

**Measuring Informal Employment  
through Labor Force Survey :  
Nepal's Case**

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# Informal activities and sources of data

- Nepalese economy virtually functions with informal activities
- Over half of GDP is originated from the informal sector.
- Most agricultural activities (crop cultivation and livestock farming) are informal and also most agricultural products are consumed by the producer households.
- Small manufacturing activities, most retail trading and personal services are operated by household unincorporated enterprises.

# Data Sources

- **Main sources of information on informal sector and informal employment** are household surveys and administrative records.
- Central Bureau of Statistics (CBS) has been conducting periodic Nepal Labor Force Surveys (NLFSs).
- NLFS-I 1998/99 and NLFS-II in 2008.

# Survey Methodology

- The country was divided into 6 stratum
- Sample size of 16,000 households was equally divided between urban and rural areas.
- A two-stage stratified sampling procedure.
- In the first stage, wards (PSUs) were selected with PPS, (household as size)
- In the second stage, 20 households were selected from each on a systematic sampling basis.
- The 2001 population census provided the frame for the survey.

# Sample design for NLFS 2008

<b>Stratum</b>	<b>PSUs</b>	<b>'Take'</b>	<b>Households</b>	<b>Season I</b>	<b>Season II</b>	<b>Season III</b>
Mountain	34	20	680	200	240	240
KTM valley urban	131	20	2,620	880	880	860
Other hill urban	99	20	1,980	680	640	660
Rural hill	179	20	3,580	1,220	1,200	1,160
Urban terai	170	20	3,400	1,120	1,140	1,140
Rural Terai	187	20	3,740	1,240	1,240	1,260
<b>Total</b>	<b>800</b>		<b>16,000</b>	<b>5,340</b>	<b>5,340</b>	<b>5,320</b>

# Scope of the survey

- Household information
- Demographic characteristics
- Education and training
- Economic activity current and usual activity
- Employment and unemployment

# Scope of the survey (Contd..)

- Time related underemployment
- Labor underutilization
- **Informal sector and informal employment**
- Economic activities of children
- Migration and absentees
- Remittances

# Concepts and definition of 'Work'

- In line with the current ILO standards which in turn are based on the UNSNA 1993.
- The 1993 SNA has widened the production boundary of work, extended economic activities).
- Nevertheless, simplification of the measurement of usual activity status by using months worked or available to work.



# **Informal sector and informal employment**

- Questions have been added to measure informal employment in accordance with the recommendations of the International Conference of Labour Statisticians held in 2003

# Informal sector

- The informal sector for the survey purpose has been defined only in respect of the non-agriculture because of the difficulty defining informal sector activities in the agriculture sector.
- The informal sector is defined in terms of current economic status in the survey.
- Those currently active have been classified into one of three codes: 'agriculture', 'non-agriculture informal', 'and non-agriculture other sectors', based on the responses to each of three questions on employment status (Q.44), institutional sector of employment (Q.49) and number of employees (Q.50).

# Informal sector

<b>Employment status</b>	<b>Institutional sector</b>	<b>Number of employees</b>
Paid employee	Private unregistered company	Less than 10
Operating own business with no employees	-	-
Operating own business with regular paid employees or Contributing family member without pay or Other	-	Less than 10



# Informal sector

I D	Q.43 What is the main goods or service produced at te place where (Name ) works		Q.44. What is/was the status of (name)involved in this main job?	Q.45Wha is/was the basis for (name's) employment	Q.49.Where is/was the (name) working ?	Q. 50 How many regular paid employees are/were employed in the business (name worked?)
	Goods.... produced	NSIC Code	Paid employee ..1	Permamnent....1	Govt service 1	None
			Operating own business or farm with regular paid employees ..2	Contract .....2	Financial public corp 2	1 to 4
			Operating own business or farm without regular paid employees ..3		Non financial corp 3	5 to 9
			Contributing family member without pay ..4		NGO/INGO 4	10 or more
			Others Specify ..5	Piece rate.....3	Pvt reg financial 5	
					Pvt reg non financial 6	
					pvt unregistered org 7	
						Others 8

# Informal sector (Contd..)

- A person whose main job is not in agriculture has been counted as working in the informal sector if his or her present job satisfies conditions mentioned in the table.
- Where a person is not currently employed, the informal sector status is calculated on the basis of the main job in the last year or (if he or she did not work during the last year) the most recent job.

# Informal employment

- In 2003, the International Conference of Labour Statisticians added a new concept to the set of international standards regarding 'informal employment'.
- The determination of informal sector depends on the characteristics of the enterprise in which a person works,
- The determination of whether a person is in informal employment or not depends on the characteristics of the person's job.

# Informal employment (Cont.)

Informal employment includes:

- a) All own account workers without employees
- b) All employers in the informal sector
- c) All contributing family workers
- d) All employees in informal jobs (where an informal job is defined as not having paid annual leave or where the employer does not pay social security contributions for the worker).



# Informal employment (Cont.)

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

- ❖ Unshaded cells represent the various types of informal jobs.
- ❖ Cells shaded in light grey refer to formal jobs.
- ❖ Cells shaded in black refer to jobs which, by definition do not exist in the type of production unit in question.

# Informal employment (Cont.)

- a: as defined by the 15<sup>th</sup> ICLS (excluding household employing paid domestic workers)
- b: Households producing goods exclusively for their own final use and households employing paid domestic workers.

# **Informal employment** (cont.)

Informal employment : cells 1-6 and 8-10

Employment in the informal sector: Cells 3 -6  
and 8

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

# Summary results of the survey

- 2142 thousand people aged 15 and over were currently employed in the non-agricultural informal sector.
- During the period of nine years, the currently employed population in the non-agricultural informal sector grew by 29.3 percent.
- 70 percent of total non-agricultural employment (as compared to 73 percent of total non-agricultural employment in 1998/98).
- Males employed in the non-agricultural informal sector increased by 31.1 percent and females by 26.1 percent.
- There were 759 thousand people aged 15 years currently employed in their own business with no employees in 1998/99 and this increased to 969 thousand in 2008.

# Summary results of the survey

- It is estimated that there were 11332 thousand people (96.2 percent of the currently employed aged 15 years and above) who were informally employed in all industries.
- Excluding the agriculture and fishing industries, the number of non-agricultural informally employed persons were 2655 thousand (or 86.4 percent of total non-agricultural employment).

# Summary results of the survey

- Of 2655 thousand in non-agricultural informal employment, mostly (39.7 percent of) were “paid employees with informal job conditions” (that is, they had no paid leave or no social security contributions by the employer).
- 36.5 percent were self-employed without regular paid employees
- 19.8 percent were contributing family members.
- The balance of non-agricultural informal employment were employers and others (4 percent).

Thank you