
Calculating and interpreting wage indicators (Session 6)

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ILO/EC Project “Monitoring and Assessing Progress on Decent Work”



Outline of presentation

- Context for Indicators on Wages:
The ILO's mandate on wage issues
- Decent Work Indicators for
“Adequate earnings and productive work”
 - Indicator definitions and examples
- Global Wage Report 2010/11
and the ILO' Global Wage Database
 - Wage trends in participating countries



Context: ILO Constitution and Declaration of Philadelphia

- The ILO's 1919 Constitution recognizes that
 - “universal and lasting peace can be established only if it is based upon social justice”
 - and calls for “the provision of an adequate living wage” to improve working conditions.
- Declaration of Philadelphia (1944) recognizes the ILO's obligation to promote:
 - “policies in regard to wages and earnings [...] to ensure a just share of the fruits of progress to all, and a minimum living wage to all employed [...]”



Context: Declaration on Social Justice for a Fair Globalization (2008)

- The *Social Justice Declaration* expresses the ILO's contemporary vision for achieving social justice.
- The Declaration calls on member States to implement the Decent Work Agenda, including through:
 - “policies in regard to wages and earnings [...] to ensure a just share of the fruits of progress to all, and a minimum living wage to all employed [...]”
- 2009 Global Jobs Pact calls for a response to the global economic crisis that avoids “deflationary wage spirals and worsening working conditions”.



Decent Work Indicators on “Adequate earnings and productive work”

- Decent Work Indicators for adequate earnings can be used for different purposes:
 - ❑ To monitor national trends, e.g. in the context of Decent Work Country Programmes, National Development Plans or PRSPs.
 - ❑ As a basis for an informed and evidence-based wage policy (see presentation by Sri Lanka).
 - ❑ To monitor global trends, as done in the ILO’s Global Wage Report.



Decent Work Indicators on “Adequate earnings and productive work”

- Indicators draw on existing ICLS definitions, in particular:
 - Resolution concerning the measurement of employment-related income (16th ICLS, 1998).
 - Resolution concerning an integrated system of wages statistics (12th ICLS, 1973).
- Overlap with the MDG indicators for Goal 1B:
 - M - Working poor
 - C - Labour productivity.



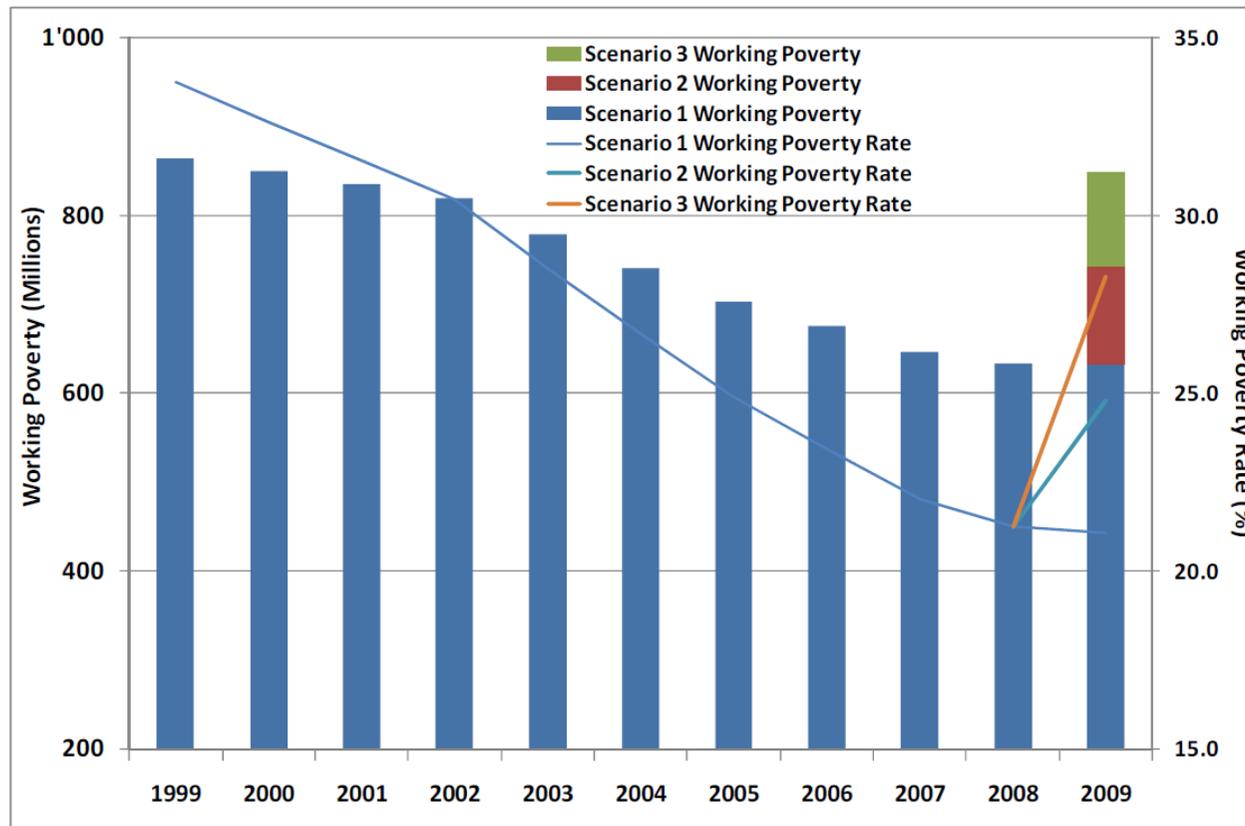
M – Working poor (S) (Definition)

- **Definition:** Employed persons who live in a poor household, headcount and in % of all employed persons.
 - *Poverty threshold:* either international poverty line of PPP\$1.25 and PPP\$2.00 (as in MDG Indicator) or national poverty line.
- **Source:** Cross-tabulation of poverty status and labour force status from household surveys; ILO estimates (MDG Indicator).
- **Repository:** NSOs and ILO (GET Model).



M – Working poor (S) (Example)

Global working poverty trends, 1999-2009* (USD 1.25 a day)



- Global ILO estimate with three crisis scenarios (GET, January 2010).

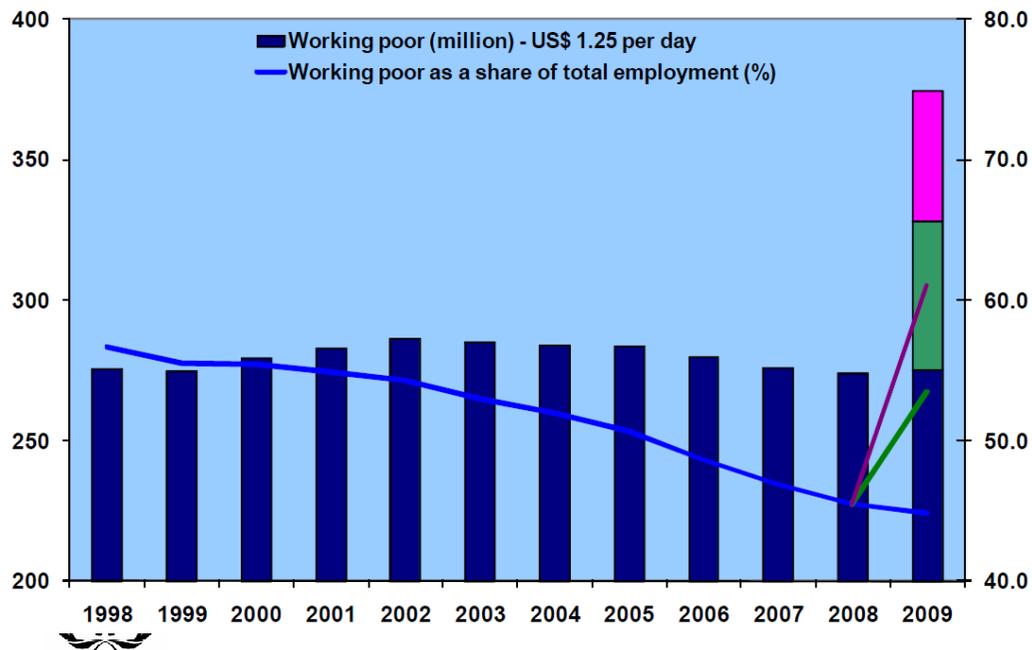
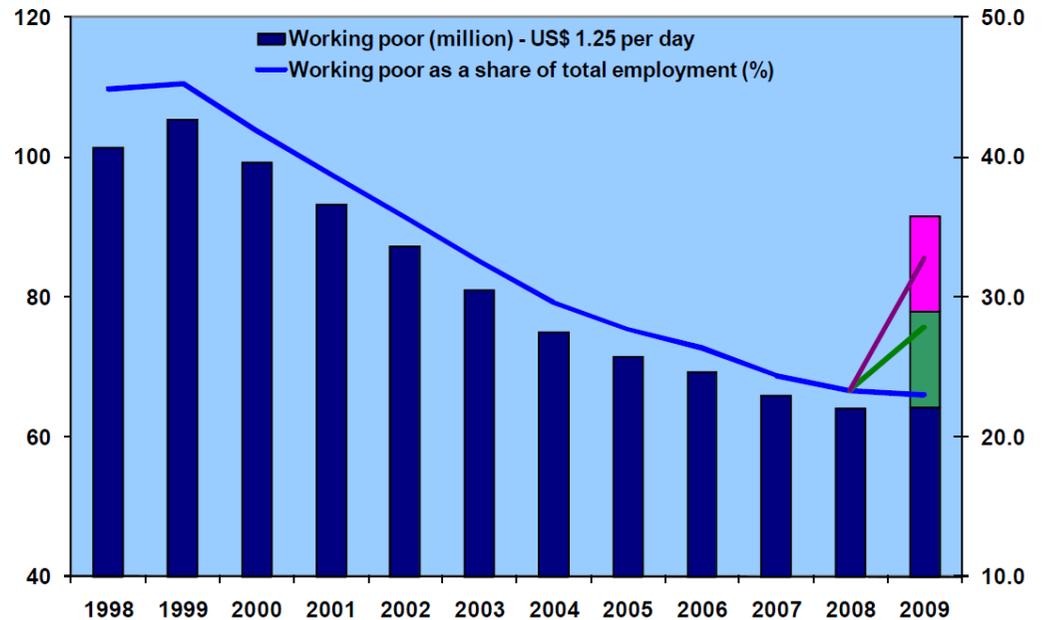
*2008 and 2009 are preliminary estimates.

Source: ILO, Trends Econometric Models, October 2009 (see Annex 4).



M – Working poor (Example)

- South East Asia → (includes Cambodia, Indonesia, Malaysia, Philippines).



- ← South Asia (incl. Bangladesh, Nepal, Sri Lanka).

Source: ILO (GET, January 2010).

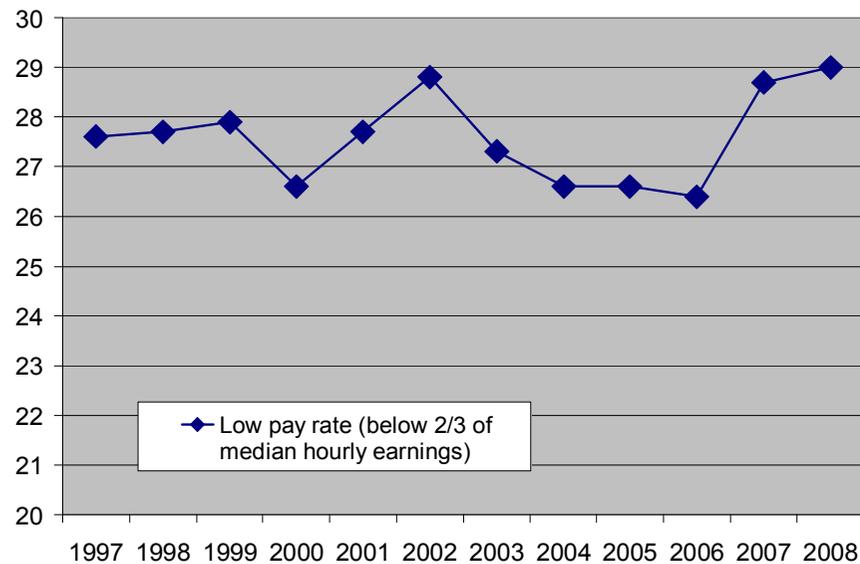
M – Low pay rate (Definition)

- **Definition:** Percentage of all employed persons (employees) with hourly earnings less than 2/3 of median hourly earnings of all workers (employees).
 - Indicator refers to earnings of individual workers (rather than equivalized per capita household income) and uses a relative threshold (rather than an absolute threshold).
- **Source:** LFS and other household surveys with wage / earnings module.
- **Repository:** NSOs, OECD, ILO and others.



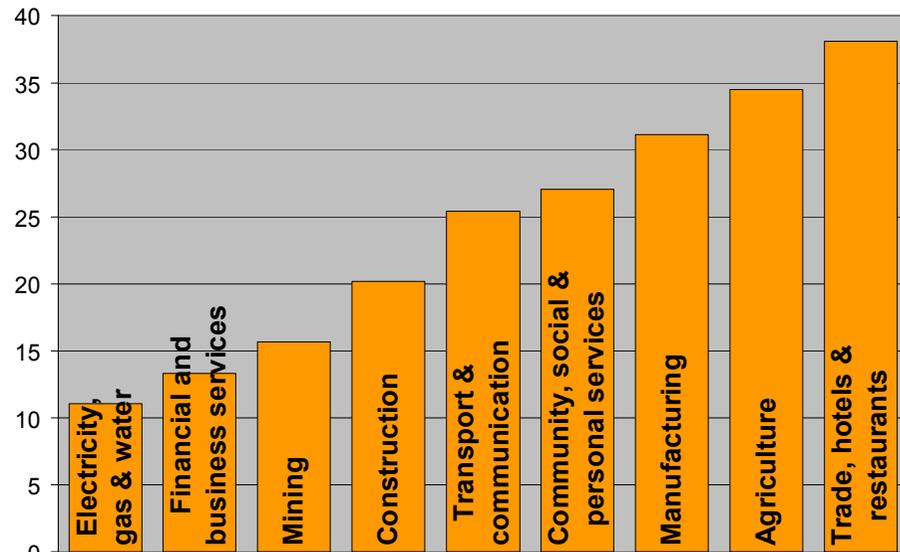
M – Low pay rate (Example)

Low pay rate in Indonesia, in % of wage employees (1997-08)



Source: Damayanti (forthcoming), based on SAKERNAS.

Low pay rate in Indonesia by sector, in % of wage employees (2008)



- Relatively flat trend over time (but rise in 2007/08).
- Large differences between sectors.

M – Low pay rate (Example)

Working poor and low pay rate in Austria

Decent Work Indicator	2003	2004	2005	2006	2007
Working poor, in % of the total employed population ¹	7.6*	7.3	6.8	6.4	6.0
Men	8.2*	7.5	7.3	6.4	6.3
Women	6.8*	7.0	6.1	6.3	5.6
Low pay rate, in % of all employees ²	7.5*	9.9	12.4	11.7	12.7
Men	4.1*	5.1	6.4	5.7	7.2
Women	12.1*	16.4	20.6	19.6	20.3

Source: Decent Work Country Profile for Austria

- Low pay increases the risk of working poverty, but Austria has apparently contradictory trend:
 - Low pay rate rises, but working poverty falls!



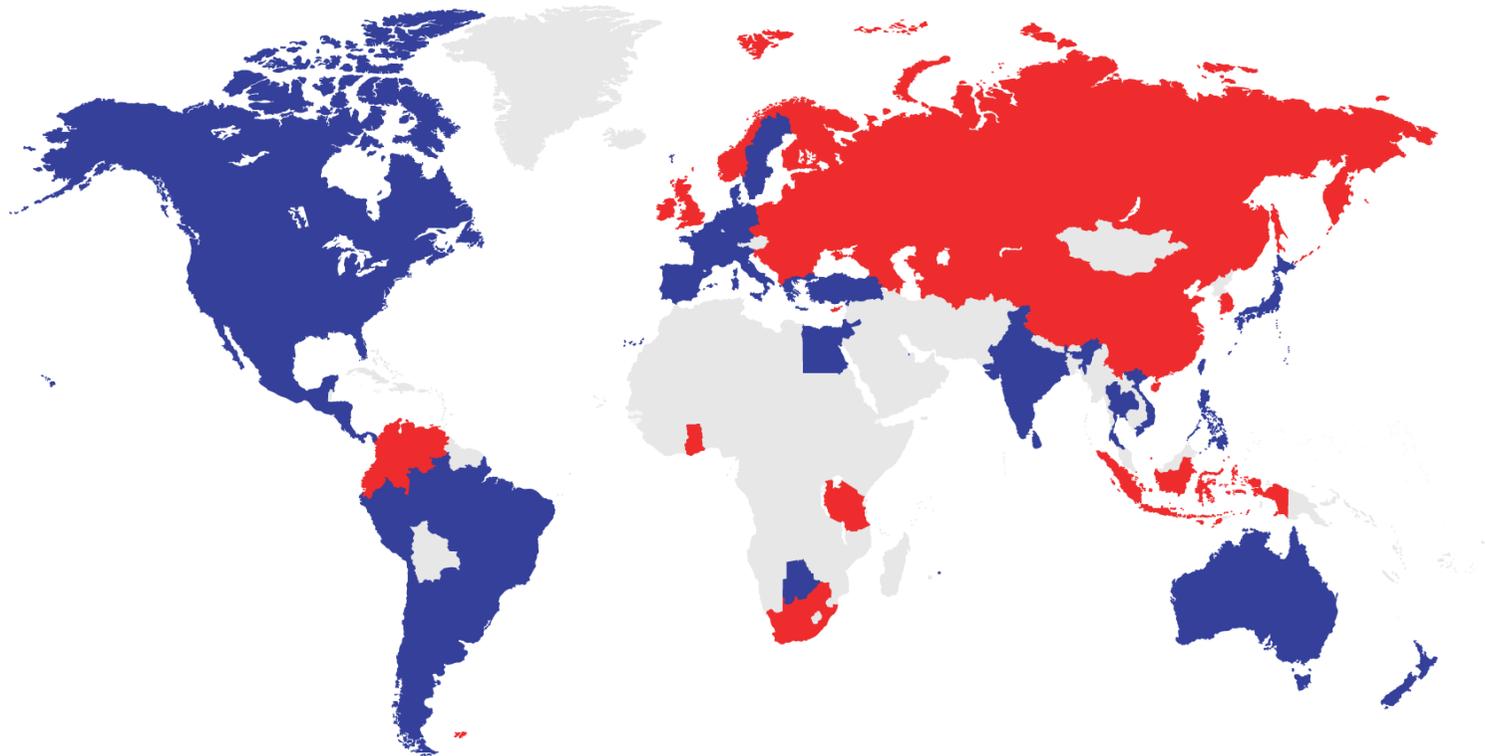
A - Average real wages (Definition)

- **Definition:** Average [mean] gross nominal wages of employees, deflated by CPI.
 - Differences in reference periods: hourly wages; monthly wages; monthly for full-time equivalents.
 - Differences in exclusion or inclusion of bonuses and in-kind benefits.
 - Differences in coverage, e.g. only manufacturing.
- **Source:** LFS and other household surveys with wage / earnings module.
- **Repository:** NSOs, OECD, ILO and others.



A - Average real wages (Example)

Increase in average real wages, 2001-07 (Global Wage Report)



- In 50% of all countries, real wages have increased at less than 2% per year.

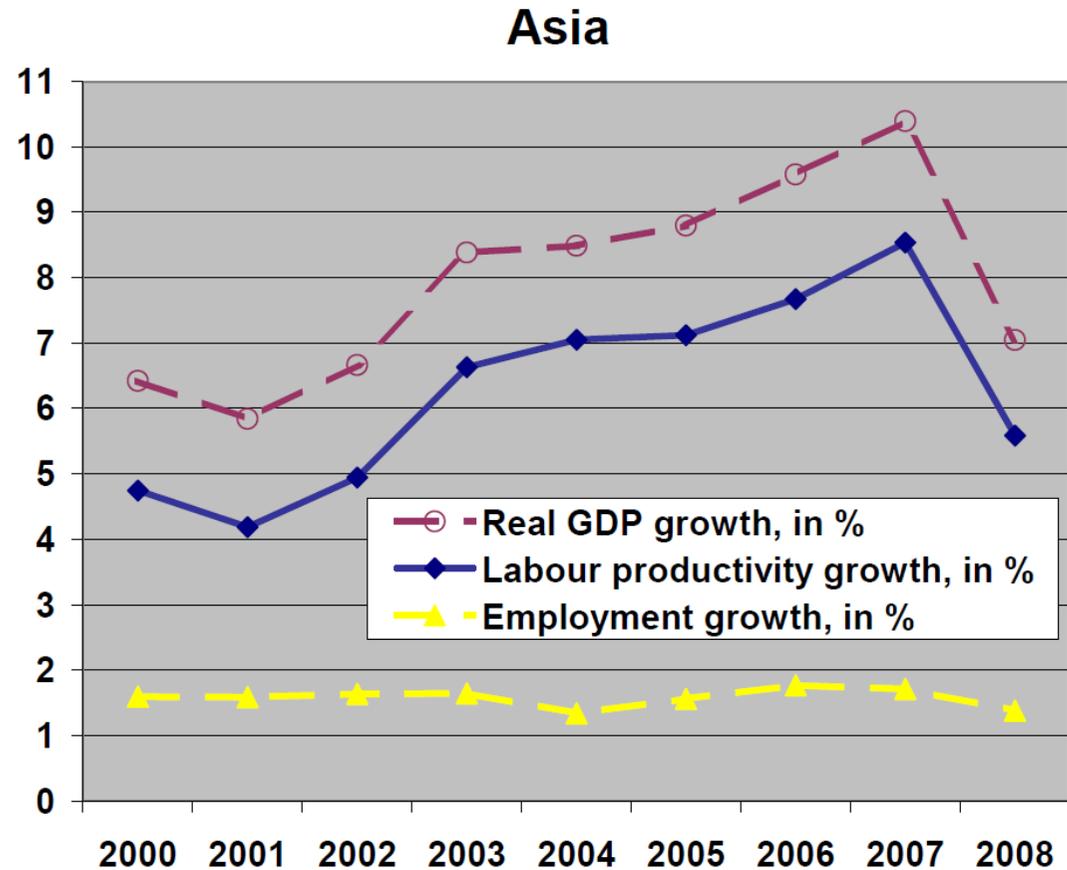
C – Labour productivity (GDP per employed person, level and growth rate)

- **Definition:** In line with MDG Indicator, annual change in [real] GDP at market prices per person employed.
 - Some countries calculate it as ‘per hour worked’.
 - Increase in labour productivity does not itself signal progress towards decent work, but provides *context* for sustainable increase in wages.
- **Source:** National sources or ILO/GET (employment) & World Bank (GDP in PPP\$).
- **Repository:** NSOs, ILO, MDG database.



C – Labour productivity (example)

- Economic growth (dotted line) can be thought of as the result of two processes:
 - Growth in employment (green yellow line), and
 - Increase in the output per worker (blue line).



Note: Refers to 2005 PPP\$.

Source: TRAVAIL estimate based on World Bank (GDP) and KILM (employment).



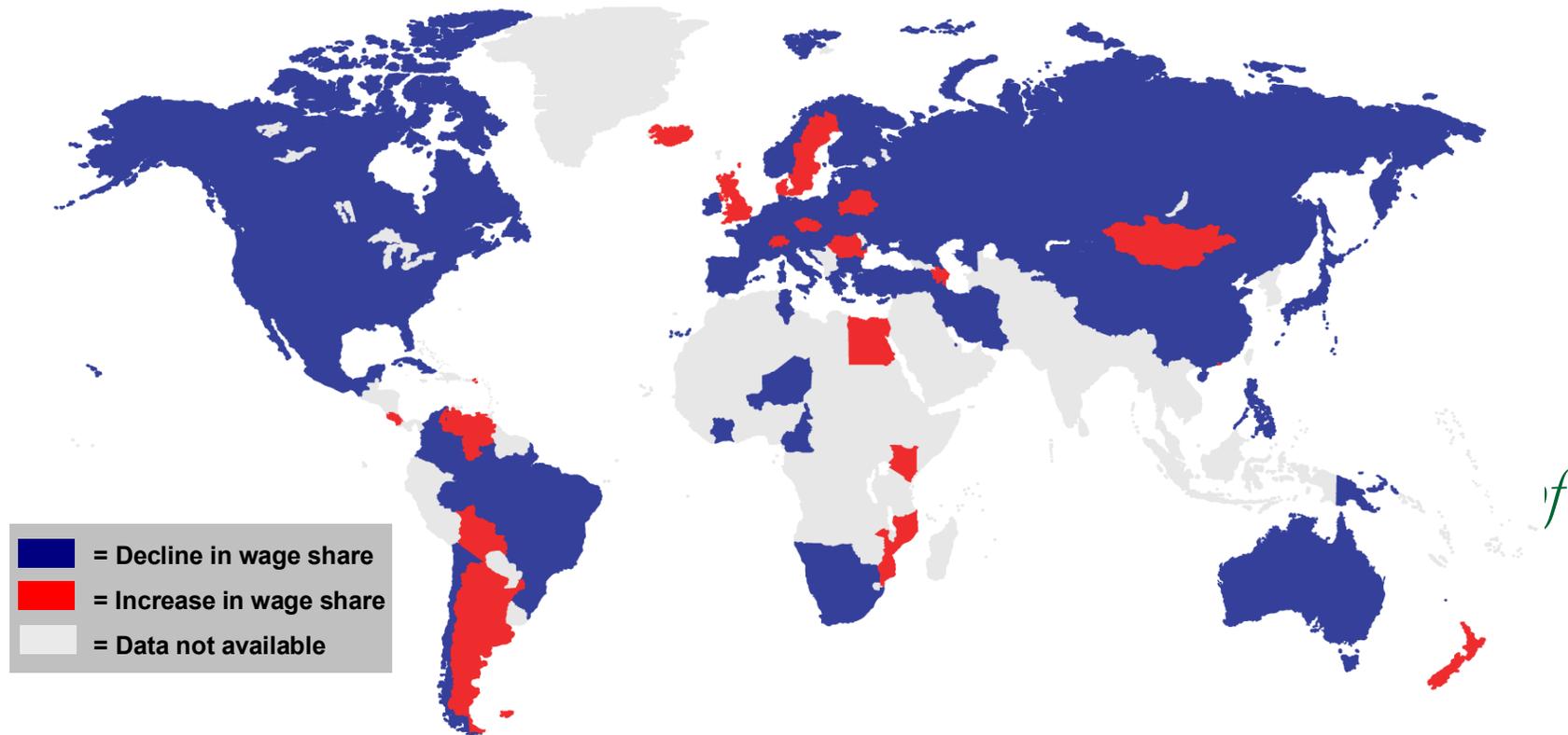
C – Labour share in GDP (Definition)

- **Definition:** Total compensation of employees in % of Gross Domestic Product.
 - Treatment of ‘mixed income’ by owner-operators.
 - Some countries calculate adjusted labour share (to adjust for change in share of employees).
 - Sectoral disaggregation based on value added.
- **Source:** National accounts.
- **Repository:** UN-SD, OECD, ILO.



C – Labour share in GDP (Example)

Changes in the labour share, 1995-2007 (Global Wage Report)



- In 70% of all countries, the wage share declined.

Global Wage Report 2010/11

- Second edition of the Global Wage Report will be published in late 2010:
 - How did wages develop during global crisis?
 - Link between wages and labour productivity.
- Global Wage Database has been expanded and updated:
 - Average real monthly wages as main indicator.
 - Covers ca. 57 % of all countries, but 92 % of all employees and 97 % of global wages.
 - Update and validation until early August 2010.



Global Wage Database: Malaysia

Average monthly real wages in Malaysia (Manufacturing), 2000-09

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nominal Average Wages (NAW), in current Ringgits	1454	1501	1576	1638	1695	1858	1925	2026	2034	2075
Consumer Price Index (IMF)	100.0	101.4	103.2	104.4	105.8	109.1	113.0	115.3	121.5	122.2
Real Average Wages, in constant 2000 Ringgits (RAW) = (NAW/ CPI) * 100	1454	1480	1526	1570	1602	1704	1703	1757	1674	1697
Real Wage Growth	..	1.8%	3.1%	2.9%	2.0%	6.4%	0.0%	3.2%	-4.7%	1.4%

Source: Department of Statistics of Malaysia (wages); IMF (CPI).

- Wage data cover only manufacturing sector.
- Pattern in 2008/09 similar to other countries:
 - Negative real wage growth in 2008 (impact of inflation) and low real wage growth in 2009.



Global Wage Database: Indonesia (i)

Average monthly real wages in Indonesia (SAKERNAS), 2000-08

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nominal Average Wages (NAW), in '000 current Rp	430.2	591.0	692.9	789.5	841.9	853.2	906.1	1,077.3	1.158.1	
Consumer Price Index (IMF)	100	112	125	133	141	156	176	187	205	
Real Average Wages, in '000 constant 2000 Rp (RAW) = (NAW/ CPI) * 100	430.2	530.1	555.8	593.2	596.4	547.1	513.8	576.1	564.1	
Real Wage Growth	17.1	23.2	4.9	6.7	0.5	-8.3	-6.1	12.1	-2.1	

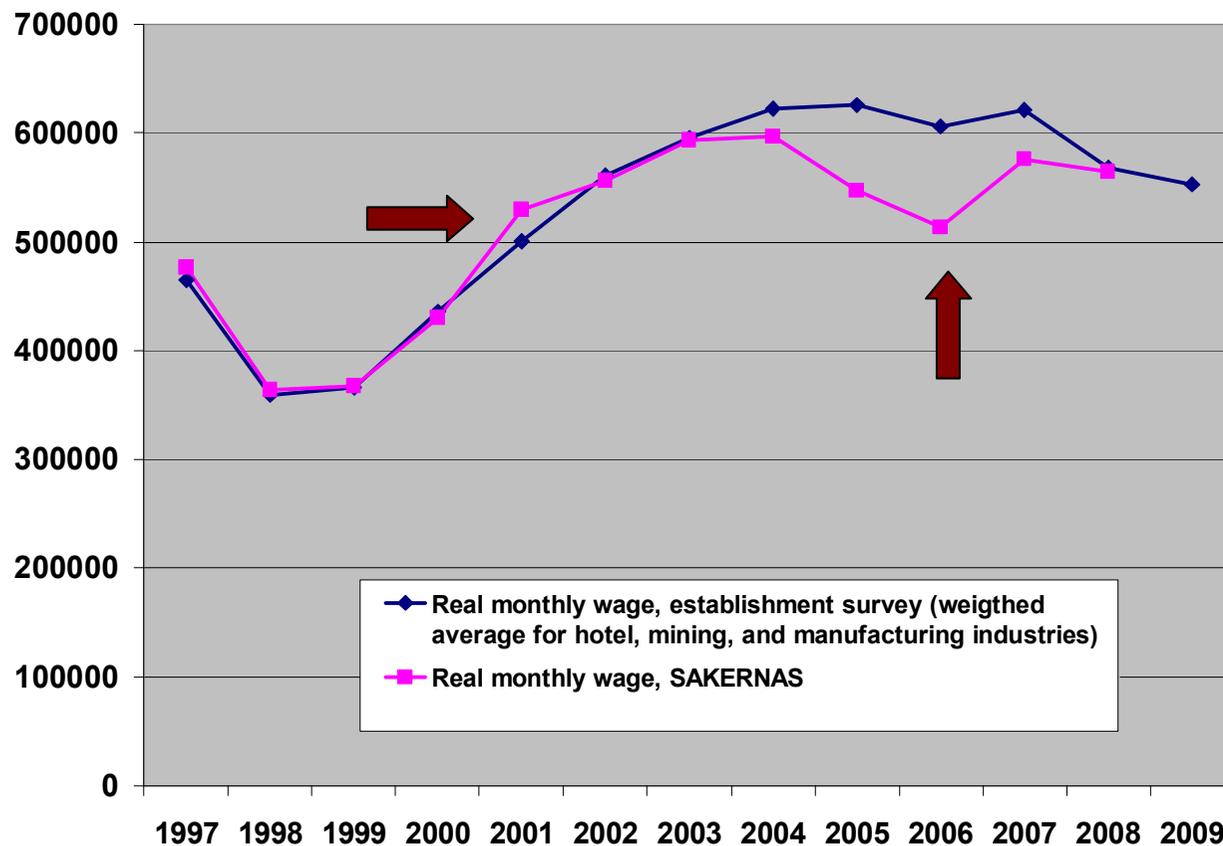
Source: Damayanti, forthcoming, based on BPS/SAKERNAS (wages); IMF (CPI).

- Based on household survey SAKERNAS:
 - ❑ Data refer to monthly earnings of all wage-workers aged 15 years and above
 - ❑ Coverage of total economy (all industries).
 - ❑ Data for 2009 still missing in ILO database.



Global Wage Database: Indonesia (ii)

Two alternative data series for Indonesia, 1997-2009



- Surprisingly good match between the two series
 - Discrepancy in 2005-07.
 - Which series more reliable indicator for the whole economy?

Global Wage Database: Sri Lanka

Average monthly equivalent real wages in Sri Lanka, 2000-09

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nominal Average Wages (NAW), in current Rupee	3980	4356	5056	5308	5764	6156	6848	7556	8839	..
Consumer Price Index (IMF)	100	114	125	136	149	165	181	210	258	266
Real Average Wages, in constant 2000 Rupee (RAW) = (NAW/ CPI) * 100	3980	3816	4043	3895	3880	3734	3775	3596	3432	..
Real Wage Growth	2.1	-4.1	5.9	-3.7	-0.4	-3.8	1.1	-4.8	-4.6	..

Source: ILO Laborsta (wages); IMF (CPI).

- Based on hourly data from LABORSTA.
 - ❑ Converted to monthly equivalent (hourly wage x 45 hours x 52 weeks ÷ 12 months)
 - ❑ Excludes ISIC-Rev. 2 major divisions 4 (Electricity, etc.) 8 (Finance), and 9 (Community, social & personal services).



Global Wage Database: Philippines

Average monthly equivalent real wages in the Philippines, 2001-2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nominal Average Wages (NAW), in current Peso	..	5779	5886	5983	6086	6380	6809	6933	7252	7559
Consumer Price Index (IMF)	100	107	110	114	121	130	138	142	155	160
Real Average Wages, in constant 2000 Peso (RAW) = (NAW/ CPI) * 100	..	5410	5351	5258	5047	4915	4938	4890	4680	4724
Real Wage Growth	..	..	-1.1	-1.7	-4.0	-2.6	0.5	-1.0	-4.3	1.0

Source: Philippines Labour Force Survey, Public Use File (wages); IMF (CPI).

- Based on Philippines Labour Force Survey:
 - Figures refer to basic pay from main job holding.
 - Daily figures converted into monthly figures (daily wage x 6 days x 52 weeks ÷ 12 months).



Global Wage Database: Nepal

Average monthly real wages in Nepal, 2000-09

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nominal Average Wages (NAW), in current Rupee	..	..	..	..	..	..	..	..	5117	..
Consumer Price Index (IMF)	100	102	105	110	115	120	130	138	148	168
Real Average Wages, in constant 2000 Rupee (RAW) = (NAW/ CPI) * 100	..	..	..	..	..	..	..	..	3446	..
Real Wage Growth	..	..	..	..	..	..	..	..	..	..

Source: Government of Nepal Central Bureau of Statistics, Labour Force Survey 2008; IMF (CPI).

- Based on 2008 Labour Force Survey.
 - Only one data point, no calculation of trends possible.
 - Is a second LFS data point available?
 - Is there an alternative data source (establishment survey)?



Global Wage Database: Cambodia and Bangladesh

- Currently no wage data available to ILO.
 - Bangladesh – Quarterly Wage Rate Survey.
 - Cambodia – Socio-Economic Survey.
- Inclusion of both countries in Global Wage Report 2010/11 would be very welcome.
 - Participants are invited to make suggestions on data sources and/or to provide data to the ILO.



Global Wage Database: Follow-up

- Participants are invited to provide comments and suggestions during session or bilaterally:
 - Corrections and additional data sources.
- Follow-up by email:
 - Ms Kristen Sobeck, email: sobeck@ilo.org
 - Data for 2009 from Sri Lanka and Indonesia would be very welcome.
 - Updates possible until early August 2010.
- Thank you for your inputs!

