

SAMOA LFS 2012-13

ESTIMATING INFORMAL EMPLOYMENT: conceptual discussions

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1. Conceptual framework¹:

The starting point is a combination of a job-based (status in employment) and an establishment-based (type of production unit) concepts, leading to the following table as suggested in the current ILO Manual on informal employment.

Table 2 7: Conceptual framework for informal employment

Production units by type	Jobs by status in employment								
	Own-account workers		Employers		Contributing family workers	Employees		Members of producers' cooperatives	
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal
Formal sector enterprises					1	2			
Informal sector enterprises ^(a)	3		4		5	6	7	8	
Households ^(b)	9					10			

(a) As defined by the Fifteenth International Conference of Labour Statisticians (excluding households employing paid domestic workers).

(b) Households producing goods exclusively for their own final use and households employing paid domestic workers.

Note: Cells shaded in dark refer to jobs, which, by definition, do not exist in the type of production unit in question. Cells shaded in light refer to formal jobs. Un-shaded cells represent the various types of informal jobs.

Informal employment: Cells 1 to 6 and 8 to 10.

Employment in the informal sector: Cells 3 to 8.

Informal employment outside the informal sector: Cells 1, 2, 9 and 10.

2. Constructing required variables in the survey: for type of production units: Prod_Unit

¹ Reference: International Labour Organization (ILO); *Measuring Informality: a Statistical Manual on the informal sector and informal employment*; Pre-edited version, Geneva, 2012; p.31. See manual at: http://www.ilo.org/global/statistics-and-databases/WCMS_182299/lang--en/index.htm

(a) The variable on **status in employment** is already in the survey (E9; note we assumed the category 5.Others may contain mostly those that are members of cooperatives or similar as in the international standards).

(b) The variable to represent the establishment-based concept, or **type of production unit**, will be constructed using normally variables such as E5 (establishment size), E6 (workplace), E7 (institutional sector of the establishment), and E8 (registration). After initial checks of the applicable law we noted no specific provisions referring to the establishment size or any requirement that may mention this; in the context of the Samoan economic structure, it was also not easily to clarify/ stated with certitude whether selected work places would automatically imply formal sector, or informal sector, or a household establishment. While further checks on these two variables will be considered, we agreed to use only the combination of the last two variables (E7 and E8).

The process is to identify all criteria to build the following 3 categories of the variable **Prod_Unit**:

1. Formal sector enterprises,
2. Informal sectors enterprises, and
3. Households.

The following was retained.

Prod_Unit = 1, IF

E7=1, 2, 3, 4 OR

(E7=6, 7, 8 AND E8=1)

Prod_Unit = 2, IF

(E7=6, 7, 8) AND

(E8=2, 3, 4)

Prod_Unit = 3, IF

E7=5.

We noted that the survey questionnaire assumed already that all Private Sector Companies (E7=3) and Non-profit organizations NGO (E7=4) are in the formal sector (skip in E7 is if 1, 2, 3, 4 → E.9, skipping the registration question). This may not always be true, and the questionnaire for future surveys may need to check the registration for these categories as well. This may overestimate the formal sector establishments in the country.

We also noted that the category for international organizations/ embassies was included in others (E7=8), and since they don't have to register in a country, they don't fulfil the test in E8, which puts them in informal sector, while they are actually in the formal sector. Whoever this second concern may not affect the data on the variable type of production unit.

3. Classifying individual (cells in the framework above) into formal and informal employment:

The combination above in the framework between production unit and status in employment classify automatically cells into formal and informal employment. **The only remaining category to be determined is that of Employees (status in employment category 1 in the questionnaire)** which had both formal and informal cases (cells, meaning that an employee can either in formal or in informal in the three categories). There is therefore a need to identify criteria for informal employment (e.g.: contribution to social security, paid annual/sick leave, tax deduction from salary, etc), and separate employees (or wage employment) into formal/informal categories. We agreed to use all the following variables: E10 (contribution to pension), E11 (paid annual leave), E12 (paid sick leave), E13 (other benefits such as overtime), and E15 (contract type). In the Samoan context it was agreed that anybody in formal employment would normally have all these 5 entitlements clearly regulated.

Criteria retained to estimate employee's formal employment in Samoa are:

* Employees in formal employment, IF

E10, E11, E12, E13 = 1 (all AND), AND

(E15=1 OR 2).

4. Informal employment (IE) determination:

Identifying criteria for IE categories in the survey:

1= Formal employment

2= Informal employment.

* Starting point is employment, i.e. variable economic activity status of the population (EAP, calculated earlier: 1. Employed, 2. Unemployed, and 3. Not in the labour force):

IF EAP = 1 AND (all the following);

* Second test is for Employees (E9=1) in variable status in employment:

IE=1, IF

E9=1, AND

E10=1, AND

E11=1, AND

E12=1, AND

E13=1, AND

(E15= 1 OR 2); OR

* The remaining status in employment: contributing family workers (category 4 in the questionnaire) are by definition classified in informal employment; the other remaining status in employment (employers- 2, own-account workers/ self-employed- 3, and members of cooperatives/ others- 5) can be in formal employment only if their production unit is a formal sector enterprise, i.e.:

Prod_Unit=1, AND

(E9=2, 3, 5).

Otherwise (ELSE) IE = 2, IF

EAP = 1 AND

((E10=2, 3 OR E11=2, 3 OR E12=2, 3 OR E13=2, 3 OR E15=3) OR

E9=4 OR

* remove as above is enough (Prod_Unit=1 AND E9=4) OR

(Prod_Unit=2 AND E9=2, 3, 5) OR

(Prod_Unit=3 AND E9=3)).

5. Discussion on the provisional results in the variables type of production unit and IE:

Table 1: Total employment (34,530) by formal (10,956) and informal employment (23,574 or 68.3%), status in employment and institutional sector (Source: LFS 2013, Samoa MCIL-SBS)

Production unit	Jobs by status in employment									
	Own-account workers		Employers		Contributing family workers		Employees		Others (cooperatives?)	
	informal	formal	informal	formal	informal	formal	Informal	formal	informal	formal
Formal sector enterprises	0	309	0	605	131	0	9,540	9,387	0	28
Informal sector enterprises	18	0	61	0	14	0	399	138	12	0
Households	9,806	0	1,032	0	383	0	2,179	488	0	0