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Background document
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**Background document for Report of the Office for National Statistics,
United Kingdom, on labour statistics**

Prepared by the Office for National Statistics, United Kingdom

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labour statistics**

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1. List of indicators common to ILO, OECD & Eurostat

- Employment
- Unemployment
- Long-term unemployed
- Earnings
- Hours of work
- Part-time workers
- Educational attainment
- Labour costs

2. Key Indicators of the Labour Market (KILM), 4th Edition

1. Labour force participation rates
2. Employment-to-population ratio
3. Status in employment
4. Employment by sector
5. Part-time employment
6. Hours of work
7. Employment in the informal economy
8. Unemployment
9. Youth unemployment
10. Long-term unemployed
11. Unemployment by educational attainment
12. Time-related underemployment
13. Inactivity rate
14. Educational attainment and literacy
15. Manufacturing wage indices
16. Occupational wage indices
17. Hourly compensation costs
18. Labour productivity and unit labour costs
19. Employment elasticities
20. Poverty

3. Differences in the measurement of indicators of employment

There are two areas where we are interested in the difference between employment indicators. The first is where different countries have slightly different interpretations of ILO guidelines within ILO data, and the second is where there are differences in the employment indicator when comparing statistics from ILO, OECD and Eurostat. These differences will be looked at separately.

i. Main differences between countries in ILO Yearly data (Laborsta)

The main areas where there are differences in the definitions of employment are:

- **Working Age ranges.** Many countries use 15 as the lower age limit, although UK and USA use 16 due to educational rules.
- **Armed Forces.** Members of the armed forces should be included among persons in paid employment. Some countries use the distinction that members of the armed forces are only counted if they reside in private households but not if they live in barracks.
- **Unpaid family workers.** These workers should be counted as self-employed, regardless of the number of hours worked during the reference period. Some countries impose restrictions on hours worked, although in general they are not thought to affect the employment rates.

ii. Main differences in employment definitions for ILO, OECD and Eurostat

- Eurostat uses the age range 15 and over to define working age (exceptions apply to a few countries and years), whereas OECD uses the range 16-64.
- All OECD countries use the ILO Guidelines for measuring employment, but the operational definitions used in national labour force surveys vary slightly in Iceland and Turkey. Employment levels are also likely to be affected by changes in the survey design and/or the survey conduct, but employment rates are likely to be fairly consistent over time.
- OECD do not seem to produce numbers of employed, only employment rate.
- Eurostat sets the standards for the EU Labour Force Survey: there is a legally established common list of definitions, variables and quality requirements, although each Member State conducts its own survey, with its own questionnaire and sampling design. Eurostat also processes centrally all the (micro) data.

4. Indicators of labour statistics: background information

The ILO has 179 member states and is unique in that it is the only agency in the United Nations which is tripartite in structure, with employers, workers and government having an equal voice in shaping programmes and policies. The main aims of the ILO are to develop labour standards, to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue in handling work-related issues.

The ILO's KILM is a forward-looking list of indicators which is very useful for policy-decisions and assessing the future priorities. As a result of its aim to achieve decent work for all, there are more indicators on this list that are relevant to developing countries than perhaps OECD and Eurostat. One of the KILM indicators, for example, is "Poverty, working poverty and income distribution". Although it can be applied to any country, this indicator may have a bigger impact on policy in low income countries. There are many more indicators that are more relevant for high income countries. These include self-employment, asocial hours and average exit age from the labour force. Such indicators are used by Eurostat, whose membership mainly comes from high income countries.

The OECD has 30 member states and their aim is to use economic growth and financial stability to promote prosperity and fight poverty. The organisation is a forum where governments can discuss best practice, common problems and compare policy experiences. OECD's focus is primarily economic in contrast to the more social motivation of ILO.

As its name suggests, the OECD has a bigger interest in economic issues. This is reflected in the range of the indicators it collects. One of the indicators in the OECD Database on Labour Force Statistics is "Incidence of economic short-time workers". This covers persons who were working less than usual due to business slack, plant stoppage or technical reasons and has obvious economic implications for the country involved.

Eurostat is the Statistical Office of the European Communities. Their aim is to provide the European Union with a high quality statistical service. This is done by gathering and harmonising statistics from the Statistics Offices of the 27 individual EU Member States as well as candidate and European Free Trade Association (EFTA) countries.

5. Survey of UN member countries - results

Table 1: Response rates for questionnaire, by income rating.

| Country group | Response rate |
|-----------------------|---------------|
| High income: OECD | 92% |
| High income: non OECD | 20% |
| Upper middle income | 42% |
| Lower middle income | 30% |
| Low income | 17% |
| Total | 36% |

Providing information to the ILO

Responses in this section indicated that responding countries were, in general, happy with the process of supplying information to the ILO. In total over 87 per cent of responding countries found the process 'easy' or 'satisfactory'. When asked about their satisfaction with providing data in the required format and using ILO concepts and definitions, all received similarly positive replies. The area responding countries were least happy with was providing the data in the required timescales and 21 per cent of responses indicated that this was 'difficult'.

The questionnaire included an open-ended question asking respondents to expand on any issues they had considered to be ‘difficult’. The top three types of comments in this section were firstly, relating to the fact that the information provided was different to national figures, secondly that locked cells made it difficult to complete the request and thirdly that not enough time was given to complete the request. A small sample of comments is included below:

The data entry is difficult due to complicated system (locked files). Basic Excel file would be appreciated.

The templates provided by ILO are protected and do not allow Statistical Agency to amend the format to meet their local contexts. This is particularly so for data pertaining to ISCED, ISCO and ISIC. It is very time consuming for the Statistical Agency that supplies the data to have to re-type the templates.

In a sense the indicators are the same, but the requirements launched by different international organisations are not in line.

These responses indicate that in fact there may well be some issues with the format of the data requests which affects the ability of countries to meet the requests within the required timescales. In terms of improvements, the most common responses were that greater consideration should be given to low income countries in relation to concepts and definitions, and that there should be more flexibility concerning formats.

Providing data to other international agencies in addition to ILO

Overall, 86 per cent of responding countries said that they provided data to more than one international agency. This suite of questions was asked in the same format as previous questions concerning supplying information to the ILO. This enables a direct comparison of responses, as shown in table x in the Appendix. To summarise, there was very little difference in satisfaction of the process of supplying data to other international agencies compared with the ILO, particularly for those countries with regular and reliable LFS and business statistics. The largest differences were in terms of providing information in the required format and within the required timescales for countries with no LFS or business statistics

The follow-up question asked responding countries to explain in more detail any of the issues they had identified in the previous section. Overall, 45 per cent of countries gave the same difficulties for supplying data to international agencies as they mentioned in the context of supplying data to the ILO. Of the countries who gave different answers, over 80 per cent were from low income countries. The most common responses were:

1. The timescales were too short
2. The request was too complicated
3. The requests were too much of a burden.

Discussions with the ILO also indicate that non-response is a major issue for them in terms of collating the range of labour statistics they require for the purposes of international comparisons.

Clearly the results shown here only give the views of responding countries, nevertheless they are a useful indicator and suggest that countries have problems with providing the correct information due to formatting and timescale issues.

6. *Prioritisation development topics*

i. Changing structure of the labour force

The title of this topic was kept deliberately broad in order to encompass the range of issues associated with changing structure of the labour force, in both a demographic and structural sense. It would be anticipated that this topic will mean a range of different issues from one country to the next, depending on a variety of factors including the level of economic development. In countries like the UK, for example, significant changes in the labour market over recent years include a less formalised labour force with increasing trend towards self-employment and own account workers; a growth in part-time work; increases in the number of jobs people hold over the lifetime of work, and increases in flexible working conditions to include homeworking etc. All these factors have meant that the groups of people considered to be employed, unemployed and inactive have become more heterogeneous which raises a number of issues for labour statistics both in terms of measurement and analysis.

The ageing of the labour force is likely to be an issue in measurement terms in a large number of countries across the world, as is the migration of groups of people across national borders. Ageing of the labour force is one of the two main issues currently being taken forward by the Paris City Group. Issues more pertinent for low income countries focus more on young people and their experiences of the labour market. Education and skills clearly play a major role in this, along with demand-side factors such as characteristics of jobs available and the match between job expectations and vacancies available.

ii. Informal employment and the non-observed economy

The term “informal employment” is widely used, although its meaning is quite ambiguous. One needs to be careful to distinguish informal employment from the concept of the informal sector. Employment in the informal sector is defined as all jobs in informal sector enterprises, or all persons, who, during a given reference period, were employed in at least one informal sector enterprise. Informal sector enterprises are defined as private unincorporated enterprises where at least some of the goods or services produced are meant for sale or barter. Their size must also be below a certain threshold and they are not registered under specific forms of national legislation.

A conceptual framework for defining informal employment was presented at the International Labour Conference in June 2002. The framework was successfully tested by several countries (Brazil, Georgia, India, Mexico and the Republic of Moldova) and in December 2003 the 17th ICLS adopted guidelines endorsing it as an international statistical standard.

The 17th ICLS defined informal employment as comprising the total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households,

during a given reference period. At this ICLS it was acknowledged that the relevance of informal employment varies among countries, and that a decision to develop statistics on it is therefore determined by national circumstances and priorities. It was felt, however, that the concept was relevant for developed countries, as well as developing countries.

iii. Measurement of productivity

From the macroeconomic viewpoint, one of the key issues facing labour statistics, particularly in the developed world, is the relationship between labour statistics estimates of employment and earnings and their equivalent underpinning the national accounts. Traditionally, official estimates of employment have been based on household surveys and this allows further analysis by personal characteristics (eg age, sex, qualifications, single parent, household composition, etc). Estimates of employment underpinning the national accounts have traditionally been based on business surveys as an industrial breakdown of employment is needed and respondents to household surveys often provide poor estimates of the industrial classification of their employer. The confrontation of these different sources of total employment or jobs is often through the calculation of official estimates of productivity. As the need to resolve this conflict has increased in importance in the various countries, so countries have adapted their methods and many have moved away from the household survey being the sole source of labour statistics on employment status.

Some research conducted by ONS in 2003 found that many developed countries have checks in place to confront labour market statistics (mainly on employment and earnings) with the national accounts on a regular basis, although these checks are more systematically carried out in some countries than others. Also, a number of countries had integrated labour accounts with their national accounts (Netherlands, Canada, Germany, Norway and Denmark). Further, in Italy and Spain, labour market statistics are seen as an integral part of the construction and validation of their national accounts, in compliance with the Eurostat requirements. Sweden and Finland were in a similar position as the UK, currently doing development work in this area. Less systematic consistency checks used by other countries include productivity measures and confrontation of earnings data which are broken down to the components of prices (i.e. some earnings rates) times the corresponding labour volume measures. Most countries who were approached as part of this exercise stressed the complementarities of all different sources (household surveys, enterprise surveys and administrative data sources).

One approach that could be developed further is to address this imbalance in employment as measured from the supply and demand side via the labour statistics framework. This would encompass a range of considerations, including the accurate recording of where inconsistencies arise to the analytical adjustment in order to achieve a greater level of coherence.

Chart 1: What do you see as the main role of international agencies

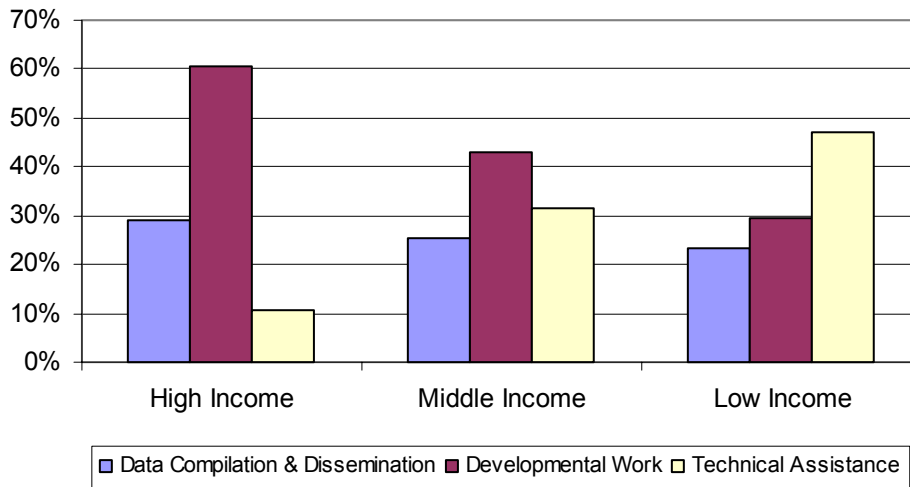
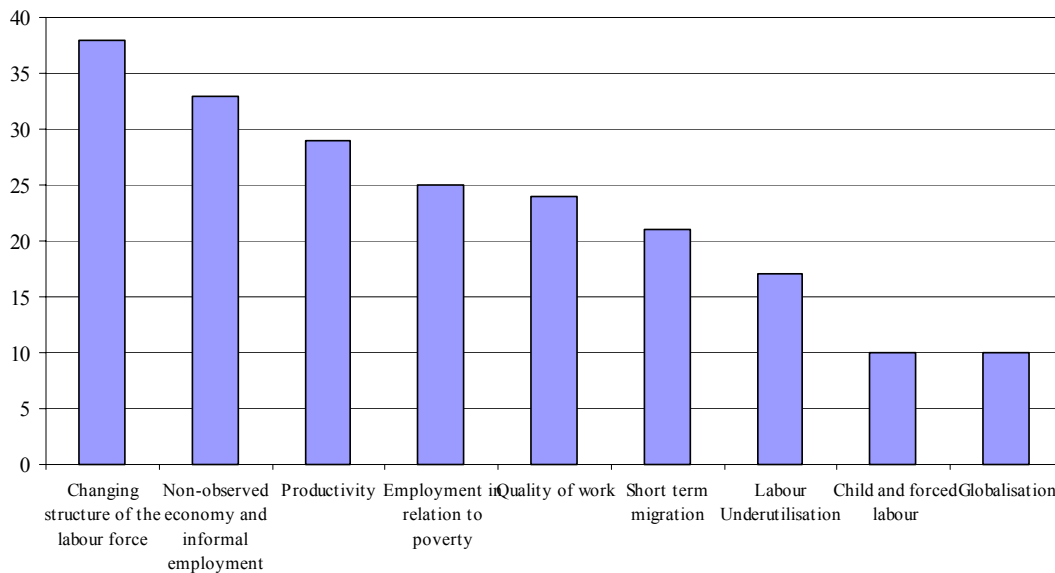


Chart 2: Top 3 development topics¹ for the future



1 Responding countries were asked to list their top three priority areas from a list of 9 possible options.

Chart 3: Top three development topics for the future¹

by income level of responding countries

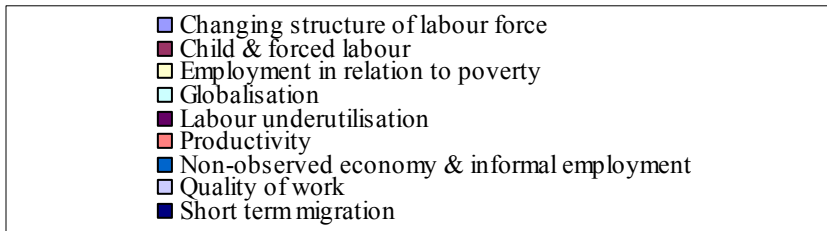
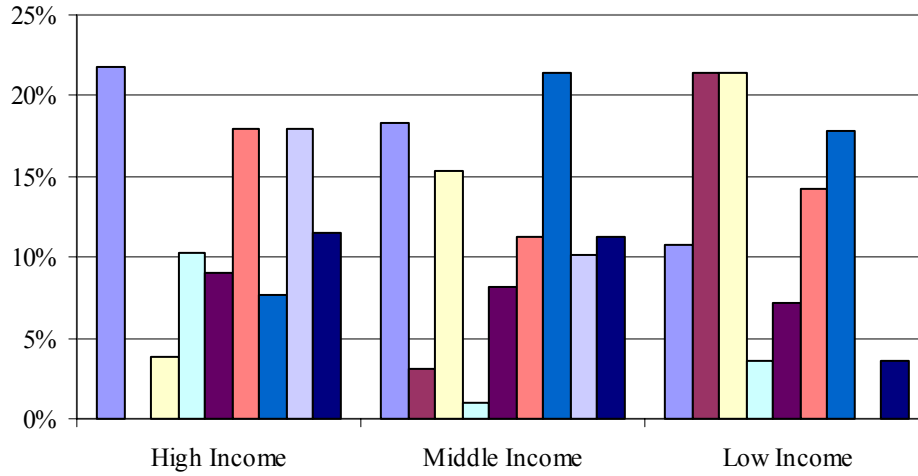


Figure 1: Broad illustration of improvements to the current labour market framework

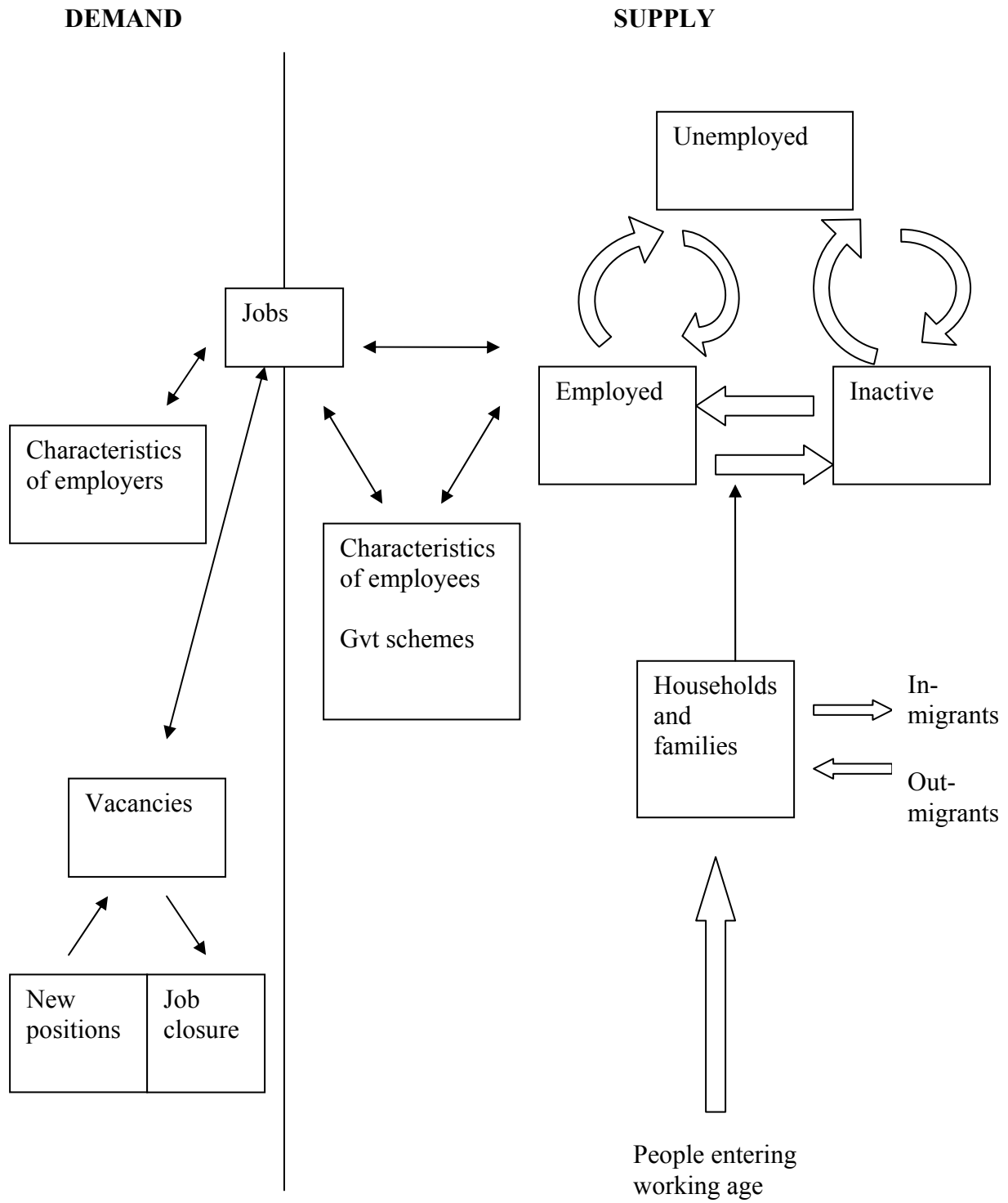


Figure 2: Illustration of the interactions between the labour statistics system and other domains

