

Washington D.C., March 28, 2006

## WORKING TIME MEASUREMENT

### **Response by the Advisory Expert Group on National Accounts to the paper submitted by the Paris Group to the AEG meeting held early in 2006**

Both the Intersecretariat Working Group on National Accounts (ISWGNA) and the Advisory Expert Group on National Accounts (AEG) welcome the spirit of cooperation expressed in the Paris Group paper, and share the Paris Group's vision of maximum consistency between the revised Internal Conference of Labor Statisticians (ICLS) Resolution and the updated *System of National Accounts 1993*. This would seem to be attainable, given both groups are focusing on actual hours worked.

In recent years there has been an increase in interest in the measurement of productivity, both for measuring changes over time and for making spatial comparisons (inter-country, inter-industry, etc.). Productivity growth is measured as the rate of change of output (usually the national accounts definition of output or value added) *less* the weighted aggregate of the rate of change of inputs. It is therefore calculated as a residual and, as such, the importance of errors in its constituents may be magnified. Of the inputs, labour usually makes the greatest contribution, which makes it vitally important that the input from labour be measured accurately and consistently over time. This entails that changes in working arrangements or habits (such as more working at home) should not impinge on the measurement of hours worked.

For spatial comparisons of productivity, particularly among countries, the risk of inconsistency is much greater than for measuring productivity growth within a country. It is therefore critical to have well understood and robust standards.

At the January/February 2006 AEG meeting, agreement was reached on two short-term actions. The first was to respond to the Paris Group paper submitted to the AEG, and the second was to provide comments on the draft ICLS resolution to the Paris Group prior to its meeting in May 2006. The first action has been accomplished by annotating (text underlined) the list of issues in the Paris Group paper – see below.

The forthcoming draft ICLS Resolution, or any subsequent re-draft if available in time, will provide an important input into the drafting of Chapter XVII of the SNA update. Naturally, the ISWGNA would greatly appreciate comments from the Paris Group on the draft chapter. It is not intended to complete the draft chapter before the second half of 2006, which gives time for the editor to incorporate the implications of the May 2006 meeting of the ICLS. The Paris Group will be given as much forewarning as possible about exactly when the draft is expected to be available for comment and by when comments will be needed. (Because of the tight timetable for the SNA update, comments will be requested fairly promptly.) In the meantime, the ISWGNA would welcome

comments from the Paris Group on the proposed inclusion of text on the concept of persons – clarification C11 - see attachment.

For the ISWGNA,

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**Areas in SNA 1993 Chapter XVII requiring clarification / revision for working hour measurement from LFS statistician perspective - Main issue(s)**

17.9 (a) To identify types of self-employed that could be classified into separate groups the SNA should take ICSE-93 as a reference.

Clarification required for self-employed in unincorporated units of production.

Add or explicitly mention (unpaid) contributing family workers at the outset in Chapter XVII.

[This proposal would re-classify some employees to self-employed and would therefore result in a shift from compensation of employees to gross mixed income. This would be a substantive change, and the door has closed on consideration of new substantive issues.](#)

17.10 Guidance is required in Chapter XVII on how to classify temporary employees recruited through an agency. Such consultants could be classified either to the industry where they work or to the industry of the enterprise that actually pays them (in some cases the agency). The difference between the two approaches can have a large impact on the number of persons employed in specific industries and hence on productivity measures.

[The SNA discusses labour inputs in terms of jobs and the hours worked in jobs. A job is defined \(17.8\) as an explicit or implicit contract between a person and an institutional unit. Whether it is the workplace enterprise or the employment agency that is the employer is determined by which one pays the employee's wages and associated social contributions, etc. The Swedish proposal to allocate all the employees of employment agencies to the client enterprise would amount to a substantive change of the 1993 SNA. Furthermore, the AEG has agreed to the proposal to include text concerning persons and employment from ESA 95 \(clarification 11\) in the updated SNA. The last item in paragraph ESA 11.13 reads, "persons employed by temporary employment agencies, who are to be included in the industry of the agency which employs them, and not in the industry of the enterprise for which they actually they work."](#)

[Nevertheless, the alternative, of allocating the employees of employment agencies to the client enterprise, could be useful for certain analyses and could be shown in supplementary accounts, but certainly not in the core accounts.](#)

17.11 Clear reference to the substantially revised ICLS Resolution on working time measurement needs to be retained – together with its revised list of inclusions and exclusions.

[Agreed.](#)

Need to clarify hours concepts as well as place of work at the outset of Chapter XVII which would then further minimize some of the problems of semantics and clarity in subsequent paragraphs. This could entail a rewrite of parts of Chapter XVII so as to remain consistent with the revised Resolution.

[Agreed.](#)

Need for stronger statement that target measures are estimates of total annual hours worked (for all persons employed ) and average annual hours worked (per person employed)

[Agreed.](#)

### **Proposed additional inclusions**

Hours worked at home - particularly important for the self-employed and for some occupations, e.g. teaching, e-work.

[Agreed.](#)

Unpaid hours – should be included when productive including overtime, extra work, etc?

[Yes, but the hours worked must be connected with a job. They should not include volunteer work.](#)

Boundaries and definition for training and education? Does it have to be job related and if so, to the current job or include some future job, e.g. to facilitate employment in an expanding industry? Does it have to be paid for by current employer?

[The training has to be part of the job, i.e. either provided directly by the employer or indirectly via a third party, and the employee is paid while undertaking the training.](#)

### *Inclusions*

17.11 (a) Concepts of “normal” and “usual” working hours may be less relevant in today’s work environment. Revised Resolution will present working time as a continuum of different working time arrangements defined on the basis of number of hours worked, scheduling of those hours, location(?), etc.

For labour input purposes, emphasis in the revised Resolution will be given to target measures (e.g. total annual hours worked, average annual hours worked) and the distinction with measurement concepts (normal, usual hours, etc) which are primarily (but not only) reference periods for the collection of data in LFS and enterprise surveys, etc

[Agreed.](#)

17.11 (b) Emphasis in current SNA wording is the inclusion only of paid overtime. Countries believe that non-paid overtime (if productive, although clarification is need to determine this) should also be included as their exclusion would result in an overstatement of productivity. Key emphasis is on contribution to production.

[Agreed.](#)

17.11 (c) “Place of work” needs either clarification, because in today’s environment this is less the physical establishment, or one suggestion was to simply remove the term “place of work”. Time spent on training could be added to the list of tasks considered as “work”.

“Place of work” should be probably be deleted. We should be careful not to exclude time spent on the job outside the usual place of work, as productive activity can be undertaken almost anywhere.

The wording of para.17.11(c) mainly refers to jobs in manufacturing and could be modernized to include the service sector as well. The same point also applies to para. 7.11 (d). An example of the wording of the text could be along the lines of .....”the place where the worker normally carries out his or her activities or duties and which is determined in accordance with the terms or conditions laid down in the relationship or employment contract applicable to the worker.”

The proposed text is too restrictive. It is common for employees, particularly more senior ones, to take work home with them. Such time spent on work at home should be included in their hours worked, even though it is unlikely to be mentioned in their contract.

17.11 (d) Notion of “place of work” reflects a less relevant manufacturing environment. Could it be removed? Suggest a statement that these are short-term interruptions within the work day which would help explain / provide a rationale as to why such unproductive time (examples modernized) is included but other longer periods (meal breaks, etc.) are excluded.

The sense of 17.11 (d) needs to be retained, but it should be broadened. The sense is that hours worked should include the time of workers who are inactive whilst performing their duties as required in their contract.

Inclusion or exclusion of on-call time and the distinction between active or inactive periods within the on-call time need to be clarified. Such time ranges from being on-call at the employer’s establishment (e.g. hospital) or to time required to get back to duty, or to restrictions on employees’ ability to do other non job-related things, thus a restriction on the ability to do other things and /or be at another place.

Agreed, the treatment of “on-call time” needs to be addressed. The Danish proposal seems reasonable.

*Included if paid by the employer, and hourly wage rate > (50%) of a (national?) threshold of normal wage rate.*

*Problems:*

*1) On-call work arrangements where sleep/other private activities – especially if physically placed at home – only receive small percentage of normal wage until called and becomes actively productive.*

*2) Delimitation based on “at home/at workplace” becomes complicated for self-employed where home= workplace, in many circumstances.*

*Possible solutions:*

*1) The wage rate signal is a practical way to rule out most unproductive, on-call work, where workers are seldom called.*

*2) Self-employed with no explicit wage rate (need to consider a specific formulation thoroughly). If wage rate cannot be calculated, evaluate passive activities as more or less than ½ the value of active working time: “If you instead had employed other persons to do your work, would you accept that these passive activities were part of the time you would be willing to pay for or not?”.*

17.11 (e) Countries agreed in principle with current wording. Could also include short breaks and stand by time, though again the wording could be modernized and examples of short breaks included. One country suggested merging with 17.11(d).

#### *Exclusions*

17.11 (a) Expand list to incorporate some additional exclusions, such as other types of leave that are now more common among workers, such as leave for family reasons, or paid leave to attend training not directly related to current employment. The list should be kept short, with a few examples representing newer forms of leave.

All forms of paid leave should be excluded. However, any time spent by an employee undertaking work related to the job during paid leave should be included. Paid time to attend training should be included. The willingness of the employer to pay for an employee to attend training is an indication that the employer regards the training as a benefit for the enterprise.

Needs to be a link to on-call hours, for example, inactive part of on-call time should be excluded.

See comments above on on-call time.

17.11 (c) Further clarification is required with regard to work related travel. Generally, no problem with excluding “usual” commuting time (even if fares / transport paid by employer) but there are some grey areas:

What if work is performed during travel – paid or unpaid?

The time actually spent working should be included, irrespective of the environment. One may want to formulate some general principles/guidelines that are more easy to apply in practice, e.g. to exclude "usual" commuting between home and the (fixed) working place, but to include travel time during business trips (especially when considered as working time and paid for by the employer). Of course, unpaid overtime undertaken while, say, commuting by train should be included in labour input.

What if place of work is not fixed or clear?

As noted earlier, work can be undertaken almost anywhere.

Possible additional exclusions (mixed views on these)

Treatment of conscript armed forces – excluded in most LFS statistics but included in national accounts. Needs clarification (or exclusion?). Countries have asked why an hour of productive work by a conscript should be excluded.

Hours worked by armed forces should be included.

Residents working for non-resident producer units – included in LFS statistics but excluded from national accounts.

Yes.

17.12 First time inclusion of self-employment jobs is mentioned. Treatment of self-employed needs to be given more emphasis at beginning of Chapter XVII. Needs further exploration as to how hours for self-employed are to be treated.

[A proposal to include concepts of persons and employment, including self-employment, has already been agreed to by the AEG.](#)

Need to expand text to also clarify treatment of (unpaid) contributing family workers.  
[Agreed.](#)

17.13 This para. is rather a comment and is the only attempt to address measurement issues, albeit only for establishment surveys. Could be expanded to provide more guidance covering different modes of collection such as household surveys, time use surveys and administrative data. Could become a footnote or even be dropped.  
[It is agreed that the text on measurement requires expansion to recognize the different sources of data. But details of how different source data can be adjusted or adapted to obtain the desired measures should be left to a work manual.](#)

17.15 Touches on issue that definitive definitions of full-time / part-time are not agreed on internationally. If the focus is on total hours worked, for what purposes are FTEs required? Need to move away from the part-time / full-time dichotomy, avoid use of these terms in Chapter XVII and refer to hour thresholds (as for age groups). The revised Resolution will also refer to hour thresholds.

Consideration could be given to deleting para, as full-time estimates can be computed if good annual hours data are available.

[With the much greater diversity in the hours people work, full-time equivalence has become an outmoded concept. It is therefore proposed that this be deleted from the SNA. Nevertheless,](#) it is recognized that other measures of employment are relevant for analysis outside the national accounts. To give an example: in an ageing society, the potential employment can be very important; for this purpose data on the number of persons employed, including data on part-time/full-time employment, can be highly relevant for labour participation ratios and for the analysis of "employment reserves" or potential employment.

17.16 Revised Resolution will give emphasis to the provision of data on hours worked for different hours thresholds / groups. In this context serious consideration could be given to deleting paragraphs 17.14 – 17.18.

[Agreed.](#)

17.17 What if annual hours worked, etc., cannot be compiled by a country? Should something else be suggested? Obviously, the first choice should always be annual hours and if such data are available the concepts of part time / full time and FTEs are not needed in the text.

[Countries should be strongly encouraged to compile hours worked estimates. If they cannot, they should simply compile estimates of the number of persons employed.](#)

17.18 See above.