

First meeting of the 2008/2009 Bureau

Washington D.C. (United States), 20-21 October 2008

Item 2b of the Provisional  
Agenda

## **LABOUR COST IN THE CIS COUNTRIES**

### **Note prepared by the Interstate Statistical Committee of the CIS Countries<sup>1</sup>**

1. Labour cost is defined to include the cost incurred by an employer in the employment of labour. It includes remuneration for the work performed and some additional costs incurred by an employer, such as expenditure on training, medical, cultural and communal services as well as employers' social security expenditure; the latter includes obligatory social security contributions associated with various social programs (age, disability, health problems, etc.) and voluntarily contributions to these programs. Category "labour cost" is broader than category "compensation of employees" used in the SNA which includes only remuneration for labour and social security contributions.
2. Data on labour cost presented in this note are compiled by the statistical services of the CIS countries in accordance with recommendations of ILO. These data provide a basis for analysis of expenditure of employers on remuneration of labour, for assessment of efficiency of business and entrepreneurship as well as for identification of peculiarities in policy of enterprises and organizations in this area. These data can be also used by the relevant government bodies for undertaking measures associated with regulation of socio-economic processes in the country.
3. National programs of statistical analysis of labour cost cover, as a rule, major industries producing goods and services (except for agriculture). The analysis is carried out on the basis of the annual report on labour submitted by enterprises and organizations or special sample surveys carried out, as a rule, every 2-3 years (in some cases with longer periodicity but not rarely than in 5 years). One of the advantages of these surveys is a possibility of inclusion in the program of some indicators providing general information on an enterprise (major type of activity, profit and so forth) which makes it possible to carry out different combinatory groupings essential for improvement of analytical work in this area<sup>2</sup>.
4. The data contained in the table below represent systematization of information provided by the national statistical offices of the CIS countries to the CIS Statistical Committee by the end of 2007. The data on Russia obtained from the material of the survey of labour cost for 2005<sup>3</sup>.

---

<sup>1</sup> This note represents a reduced version of the detailed report prepared and disseminated annually by the Interstate Statistical Committee of the CIS Countries.

<sup>2</sup> Analysis of labour cost in Belarus, Russia and Ukraine is carried out on the basis of data of sample surveys.

<sup>3</sup> Results of the similar survey in Russia for 2007 will be available in October 2008.

**Labor cost in CIS countries in US dollars**  
(average monthly amounts per one employee)

	2000	2001	2002	2003	2004	2005	2006
<b>Azerbaijan</b>	66.2	73.7	84.4	97.8	133.1	165.9	209.3
<b>Armenia</b>	43.4	49.1	52.8	67.7	98.2	136.8	186.7
<b>Belarus</b>	140.7	...	...	202.2	265.3	347.2	438.7
<b>Georgia</b>	48.0	...	...	75.3	104.3	140.3	...
<b>Kazakhstan</b>	120.8	138.3	154.1	182.7	237.7	292.6	367.9
<b>Kyrgyzstan</b>	34.1	39.3	45.6	56.0	68.7	81.7	101.2
<b>Moldova</b>	35.9	47.0	56.5	71.5	102.8	119.4	142.9
<b>Russia</b>	155.0	...	243.8	...	...	471.6	...
<b>Tajikistan</b>	10.9	12.7	15.2	18.6	26.6	34.3	45.5
<b>Ukraine</b>	94.7 <sup>1)</sup>	103.1	...	...	...	...	336.2

<sup>1)</sup> 1999

5. Labour cost in 2006 increased as compared with 2000 in enterprises and organizations of Azerbaijan covered by the survey in 3.1 times, in Armenia – in 3.3, Georgia (2005) – 2.7, Belarus – 8.4, Kazakhstan – 2.7, Kyrgyzstan – 2.5, Moldova – 4.2, Russia (2005) – 3.1, Tajikistan – 7.5, Ukraine (as compared of 2001) – 3.1. At the same time consumer prices increased for the same period in Azerbaijan by 75%, in Armenia – 21%, Georgia – 32%, Belarus – 4.1 times, Kazakhstan – 52%, Kyrgyzstan – 29%, Moldova – 82%, Russia and Tajikistan – 2 times, Ukraine – 43%.

6. Despite the increase in labour cost in the CIS countries their level continues to be considerably less than in many European countries. Thus, labour cost per one hour worked in industry in Belarus amounted to 2.9 US dollar, Kazakhstan and Russia (2005) – 3.3, Ukraine – 2.2. At the same time in United Kingdom this indicator equaled to 31 US dollar, Germany – 39, Spain – 21, Denmark and Sweden – 37 and 33 respectively. The table below contains data on structure on labor cost in 2006.

**Structure on labour cost in 2006**  
(in percentage)

	Azerbaijan	Armenia	Belarus	Georgia (2005)	Kazakhstan	Kyrgyzstan	Moldova	Russia (2005)	Tajikistan	Ukraine
<b>Total labour cost</b>	100	100	100	100	100	100	100	100	100	100
of which:										
direct wages and salaries in cash (remuneration for the work performed)	73.9	70.4	58.1	72.6	64.4	64.2	65.2	64.1	57.9	59.6
payments for time not worked	3.6	6.4	5.3	2.7	6.6	8.7	6.7	7.0	4.9	5.2
bonuses and gratuities	1.8	5.7	4.9	3.1	13.0 <sup>1)</sup>	6.9	7.6	5.0	13.0	3.4
wages in kind	0.2	0.1	0.1	1.9	0.1	0.6	0.4	0.4	1.5	0.3
expenditure on provision of dwellings for employees	1.3	0.0	0.4	0.0	0.5	0.0	0.1	0.4	0.4	0.2
expenditure on social security	17.7	16.2	26.4	15.8	13.1	15.5	19.0	19.6	19.6	27.3
of which obligatory contributions	17.4	16.0	...	15.8	11.1	...	18.8	17.2	18.6	...
expenditure on professional training	0.2	0.4	0.1	0.1	0.4	0.2	0.3	0.3	0.2	0.2
expenditure on cultural and communal services	0.3	0.1	0.4	0.0	0.5	0.5	0.5	0.7	0.7	1.0
other expenditure	0.5	0.7	2.0	3.7	1.4	3.4	0.2	2.4	0.9	2.0
taxes included in labour cost	0.4	...	2.3	...	0.0	...	...	0.1	0.9	0.8

<sup>1)</sup> Including regular current bonuses.

7. *Share of wages*<sup>4</sup> (including expenditure on payment of time worked and non-worked, bonuses and incentives, as well as expenditure on catering, fuel and other payments in kind) in total of labour cost has increased in Azerbaijan from 73.4% in 2000 to 79.6% in 2006, Armenia- from 79.1% to 82.6%, Belarus – from 66.0% to 68.4%, Georgia – from 76.3% to 81.7% (in 2005), Kazakhstan- from 77.6% to 84.1%, Kyrgyzstan – from 75.4% to 80.5%, Moldova- from 76.3% to 79.9%, Russia – from 65.3% to 76.5% (in 2005), Tajikistan – from 77.2% to 77.3%, Ukraine- from 68.0% (in 1999) to 68.5%.

8. Share of *direct wages* (payment for time worked) in the expenditure for labour payment has increased in the reference period in Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Ukraine and decreased in Tajikistan. At the same time the share of expenditure on *payment of time non-worked* (payment for annual

<sup>4</sup> Before taxes.

leaves, reduced hours of teenagers' work, idle hours not due the fault of employees, payment for losses of work time due to forced partial employment) has changed in Azerbaijan from 5.0% to 3.6% in the total labour cost, Armenia – 5.2% to 6.4% , Belarus – from 5.9% to 5.3%, Kazakhstan – from 5.3% to 6.6%, Kyrgyzstan – from 4.8% to 8.7%, Moldova – from 5.9% to 6.7%, Russia – from 5.7% to 7.0% (2005), Tajikistan – from 5.4% to 4.9%, Ukraine – from 5.6% to 5.2%.

9. Share of expenditure on *social security* of employees (contributions on different social programmes for the purpose of providing benefits to the employees in connection with disease, old age, disablement, unemployment, etc.) varies in labour cost from 13.1 to 17.7% in Azerbaijan, Armenia, Kazakhstan and Kyrgyzstan to 19.0-27.3% in Belarus, Moldova, Tajikistan and Ukraine. Obligatory contributions in these expenditure amount to 85-99%, while payments made by initiative of enterprises comprise only 1-15%.

10. In a number of countries (Belarus, Kyrgyzstan, Moldova, Russia, Tajikistan, Ukraine) there is a decrease in expenditure of employers for the provision of their employees with dwellings: maintenance of housing facilities, grants for acquisition of dwellings, etc.).

11. At low level are also expenditure on *vocational training* – 0.1-0.4% and *cultural and welfare facilities* (organization of cultural and sport arrangements and rent of premises for these purposes, maintenance of clubs, sport installations, etc.) – 0.1-1.0%.

12. Share of *taxes* included in the labour cost (payment for using foreign labour force, contributions to compensate some expenditure by police, improvements of territories and other) varies by countries from 0.0% in the composition of the above expenditure in Kazakhstan to 2.3% in Belarus.

**Average monthly nominal accrued wages and salaries**  
(on the basis of annual and current reporting)

	2000	2001	2002	2003	2004	2005	2006	January-October 2007
	<i>national currency</i>							
<b>Azerbaijan,</b> manats	44.3	52.0	63.1	77.4	99.4	123.6	149.0	186.8
<b>Armenia,</b> drams	22706	24483	27324	34783	43445	52060	62293	74427
<b>Belarus,</b> thousand belo- russian roubles	58.9	123.0	189.2	250.7	347.5	463.7	582.2	688.0
<b>Georgia,</b> lari	72.3	94.6	113.5	125.9	156.8	204.2	...	...
<b>Kazakhstan,</b> tenge	14374	17303	20323	23128	28329	34060	40790	50820
<b>Kyrgyzstan,</b> soms	1227.0	1455.1	1684.4	1916.0	2240.3	2612.5	3269.7	3809.1
<b>Moldova,</b> lei	407.9	543.7	691.5	890.8	1103.1	1318.7	1697.1	1993.5
<b>Russia,</b> roubles	2223.4	3240.4	4360.3	5498.5	6739.5	8554.9	10634	12908
<b>Tajikistan,</b> somony	15.57	23.50	32.55	44.61	61.81	83.58	116.26	151.66
<b>Turkmenistan,</b> thousand manats	596.8	878.1	950.0	1750.0	...	...	...	...
<b>Uzbekistan,</b> sums	...	16642	30206	40084	53201	...	...	...
<b>Ukraine,</b> grivnas	230.1	311.1	376.4	462.3	589.6	806.2	1041.5	1307

	<i>US dollar</i>							
Azerbaijan	49.5	55.8	64.9	78.8	101.2	130.7	166.8	217.4
Armenia	42.1	44.1	47.7	60.1	81.4	113.7	149.7	214.7
Belarus	73.6	86.6	104.9	120.8	160.6	215.2	271.2	320.3
Georgia	36.5	45.6	51.7	58.5	81.8	112.8	...	...
Kazakhstan	101.1	117.9	132.6	154.6	208.3	256.3	323.5	414.5
Kyrgyzstan	25.7	30.0	35.9	43.8	52.5	63.7	81.4	101.0
Moldova	32.8	42.3	51.1	63.9	89.5	104.7	129.2	163.0
Russia	79.0	111.1	139.1	179.2	234.0	302.5	391.1	398.8
Tajikistan	8.5	9.9	11.8	14.6	20.8	26.8	35.2	44.0
Turkmenistan	...	...	...	...	...	...	...	...
Uzbekistan	...	...	...	...	...	...	...	...
Ukraine	42.3	57.9	70.6	86.7	110.8	157.3	206.2	258.8

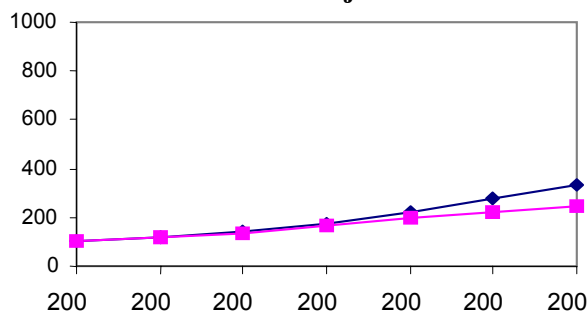
13. Nominal wages and salaries in 2006 increased in Azerbaijan in 3.4 times, in Armenia and Kyrgyzstan – 2.7, Belarus – 9.9, Kazakhstan – 2.8, Moldova – 4.2, Russia – 4.8, Tajikistan – 7.5, Ukraine – 4.5. In January-October 2007 growth of nominal wages and salaries as compared with the same period of the previous year in Armenia, Belarus, Moldova and Russia varied within 119-126%, in Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan and Ukraine – within 129-138%.

14. In 2000-2006 the rates of growth of nominal wages and salaries in majority of the countries became closer to the rates of real wages and salaries as a result of stabilization of consumer price indices (see the chart).

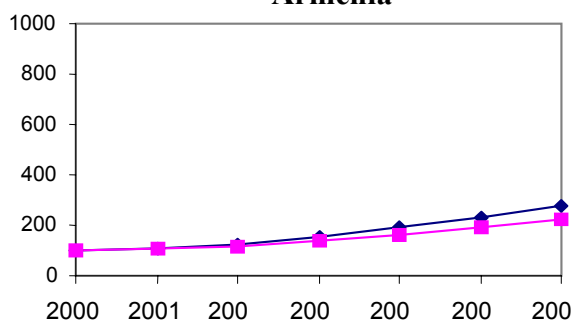
### Growth rates of nominal and real wages and salaries in the CIS countries

(2000=100)

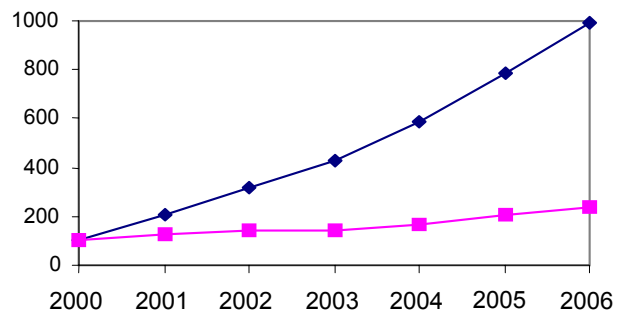
#### Azerbaijan



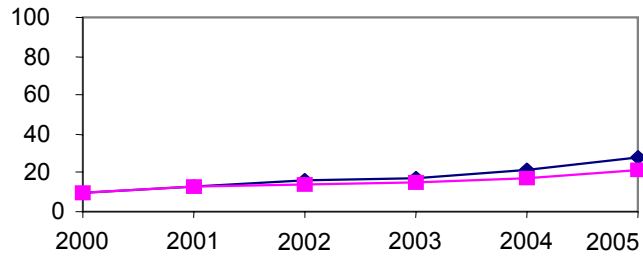
#### Armenia



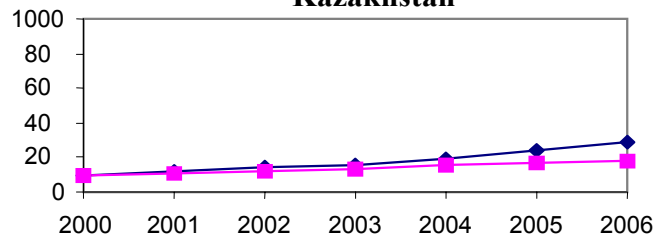
### Belarus



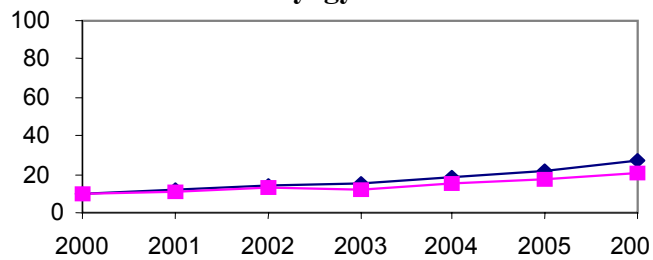
### Georgia



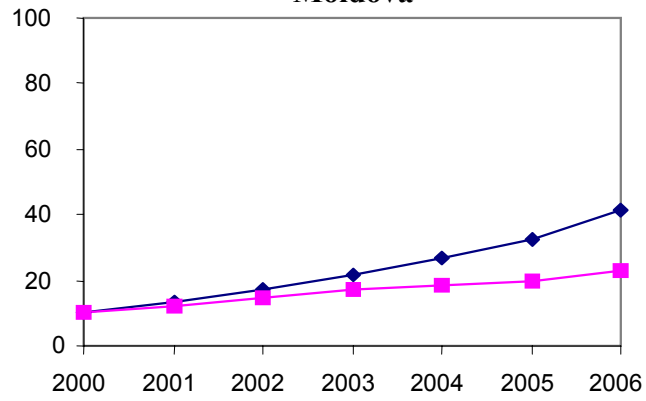
### Kazakhstan



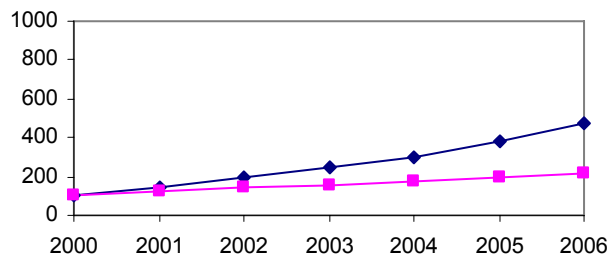
### Kyrgyzstan



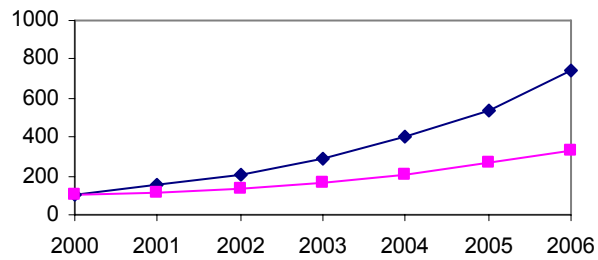
### Moldova



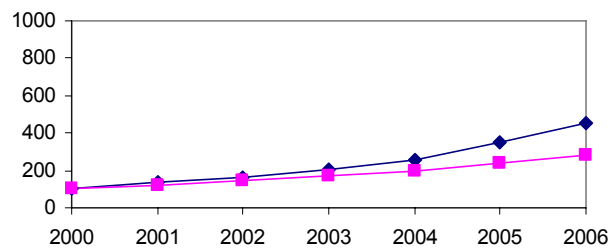
### Russia



### Tajikistan



### Ukraine



◆ Nominal      ■ Real

15. In majority of the CIS countries established minimum of remuneration of labour continues to be used as of instrument of regulations of wages and salaries. In particular, in 2007 increase of established minimum of wages and salaries was carried out in Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia; in Ukraine – 3 times (in April, June and October); in Tajikistan it remains at the level of April 2006.

**Changes in minimum of wages and salaries and ratios of established minimum of wages and salaries to average monthly wages and salaries and to subsistence minimum**

	Azerbaijan	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Moldova	Russia	Tajikistan	Uzbekistan	Ukraine
Minimum wages and salaries (at the end of the period): in % to minimum of the previous year (at the end of the period)										
2000	...	100	248	100	100	100	158	100	140	159
2001	100	100	278	130	100	556	227	300	140	100
2002	100	100	203	120	100	100	150	133	132	140
2003	164	100	236	120	100	100	133	125	120	124
2004	222	260	268	132	100	100	100	140	120	116
2005	150	100	105	139	100	200	133	171	144	140
2006	100	115	122	100	100	100	138	167	132	120
in % to average monthly wages and salaries										
2000	2.5	22.0	6.1	18.6	8.1	4.4	5.9	6.4	...	51.3
2001	10.6	20.4	8.1	20.1	6.9	18.4	9.3	12.8	...	37.9
2002	8.7	18.3	10.7	20.6	5.9	14.5	10.3	12.3	...	43.8
2003	11.6	14.4	19.1	21.6	5.2	11.2	10.9	11.2	...	44.3
2004	20.1	29.9	36.9	23.3	4.5	9.1	8.9	11.3	...	40.2
2005	24.3	25.0	29.1	27.0	3.8	15.2	9.4	14.4	...	41.2
2006	20.1	24.1	28.4	22.6	3.1	11.8	10.3	17.2	...	38.4
in % to subsistence minimum										
2000	5.6	...	12.0	66.9	8.3 <sup>1)</sup>	1.9 <sup>1)</sup>	10.9	...	...	43.7
2001	27.1	...	20.0	75.8	7.6 <sup>1)</sup>	21.3	20.0	...	...	37.9
2002	...	...	25.7	87.8	7.1 <sup>1)</sup>	18.6	24.9	...	...	48.2
2003	...	...	45.5	97.5	6.5 <sup>1)</sup>	15.9	28.4	...	...	59.9
2004	...	...	69.4	121.6	5.8 <sup>1)</sup>	14.7	25.3	...	...	65.5
2005	57.6	...	93.0	153.0	5.4 <sup>1)</sup>	26.1	...	...	...	78.5
2006	51.5	...	99.4	109.4	4.0 <sup>1)</sup>	...	...	...	...	84.7

<sup>1)</sup> Minimum consumer budget.

16. In order to study differentiation of wages and salaries some national statistical offices of the CIS countries carry out periodically surveys of distribution of employees by amount of accrued monthly wages and salaries. The table below contains data of such surveys converted in US dollars.

**Differentiation of employees by size of wages and salaries  
(in % to total)**

	Belarus (May 2007)	Kazakhstan (June 2007)	Moldova (September 2007)	Russia (April 2007)	Ukraine (December 2006)
All employees	100	100	100	100	100
of which with accrued wages and salaries:					
less than 50 US dollar	0.8	} 3.9	8.9	1.8	} 18.3
50,1-100	5.5		27.1	6.4	
100,1-200	27.3	24.5	35.0	17.8	38.6
200,1-300	25.8	23.8	17.1	17.3	20.3
300,1-400	18.0	17.5	5.8	14.1	9.8
400,1 US dollars and above	22.6	30.3	6.1	42.6	13.0

17. In Azerbaijan according to the survey in November 2006 21% of employees received wages and salaries less than 50 US dollars; in Armenia in December 2006 – 8%; in Kyrgyzstan in November 2006 – 50%; in Tajikistan in December 2006 – 52%.

18. In a number of countries the process of polarization of employees by level of wages began to slow down. In Azerbaijan, in particular, the decil coefficient of differentiation, characterizing the ratio of wages of highly and low paid employees (ratio of the lowest wages among 10% of most highly paid employees to the highest wages among 10% of lowest paid employees) has decreased from 13.1 times in November 2000 to 5.6 times in November 2006, in Belarus – from 5.8 in May 2000 to 4.8 in May 2007, in Moldova – from 9.6 in September 2002 to 6.1 in September 2007, in Russia – from 13.2 in April 2001 to 8.4 in April 2007, in Tajikistan – from 18.6 in December 2000 to 17.8 in December 2006.

19. Despite the fact that the state directives set the minimum limit for wages, practically in all countries there is a certain number of employees, whose wages are lower than the set minimum. The share of employees who had the wages at the minimum and lower level as of the date of the survey has decreased in Armenia from 6.1% in 2000 to 2.3% in 2006, in Russia - from 2.4% in 2001 to 1% in 2007 correspondingly, in Tajikistan – from 4.9% in 2000 to 4.5% in 2006, in Ukraine – from 14.4% in 2001 to 7.6% in 2006; in Belarus there was an increase from 0.1% in 2001 to 3.5% in 2007.

20. Similar comparison with subsistence minimum (by countries which have submitted corresponding information) has shown that 3.9% of employees in Belarus as of the date of the survey were receiving wages lower than the subsistence minimum, in Kazakhstan – 1.5%, Kyrgyzstan-62%, in Russia-16.3%., in Ukraine – 14.9%.

\* \* \* \* \*