

A programme of wages statistics for the Caribbean

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Introduction

One of the major gaps in the labour statistics systems in many of the Caribbean countries results from the lack of information on wages and hours of work. A few countries collect data through surveys of establishments, in which poor response tends to lead to unreliable statistics. Others routinely assemble information on wage agreements arrived at through the collective bargaining processes. Neither of these approaches results in data with broad coverage, in terms of both economic activities and workers.

The effect of the gap in the statistics has been felt for many years, for example when analysing the evolution of Caribbean labour markets, and within the context of poverty monitoring, when evaluating changes in living standards and conditions of work and life. More recently, with intensified global competition, the absence of complete and reliable information on wages, labour cost and hours of work has been recognized as constituting a serious handicap, since, without this information, it is difficult to assess the competitive position of enterprises and countries.

As part of its contribution to the development of relevant and sustainable labour market policies in the Caribbean, the ILO Caribbean Multidisciplinary Team (CAMAT) has been assisting countries in strengthening their data base for informed decision-making. To date, much of this effort has been focused on the establishment or improvement of labour force surveys. However, given the dearth of information on wages and hours of work and the increased demand for such data, attention needs to be focused on that area as well.

CAMAT therefore sought the collaboration of the ILO Bureau of Statistics to convene a wages statistics workshop for the Caribbean, which should provide producers and users of wages statistics with the necessary knowledge to determine an appropriate wages statistics programme. One of its outputs would be the outline of a national minimum programme for wages statistics. It would be specially designed for statisticians, economists, technical managers, analysts and researchers working in central statistical offices, statistical departments of Ministries of Labour and Planning, and trade unions and employers' organizations.

The workshop was held from 19 to 22 November 1996, in Christ Church, Barbados, with the collaboration of the United Nations Development Programme (UNDP) Barbados and the Secretariat of the Organization of Eastern Caribbean States (OECS). It was hosted by the Government of Barbados. 27 representatives from 14 countries attended the workshop, representing ministries of labour, national statistical offices, organizations of employers and of workers. Eight observers from the Eastern Caribbean Central Bank, the Barbados Labour Department, Ministry of Labour, Community Development and Sport and Bureau of Women's Affairs also participated.

Programme of work

After a brief review of the current situation regarding wages statistics in each of the 14 participating countries, the first part of the workshop was spent examining the different aspects of wages statistics: the various concepts of wages, the international guidelines for statistics of wages and the

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relationship between the concepts; the uses of wage data; the types of statistics that can be compiled, the data needs and the methods of calculation; and the different sources and types of data that can be compiled from each. One session was devoted to the international conventions and recommendations concerning wages.

The development of the wages statistics programme was the subject of the second part of the workshop, dealing with objectives, types of data, frequency, concepts, data sources, and resource and infrastructure requirements. The programme was modified slightly so as to include a session for discussing ways to improve response in surveys of establishments, a problem that is particularly important for wages statistics.

Current situation

Presentations by participants on the current status of wages statistics in their countries pointed in the main to the absence of well-developed programmes for collecting and analysing data on earnings and hours of work. Three countries, Antigua and Barbuda, Barbados and Jamaica, reported on the collection of information through annual employment and earnings surveys. Work was proceeding in Jamaica on the development of a wage index. Most of the other countries indicated that their main source of information on wages comprised surveys carried out for national accounts purposes (reflecting compensation of employees), collective agreements, social security records, reports of labour inspectorates and labour force surveys. Among the problems reported were the limited scope of most of these efforts, and the low response rates in establishment surveys, which affected the reliability of the results obtained. Because of these problems, in most of the countries there was no attempt to tabulate and/or publish the data on a regular basis.

International labour standards

Participants were provided with an overview of the international labour standards system and the contents of conventions and recommendations concerning wages. These included the Labour Statistics Convention, 1985 (No. 160), the Equal Remuneration Convention, 1951 (No. 100) and the Protection of Wages Convention, 1949 (No. 95). They were also briefed on ongoing work and developments with respect to the evaluation of unremunerated work for inclusion in satellite national accounts. The importance of collecting and analysing data on wages according to gender was emphasized.

Developing a programme of wages statistics for the Caribbean

During the first part of the workshop, the participants were briefed on the Resolution concerning an Integrated System of Wages Statistics adopted by the Twelfth International Conference of Labour Statisticians (ICLS) in 1973. This resolution defines the concepts to be used in the compilation of wages statistics and proposes a current wages statistics programme and a non-current wages statistics programme, the distinction being based primarily on the type of short-term and long-term needs. The non-current programme envisages the compilation of detailed and in-depth data for use in structural and causal analysis of the level and pattern of wages. The current programme envisages the regular compilation of essential information at short intervals in order to provide indicators of changes in the levels and trends of wages and hours of work. Underlying the establishment of a wages statistics programme are three major goals:

- a) The programme should be as comprehensive as possible, covering all important concepts of wages, i.e. wage rates, earnings, labour cost, and the corresponding concepts of hours of work, i.e. normal hours of work, hours actually worked and/or hours paid for, and also covering all branches of economic activities, regions and employees.

- b) The collection and compilation of information on wages from different sources should be carried out in such a way that the resulting data are mutually consistent and also reveal the relationships between them.
- c) The programme should cater specifically for both current (short-term) needs and non-current (long-term) needs.

The discussion and development of the wages statistics programme for the Caribbean took place in the light of Twelfth ICLS resolution. It was agreed that the ultimate aim for countries should be to establish both current and non-current statistics. However, since the latter are generally very costly and burdensome to implement, the participants decided that these should constitute the longer term objective.

- ! **The initial goal was to establish a minimum programme of wages statistics, catering to current, short-term needs, in which data are compiled on both wage rates and earnings.**
- ! **Main objectives** The **main objectives** of the programme as identified by the workshop are to provide data that can be used in collective bargaining, minimum wage fixing and economic and employment policy formulation and monitoring. The data could also be used for wage fixing, investment decisions, as economic indicators, vocational guidance and for assessing standards of living.
- ! **Frequency** The statistics should be compiled at least once a year.
- ! **Coverage** The **industrial coverage** should extend at least to the most important branches of economic activity in both public and private sectors, with gradual expansion to all economic activities. **Worker coverage** should take in all employees, including apprentices and trainees if they are paid for their work and considered to be employees.
- ! **Data sources** The workshop considered that the most appropriate **source for the data** on wage rates and earnings is a survey of establishments, which could be supplemented by the use of records of social security schemes and a panel survey. In the absence of an establishment survey, social security records could be useful, if they contain the appropriate information and can be used for statistical purposes.
- ! **Classifications** The **set of classifications** decided on by the workshop as a minimum relate to sex, major occupational group, economic activity, size of establishment and sector.
- ! **Next stage after minimum programme established** It was agreed that the **next stage**, after the minimum programme is in place, should be the development of **statistics on labour cost**, on both the level and composition of labour cost. The data should be compiled at least every three years, covering important economic activities, and using concepts and classifications that are consistent with those used for the data on wage rates and earnings. The relevant international standards embodied in the Resolution concerning Statistics of Labour Cost, adopted by the Eleventh International Conference of Labour Statisticians, 1966, should be followed for these statistics.

The outline of the programme as agreed by the workshop is given at the end of this article.

Strategies for improving response in establishment surveys

A number of the countries represented at the workshop already have surveys of establishments for collecting data on wages. However, these surveys do not all provide reliable results, as most face serious problems of low response. Therefore, since establishment surveys constitute the most important source of data on wages and hours of work, the workshop felt it would be useful to spend some time discussing approaches for improving survey response.

The objective of the strategies is to improve the levels of response by employers in establishment surveys. Many countries have legislation covering the obligation to provide certain types of information, with sanctions provided for if such information is not provided. However, there is rarely recourse to legal action in cases of non-response, mainly because it is better to gain the confidence and interest of respondents in participating in surveys than by resorting to punitive action which can be costly and counter-productive.

Gaining the confidence and interest of respondents can be achieved in a number of ways, but requires considerable effort on the part of statistical offices, and adequate resources allocated for staff and other expenditure.

Needs

- ! direct contact between survey organizers and individual respondents
- ! respondents should be made aware of importance of cooperation in the survey and of the use of the data, as well as the relevance of the survey results for their own purposes
- ! continuous interaction between survey organizers and individual respondents in order to maintain interest and cooperation
- ! adequate allocation of resources: the methods outlined below all mean using resources (in terms of both persons, i.e. field staff and office staff, and financing, i.e. for publicity, etc.); without these, it is not possible to improve or maintain levels of response.

Methods

- a) Publicity campaigns (TV, radio, newspapers):
 - ! Newsletter to all establishments, with attractive presentation, concrete illustrations of how the data are used by the statistical office, economic planners, etc. and by the respondents themselves (e.g. by comparing their own wage levels with industry or area averages), incorporating issues of likely interest to respondents (e.g. productivity)
 - ! Discussions, question-and-answer call-in programmes on radio or TV
 - ! Posters emphasizing the utility of the data, for workplaces, etc.
 - ! Contact with workers' organizations to explain importance of data
- b) Prior to data collection:
 - ! questionnaire design following consultations with employers and their payrolls (types of information readily available, any changes needed in their record-keeping)
 - ! tripartite seminars (relevant government departments, employers' and workers' organizations)
 - ! telephone calls by statistical office staff to respondents to establish contacts and explain survey objectives
 - ! visits by statistical office staff to deliver questionnaires, establish contacts and explain objectives; possibly to help respondents complete the questionnaire the first time
 - ! well-trained enumerators and follow-up staff

- ! explanatory letter accompanying questionnaires, including a statement concerning legal obligations (if any)
 - ! identification of a contact point in the statistical office who can be contacted in case of difficulty in providing data, for providing explanations, etc.
- c) During data collection:
- ! reminder letters to non-respondents
 - ! telephone follow-up by statistical office staff to non-respondents
 - ! visits to non-respondents by statistical office staff
 - ! data collected directly by interviewers, where feasible.

Outline of a wages statistics programme

The programme should aim, in the long run, at providing:

Current statistics, for providing time series at short intervals in order to provide indicators of changes in the levels and trends of:

- a) **Average earnings**
- b) **Average wage rates actually paid**

Longer-term statistics, for detailed and in-depth data for use in structural and causal analysis of:

- c) **Labour cost**
- d) **Wage structure and distribution**

Because of the limited resources available to certain countries, in terms both of staff and of material support, a **Minimum programme** is first recommended, towards which all countries should aim. At a later stage, this can be built on to include other types of wages statistics, in particular statistics of labour cost.

Minimum programme

The **minimum programme** should comprise:

- a) Current statistics of average wage rates actually paid and normal hours of work, and
- b) Current statistics of average earnings and hours actually worked or paid for.

Objectives:

The **main objectives** of the programme are to provide essential and timely data at regular and frequent intervals, that are required for the purposes of:

- ! Collective bargaining
- ! Minimum wage fixing
- ! Economic and employment policy formulation and monitoring

The **secondary objectives** include:

- " Wage fixing
- " Investment decisions (at both national and international levels)
- " Economic indicators

The data can also be used for a number of other purposes, including:

- Vocational guidance
- Assessment of standards of living

Frequency

In order to meet the objective of timeliness and frequency, the wages statistics should be compiled **at least once a year**. This is the frequency recommended in the Labour Statistics Recommendation (No. 170), 1985.

It would be useful to compile the data at shorter intervals, but this imposes a heavy strain on statistical resources and on respondents. Ideally, the current statistics should be compiled each quarter in order to show short-term and seasonal variations in trends. If it is possible to compile the data more frequently than once a year, the periodicity should be determined by considering the cost of the data collection, the availability of resources, the burden on respondents and their willingness to cooperate, and the ability of the statistical office to process the data and publish the results rapidly.

Concepts

a) Wage rates: these should refer to the cash wage rates actually paid by employers during the reference period for the data collection. They should include:

- ! basic wages paid for normal hours of work
- ! cost of living allowances
- ! other guaranteed and regularly paid allowances (e.g. transport allowance)

They should **not** include:

- " reimbursement of expenses
- " house rent allowances
- " payments in kind

b) Earnings: these should relate to remuneration in cash paid to employees, as a rule at regular intervals, for time worked or work done together with remuneration for time not worked, such as for annual vacation, other paid leave or holidays.

Earnings should comprise:

I. *Direct wages and salaries*

1. pay for normal time worked
2. premium pay for overtime and holiday work
3. premium pay for shift work, night work, etc., where these are not treated as overtime
4. incentive pay (production bonuses, etc.)
5. other regularly paid bonuses
6. family allowances paid directly by the employer
7. cost-of-living or dearness allowance
8. house-rent allowance paid directly by the employer

II. *Remuneration for time not worked*

1. annual vacation and other paid leave, including long-service leave
2. public holidays and other recognized holidays
3. other time off with pay (e.g. for civic duties, family reasons, taking exams)

III. *Bonuses and gratuities*

1. year-end, seasonal and other once-a-year or one-time bonuses
2. profit-sharing bonuses
3. additional payments in respect of vacation, supplementary to normal vacation pay, and other bonuses and gratuities

Earnings should **not** include:

- " payments in kind
- " employers' contributions in respect of their employees paid to social security schemes and benefits received by employees under these schemes
- " severance and termination pay

They should be measured **gross**, before any deductions are made by the employer in respect of taxes, contributions of employees to social security and pension schemes, life insurance premiums, union dues and other obligations of employees.

For both wage rates and earnings, where **payments in kind** are significant, information could be collected on the **types of payments in kind** received, without any estimation of value. In certain economic activities, wage rates in kind are important. For example in hotels and restaurants workers may receive meals and accommodation free of charge as part of their wage rates. It is useful to know, in addition to the amounts of cash wage rates that are actually paid, whether any payments in kind are made, the type of payments and how many employees benefit from them.

c) Normal hours of work: these are the hours of work fixed by or in pursuance of laws or regulations, collective agreements or arbitral awards. Where not so fixed, they should be the number of hours per day or week in excess of which any time worked is remunerated at overtime rates or forms an exception to the rules or customs of the establishment relating to the classes of workers concerned.

d) Hours actually worked or hours paid for:

Hours actually worked should include:

- ! hours actually worked during normal periods of work
- ! time worked in addition to hours worked during normal periods of work and generally paid at higher rates than normal rates (overtime)
- ! time spent at the place of work on work such as the preparation of the workplace, repairs and maintenance, preparation and cleaning of tools, and the preparation of receipts, time sheets and reports
- ! time spent at the place of work waiting or standing by for such reasons as lack of supply of work, breakdown of machinery or accidents, or time spent at the place of work during which no work is done but for which payment is made under a guaranteed employment contract
- ! time corresponding to short rest periods at the workplace, including tea and coffee breaks

They should **not** include:

- " hours paid for but not worked, such as paid annual leave, paid public holidays, paid sick leave

- " paid meal breaks
- " time spent travelling from home to the workplace and vice versa

Hours paid for correspond to time paid for, regardless of whether this time is spent at work or not, including hours actually worked, and:

- ! hours paid for but not worked, such as paid annual leave, paid public holidays, paid sick leave
- ! paid meal breaks

The figures obtained by using the two concepts of hours of work have different meanings which affect the comparability of series. The level of hourly earnings obtained by using the concept of hours paid for is lower than that obtained when using hours actually worked. However, both concepts may yield time series with the same trend when the reference period is selected carefully. If the concept of hours paid for is used, it is recommended that, from time to time, information should be collected in order to determine the relationship between the number of hours actually worked and the number of hours paid for in each economic activity.

Reference period:

The data should be collected with reference to a particular **month** in the year.

- a) **For wage rates and normal hours of work:** data should be collected with reference to the **last full payroll period** (i.e. week, fortnight, month) in the reference month.
- b) **For earnings and hours actually worked or paid for:** data should be collected as follows:
 - ! Regular payments and hours actually worked or paid for: the last full payroll period (i.e. week, fortnight, month) in the reference month.
 - ! Non-regular payments: the 12 months ending in the reference month.

The reference month should be selected in such a way as to reflect a typical month, i.e. one in which there are no public holidays, in which workers are generally present (i.e. not normal vacation periods) and in which there are usually few days when employment or hours of work are slack. The hours of work data should be collected for the same period as the wage rate or earnings data, i.e. the same week, fortnight, month, etc. In this way, average earnings and hours of work can be calculated for different units of time for the different categories of workers covered by the data collection (e.g. per day, week or month).

Coverage

Economic activities: As a **minimum**, the statistics should cover **all important branches of economic activity**, in both the public and private sectors, i.e. important to its national economy. This is the coverage provided for in the Labour Statistics Convention (No. 160), 1985. Criteria for deciding the importance of an activity include: the number of persons employed, highly capital-intensive production, significance for exports, high ratio of certain categories of workers (e.g. women) or certain occupations (e.g. teachers), or activities which need special attention in connection with economic and social planning.

The aim should be to extend the coverage of the statistics gradually to all economic activities.

Establishments: Where data are collected through a sample survey of establishments, it is usual to cover only **establishments above a certain size**, for a number of reasons: it may be difficult to identify all small establishments and to include them in the list that forms the basis for the survey; it is difficult to keep track of all births and deaths of small establishments as these have a higher turnover than larger establishments; they tend to account for a lower proportion of total employment than the larger

establishments. It is often assumed that the wages paid in smaller establishments, while perhaps not at the same level as those paid in large establishments, tend to follow the same trends.

It may be useful to study the smaller establishments in a separate exercise (e.g. informal sector surveys) from time to time, in order to be able to determine the relationship between wages in larger and smaller establishments.

Employees: The statistics should cover all employees (whether regular or temporary, full-time or part-time), including apprentices, trainees, etc. if they appear on the establishment payroll and are considered to be employees. Directors and managerial staff who are remunerated predominantly by a share of the profits should be excluded.

Data sources

There are four main sources of data on wages and hours of work. The choice of source depends on the types of data available and the coverage of each.

a) **Social security records** (available in all the countries)

Types of data generally available:

- ! gross earnings
- ! number of weeks worked
- ! contributions paid: employee's and employer's
- ! characteristics of worker: sex, age, occupation
- " possibly also the characteristics of the employer (economic activity, size of establishment)

Advantages:

- ! generally cover workers in all branches of economic activity and all sizes of establishment
- ! data are already provided for the administrative records, therefore no additional reporting for employers or workers

Limitations:

- " no breakdown of earnings into the different components, therefore no data on wage rates
- " coverage is restricted to persons covered by the social security scheme
- " there are few or no data on hours of work
- " there may be an upper limit on the amount of earnings for which contributions are payable, and therefore on the amounts recorded
- " it may not be possible to use the records for statistical purposes (e.g. this may be forbidden by laws or regulations governing the social security scheme)

b) **Collective agreements** (available in some countries)

Data generally available:

- ! basic wage rates (maybe pay scales)
- ! regular and non-regular bonuses
- ! normal hours of work

for individual occupations, groups of occupations or categories of workers in specific economic activities

Advantages:

- ! data are already available on the records of agreements, therefore no additional reporting for employers or workers

Limitations:

- " there is usually no data on the number of employees covered
- " coverage is limited to certain occupations and/or economic activities
- " coverage may be limited to unionized workers
- " no information is available for estimating wage rates actually paid

c) Establishment surveys (available in a few countries)**Data generally available on payroll records:**

- ! basic wage rates actually paid
- ! normal hours of work
- ! overtime hours paid for
- ! bonuses paid, both regular and non-regular
- ! allowances paid
- ! contributions to social security: both employees' and employer's
- ! employees' income tax deductions

Advantages:

- ! information readily available on payroll records

Limitations:

- " coverage may be limited to certain economic activities
- " coverage may exclude small establishments
- " information available about employees depends on record-keeping practices; the details recorded on the payroll may not include items such as sex or occupation
- " response burden on employers and possible poor response

d) Household surveys (available in some countries)**Data possibly available:**

- ! income from employment
- ! characteristics of worker (age, sex, occupation, etc.)
- ! multiple job-holding

Advantages:

- ! detailed information can be obtained about workers

Limitations:

- " proxy response can lead to reporting errors
- " respondents often reluctant to report income data, or tend to underreport levels of income
- " income data may be reported as disposable or net earnings rather than gross, as taxes and social security contributions are deducted by the employer
- " lack of information on wage rates

- " lack of accurate information on the economic activity of the employer
- " income is often reported as combined income from several jobs

Establishment surveys comprise the most suitable method for collecting wage data, and are recommended where possible.

An up-to-date **list of establishments** is required, containing the following information:

- name, geographical location, street address, mailing address, telephone number and any other necessary contact information
- major product, commodity or service produced
- employment size

It may be necessary to employ sampling methods for selecting establishments for the survey, in which all large establishments are covered along with a sample of smaller establishments.

The establishment survey could be supplemented by a panel survey, i.e. a survey covering a panel of establishments or workers, or by the use of social security records.

In the absence of an establishment survey (and likelihood of carrying out such a survey), **social security records** could prove to be a useful alternative. However, they might not fully meet the objectives of the wages programme as certain types of information may not be registered (see above). Additional information would generally be needed on hours of work and on the components of earnings, as well as information about the employer.

Classifications

The type and detail of classification used will depend on national circumstances and the source of data, sample size, economic activities covered, etc.

The **basic classifications** to be used comprise:

- ! sex
- ! major occupational group (occupation for wage rates)
- ! economic activity (at the level of major divisions), provided confidentiality rules are respected
- ! size of establishment - 100+ , 50 - 99, 10 - 49 (more detailed groups depending on country, activity, etc.)
- ! sector: public, private or other (using relevant national classification and definitions)

Depending on national priorities, the data could also be classified according to:

- " type of ownership (local, foreign, multinational, etc.)

Next stage

Once the **minimum programme** is established, the objective should be to develop longer-term statistics of **labour cost**. For this, national statistical offices should follow the recommendations included in the relevant international standards, i.e.:

- ! Resolution concerning statistics of labour cost adopted by the Eleventh International Conference of Labour Statisticians, 1966
- ! Labour Statistics Convention (No. 160) and Recommendation (No. 170), 1985.

