An MDG Framework for Labour Market Analysis

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MDG Employment Indicators: Overview

1. Background to MDG Employment Indicators
2. Overview of indicators
   a) Definitions and data sources
   b) Rationale and uses
   c) Limitations
   d) Trends analysis
3. References for LMIA using MDG Employment Indicators
Following the 2005 World Summit, and the work of the Commission for Social Development and the Inter-Agency Expert Group on MDG indicators, a new target was included in 2008 under MDG1, Target 1B.

**Millennium Development Goal 1: Eradicate extreme poverty and hunger**

**MDG Target 1B: Achieve full and productive employment and decent work for all, including women and young people (four indicators)**

The remaining MDG employment indicator falls under Goal 3:

**Millennium Development Goal 3: Promote gender equality and empower women**

**MDG Target 3A: Eliminate gender disparity in primary and secondary education by 2005, and in all levels of education no later than 2015**

The MDG set now consists of 8 goals, 21 targets and 60 indicators; see http://mdgs.un.org/unsd/mdg/Default.aspx for the full list of goals, targets and indicators.
MDG Employment Indicators: 
Background

• All five employment indicators (under MDG1b and MDG3) are explained in detail in the Guide to the new Millennium Development Goals Employment Indicators, which is available at: http://www.ilo.org/public/english/employment/docu/index.htm

• The Guide includes definitions, data sources, calculations and analytical examples.

• The Guide also includes the full set of Decent Work Indicators, which allows for comprehensive monitoring of decent work.
Official MDG Employment Indicators

MDG1 Eradicate extreme poverty and hunger, Target B (‘decent work’)

1.4 Growth rate of GDP per person employed

1.5 Employment-to-population ratio

1.6 Proportion of employed people living below $1 (PPP) per day

1.7 Proportion of own-account and contributing family workers in total employment

MDG3 Promote gender equality and empower women

3.2 Share of women in wage employment in the non-agricultural sector
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Employment-to-population ratio: Definitions & sources

✓ The EPR measures the proportion of a country’s working-age population that is employed

✓ EPR = (Total employed of working age / Total population of working age) * 100

✓ Age coverage for employment and population must be equal

✓ Employment definition follows the 13th ICLS Resolution concerning statistics of the economically active population, employment, unemployment and underemployment

✓ Source of data: labour force survey or other household survey/population census with data on population and employment

✓ Both components (employment and population) should come from the same source.
Employment-to-population ratio: Rationale and uses

✓ Provides information on the ability of an economy to generate employment.

✓ Can be used in conjunction with macroeconomic variables to determine the extent to which economic growth leads to employment growth.

✓ Can be used to identify labour market issues such as low incomes and inadequate social security.

✓ Age and sex disaggregation encouraged: provides a picture of differences in employment opportunities across different population groups.

✓ Useful for international comparisons and comparisons over time.
Employment-to-population ratio: Limitations

- Does not provide a measure of employment quality.
- There is no optimal EPR, though rates are typically between 50 and 75 per cent.
  - EPRs can be too high or too low
  - Rates among youth tend to be lower than adults
  - Rates among women tend to be lower than men
- Trends must be interpreted carefully and in conjunction with other labour market indicators.
Employment-to-population ratio, selected regions, 1991-2010

Source: ILO, Trends Econometric Models, April 2011
Employment-to-population ratio by sex, CEE & CIS, 1991-2010

Source: ILO, Trends Econometric Models, April 2011
Employment-to-population ratio by sex, Middle East, 1991-2010

Source: ILO, Trends Econometric Models, April 2011
Youth employment-to-population ratio, selected regions, 1991-2010

Source: ILO, Trends Econometric Models, October 2010
Employment-to-population ratio, selected CEE & CIS countries

Source: ILO, Key Indicators of the Labour Market, 6th ed., 2009
The indicator provides a measure of the more vulnerable statuses of employment

Called “Vulnerable employment rate”, however with caveats!

Calculation: \( \frac{\text{number of own-account workers} + \text{number of contributing family workers}}{\text{total employment}} \)

Based on status in employment indicator, defined according to the International Classification by Status in Employment (ICSE), revised at the 15th ICLS in 1993. ICSE defines 6 status categorizes, largely based on types of economic risk associated with a job

Source of data: labour force survey or other household surveys with data on status in employment
Proportion of own-account and contributing family workers in total employment: Rationale and uses

- Contributing family workers and own-account workers are less likely to have formal work arrangements, access to benefits or social protection programmes.

- Connection between vulnerable employment and poverty: workers lack safety nets and are often incapable of generating sufficient savings for themselves and their families to offset economic shocks.

- Sex disaggregation encouraged: large gender differences common.

- Useful for international comparisons and comparisons over time.
Wage and salaried workers that also carry high economic risk are not counted in this indicator. E.g. casual wage workers.

Some own-account and unpaid family workers might be quite well off and not vulnerable at all.

Differences in definitions and coverage across countries and for different years can make comparisons difficult.
Global trends in vulnerable employment

Source: ILO, Trends Econometric Models, April 2011
Vulnerable employment rate, selected countries ranked by GDP per capita

Source: ILO, Key Indicators of the Labour Market, 6th ed., 2009
Vulnerable employment rate by sex, selected countries

Source: ILO, Key Indicators of the Labour Market, 6th ed., 2009
### Vulnerable employment in Thailand during the global economic crisis

Status in employment in Thailand, annual change from Q2, thousands

<table>
<thead>
<tr>
<th></th>
<th>Both sexes</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total employment</td>
<td>1,109</td>
<td>840</td>
<td>383</td>
</tr>
<tr>
<td>Employers</td>
<td>-126</td>
<td>61</td>
<td>-116</td>
</tr>
<tr>
<td>Government employees</td>
<td>139</td>
<td>92</td>
<td>74</td>
</tr>
<tr>
<td>Private employees</td>
<td>407</td>
<td>-206</td>
<td>158</td>
</tr>
<tr>
<td>Own-account workers</td>
<td>169</td>
<td>509</td>
<td>102</td>
</tr>
<tr>
<td>Unpaid family workers</td>
<td>524</td>
<td>372</td>
<td>161</td>
</tr>
<tr>
<td><strong>Vulnerable employment</strong></td>
<td><strong>693</strong></td>
<td><strong>882</strong></td>
<td><strong>263</strong></td>
</tr>
</tbody>
</table>

Source: Thailand National Statistical Office
Labour productivity represents the amount of output achieved per unit of labour input.

Labour productivity growth rate is calculated as the annual change.

Sources of data: GDP: national accounts; employment: labour force survey or other household survey/population census with data on employment.

Labour productivity is a measure of employment quality and determines the scope for expanding decent employment opportunities.

Without increases in productivity, an economy cannot sustain increases in workers’ wages.

Productivity growth can lead to poverty reduction through investment, sectoral shifts, trade, technological progress and increases in social protection.

Age and sex disaggregation not possible, as national accounts data are not disaggregated. Sectoral disaggregation very useful.

Useful for international comparisons and comparisons over time.
Growth rate of GDP per person employed (labour productivity): Limitations

- An increase in output per worker does not necessarily mean that employment quality has improved
  - Can result from a decrease in employment
  - Can result from an increase in hours worked
  - Can result from a shift in economic activities, without productivity gains within industries

- Inconsistency of national accounts practices
  - Different degree of coverage of informal economic activities in developing economies and of the underground economy in developed economies

- Trends must be interpreted carefully and in conjunction with other labour market indicators.

- No gender or age-disaggregation
Labour productivity levels and average annual growth rate, selected regions

Source: ILO, Trends Econometric Models, October 2010
## Productivity growth versus wage growth

<table>
<thead>
<tr>
<th>Country</th>
<th>Years</th>
<th>Average annual growth</th>
<th>Type of survey</th>
<th>Mean or median wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>2003-2008</td>
<td>11.2 3.0</td>
<td>Quarterly household survey</td>
<td>Mean</td>
</tr>
<tr>
<td>Australia</td>
<td>2000-2008</td>
<td>1.0 1.0</td>
<td>Annual household survey</td>
<td>Median</td>
</tr>
<tr>
<td>Brazil</td>
<td>2002-2008</td>
<td>0.9 1.6</td>
<td>Monthly Labour Force Survey</td>
<td>Median</td>
</tr>
<tr>
<td>Canada</td>
<td>2000-2008</td>
<td>0.6 0.5</td>
<td>Monthly Labour Force Survey</td>
<td>Median (employees)</td>
</tr>
<tr>
<td>China</td>
<td>2000-2008</td>
<td>12.6 10.5</td>
<td>Combination of Surveys</td>
<td>Mean (employees)</td>
</tr>
<tr>
<td>France</td>
<td>2000-2008</td>
<td>1.0 0.9</td>
<td>National Accounts Data</td>
<td>Mean (employees)</td>
</tr>
<tr>
<td>Germany</td>
<td>2000-2008</td>
<td>-0.5 0.8</td>
<td>National Accounts Statistics</td>
<td>Mean (employees)</td>
</tr>
<tr>
<td>India</td>
<td>2001-2008</td>
<td>1.9 5.2</td>
<td>Establishment Survey</td>
<td>Mean</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2005-2008</td>
<td>-2.5 3.8</td>
<td>Not Specified</td>
<td>Mean</td>
</tr>
<tr>
<td>Italy</td>
<td>2000-2008</td>
<td>0.3 -0.4</td>
<td>National Accounts Data</td>
<td>Mean (employees)</td>
</tr>
<tr>
<td>Japan</td>
<td>2000-2008</td>
<td>-0.4 1.4</td>
<td>Monthly Labour Force Survey</td>
<td>Mean</td>
</tr>
<tr>
<td>Korea, Republic of</td>
<td>2001-2008</td>
<td>3.0 3.1</td>
<td>Establishment Survey II</td>
<td>Mean</td>
</tr>
<tr>
<td>Mexico</td>
<td>2001-2008</td>
<td>2.4 0.7</td>
<td>Quarterly household survey</td>
<td>Median</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>2000-2008</td>
<td>14.3 5.7</td>
<td>Establishment Survey</td>
<td>Mean</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>2006-2008</td>
<td>1.8 1.2</td>
<td>Establishment Survey</td>
<td>Mean</td>
</tr>
<tr>
<td>South Africa</td>
<td>2006-2008</td>
<td>1.8 3.2</td>
<td>Establishment Survey</td>
<td>Mean</td>
</tr>
<tr>
<td>Turkey</td>
<td>1996-2002</td>
<td>-2.1 1.9</td>
<td>Establishment survey</td>
<td>Mean</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2000-2008</td>
<td>1.5 1.8</td>
<td>Annual establishment survey</td>
<td>Median (employees)</td>
</tr>
<tr>
<td>United States</td>
<td>2001-2008</td>
<td>-0.1 1.7</td>
<td>Establishment Survey I (OES)</td>
<td>Median</td>
</tr>
</tbody>
</table>

The working poor are defined as employed persons in a household whose members are living below the poverty line. Cross-tabulation: employment status determined at individual level; poverty status determined at household level. A person is classified as working poor if they are 1) employed; and 2) living in a household in which per-capita expenditure/income is below the poverty line. Income/expenditure: 17th ICLS; CPI: 14th ICLS. Typical age cut-off 15+; some surveys also include working children.

Working poverty rate = number of working poor/total employment.

For international comparisons, $1.25 (PPP) poverty line is used. For national monitoring, national poverty line is usually preferred.

Source of data: household surveys with information on both employment and income/expenditure. Household income & expenditure surveys, living standard surveys.
Working poverty rate: Rationale and uses

✓ Provides a direct measurement of the lack of decent work/decent income.

✓ Knowing the magnitude and characteristics of the working poor is vital for developing appropriate labour market policies and overall economic development policies.

✓ Age- and sex-disaggregation encouraged. Cross-tabulations with other labour market & demographic indicators such as status in employment, sector, education level, rural/urban, are also strongly encouraged.

✓ Useful for international comparisons and comparisons over time.
Working poverty rate: Limitations

- Limited number of surveys that include both expenditure and employment variables.
  - HIES surveys often do not include probing questions needed to fully ascertain employment status.
  - Important to document and analyze potential shortcomings & biases

- Lack of comparability across countries and over time
  - Different survey instruments, definitions, etc
  - Different poverty lines

- Defining poverty status at household level assumes away intra-household inequalities.

- Relatively new concept, past international guidance and technical support was ad-hoc
Working poverty rates (15+) by sex, selected countries

Source: ILO, Key Indicators of the Labour Market 6th Edition, Table 20b

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Working poverty rates by age-group, selected countries

Source: ILO, Key Indicators of the Labour Market 6th Edition, Table 20b
US$2 working poverty rates by age-group (Kazakhstan 2003)

Source: ILO estimates, national sources
Employment by poor ($1.25) and non-poor status and by sector (Pakistan 2004)

Source: ILO estimates, national sources
Working poverty rates (US$2), by education and sex (Kazakhstan 2003)

Source: ILO estimates, national sources
Distribution of the working-age population living below the US$1.25 poverty line
References for labour market analysis using MDG employment indicators

- ILO Global Employment Trends reports
  - Annual flagship publication (January), includes analysis using additional indicators
  - Issues covering labour market trends for women and youth
  - Available at: http://www.ilo.org/trends

- ILO Key Indicators of the Labour Market (KILM) is a tool for labour market information and analysis based on a broader set of employment indicators.
  - Country examples of analysis of the MDG employment indicators, and linkages with other indicators.

- UN Millennium Development Goals Report, MDG Report Progress Chart and country data
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