, and events like the Forum help to make the discussion more coherent. Greater focus on understanding the needs of the users of the data also assists those interested in improving estimates on key issues like drugs and narcotics.

Mr. Roubaud: Welcomed the continued interest and strength of analysis in this area. Some problems however remain, despite the 2002 OECD *Handbook on Measuring the Unobserved Economy*. While some new issues are arising from the new developments in the economy, such as the digital economy, researchers should not overlook the basics of measuring the unobserved economy. Finally, the question of the main users of the data was focused on policymakers, but these statistics are also relevant and useful for the wider public.

Ms. Bersales: Understanding the informal economy requires integration and cooperation among statistical agencies, with much still to be done on capacity building to ensure statistical offices are able to apply the basic principles and develop relevant estimates of the informal economy.

Mr. Quirós-Romero: The Forum underlined the need to understand the informal economy, given its poorer wages, working conditions and lower productivity. Effective fiscal policies are also hampered if the tax base is low due to a very large informal sector. Understanding the informal economy has implications for how policymakers can expand the formal economy and reduce the informal economy as a channel to improve productivity, economic activity, and household welfare.

2. *The Panel discussed the need for greater convergence in talking about the informal economy, to use the same language, and connect the thinking in this area. Who are we trying to help—after this conference, are we closer to an agreed conceptual framework?*

Ms. Bersales: Yes, the conference has brought us closer to an agreed conceptual framework, but this is hugely dependent on what happens after the Forum.

Mr. Quirós-Romero: The upcoming revision of international statistical standards (*the Balance of Payments Manual* and *the System of National Accounts*), provides an opportunity to address issues about language.

3. *Is the informal sector good, or bad? How big are the illicit parts?*

Ms. Zeiler: A key question is whether you could replace the informal sector. Replacing the informal sector with an illegal sector, through badly designed regulation, may be a bad thing. While illegal activity is often thought to be bad, it may provide a livelihood to individuals and households, and income from these activities may not be readily replaced.

Mr. Roubaud: It is neither good, nor bad. The informal sector is a neutral concept. It accounts for a significant percentage of the population of the world, such that calling the informal sector “bad” would condemn a vast number of people working in this sector.

Ms. Bersales: It is good, somewhat echoing the points of other panelists during the Forum. During crises, the informal sector provides a way for households to get through, when the formal sector may be downsizing or unable to provide sufficient opportunities.

Mr. Quirós-Romero: In my view it is neutral, neither good nor bad. One could equally ask whether the formal economy is good or bad, given morally questionable industries such as arms production, take place in the formal economy. The important thing is to understand the informal economy.

Mr. Roubaud: The informal or unobserved economy contains a number of components. For example, the informal economy includes both legal goods and services but provided in ways that evade normal taxes and regulations, as well as outright illegal goods and services. Its helpful to think of the informal economy in this way, rather than the more traditional dimensions.

4. *Is digitalization increasing the size of the informal economy, and is it helping or hurting the measurement?*

Mr. Roubaud: This does not change much in measurement, but it does change things for individuals in the informal economy: some good changes (subsistence farmers able to easily check prices for goods) and some bad changes (digitalization can facilitate some illegal activities). Perhaps the impact might be greater on the illegal economy, than on the legal informal economy.

Ms. Bersales: Ecommerce is having an impact, as younger generations take advantage of new technology to start microenterprises, and engage in entrepreneurial activities, across social networks

Mr. Quirós-Romero: Digitalization is a relatively recent phenomenon, but the explosion of e-commerce and the gig economy may not be fully reflected in statistics yet. Statisticians are still developing their understanding of the digital economy, how it should be measured, and the impact on the economy. If these new activities are not fully captured in the data, growth may be higher than thought in many countries where the digital economy is growing quickly.

5. *What are the main practical steps that countries should take?*

Ms. Zeiler: Combine data collections from different institutions. But International Organizations should be mindful of the reporting burden on countries and streamline and coordinate data requests when feasible.

Mr. Roubaud: Globally, the key message for countries is to measure the easier parts of the informal or unobserved economy using the established methodologies. The IMF should encourage the collection and use of this data.

Ms. Bersales: National authorities should work with what is there. Censuses and surveys, and administrative registers can be used to build a picture of the informal economy but supplementing with new methods or big data as it becomes available.

SUMMARY OF COMMENTS, QUESTIONS, AND ANSWERS

During the question and answer session, participants raised several questions and provided some perceptive comments. One participant noted that surveys of the informal economy could be misinterpreted if compared to GDP, as parts of the informal economy may be already included within current GDP estimates. Panel members noted that in some cases statisticians needed to recognize this and distinguish between estimates of the proportion of GDP that takes place in the informal economy, or a missing amount of activity that is not included in GDP.

Some participants noted that there are current statistical standards and concepts for the informal economy and informal employment, and these standards should be the baseline for discussions,

especially given that the measurement of the informal economy is not solely about better estimates of GDP, but also relevant for labor market and social statistics.

Some participants reiterated the need to distinguish between the illegal and noncompliant parts of the informal economy. Others stressed the need to do the basics of measuring the world of informal enterprises. Participants also noted that statistical agencies need sufficient resources to measure the informal economy.

Participants noted that international organizations need to build on the work of the Forum to provide additional guidance and clarity going forward, to resolve some of the issues identified in the Forum.

CLOSING REMARKS

The Panel noted that the goal of compiling data on the informal economy is to inform policymaking, and good policy is based on the world as it is, not how we wish it to be. What is not visible, cannot be seen, so helping to make things visible can lead to better policy.

The IMF committed to reflect on the discussions of the conference, and work with other international organizations to help reinforce a common language for the informal economy; as well as support the IMF membership and share best practices for the measurement of the informal economy.