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**Measuring decent work with statistical indicators**

Invited paper submitted by the International Labour Office<sup>1</sup>

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<sup>1</sup> Paper prepared by the Statistical Development and Analysis Unit, ILO Policy Integration Department, for the 27-29 May 2002 *Joint UNECE-EUROSTAT-ILO Seminar on Measurement of the Quality of Employment*. The authors apologize for all errors and omissions, and would welcome comments and suggestions for improvements and correction.

## 1. Introduction

It is the ILO's belief that people around the world desire and deserve decent work. For this reason, ILO has developed a Decent Work framework that brings together the goals of rights at work, employment, social protection and social dialogue in a coherent, development-oriented and gender-equitable vision that guides economic and social policy. In his Report to the 87<sup>th</sup> International Labour Conference, the ILO Director General described decent work as "*opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity*"<sup>2</sup>.

Stemming from the above statement, *decent work is clearly a fundamental dimension of the quality of life*, and the promotion of decent work for all women and men everywhere has become the central objective of the International Labour Organisation.

If asked a question "How decent is your work?", every person at work or looking for work, irrespective of his or her origin, occupation, educational background, skill level, race or belief, has a pretty good idea of what decency at work means. In other words, in spite of the fact that the relative importance of specific aspects of decent work is different from country to country and from person to person, *the concept and the basic elements of decent work are universal*.

However, in order to be in a position to say to what extent countries differ in terms of creating, assuring and offering to its working population decent work environment encompassing the above six dimensions, a set of explicitly defined statistical indicators are required.

To help meet this new challenge and enhance the statistical capabilities throughout the ILO, the Statistical Development and Analysis Unit has recently been created within the ILO Policy Integration Department to work closely with all technical sectors in the ILO as well as the Bureau of Statistics. One of the Unit's objectives is to help develop and generate new products, including internationally comparable, gender-sensitive indicators and instruments to measure progress made in decent work.

This paper presents the Unit's conceptual dimension of decent work, briefly introduces ten broad aspects of decent work, which have been identified as being feasible for statistical measurement, and outlines the ILO programme on the development of decent work statistical indicators. The intention is to go beyond currently available statistical indicators at the international level to measure all aspects of decent work.

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<sup>2</sup> "Decent Work". Report of the Director-General. International Labour Conference, 87<sup>th</sup> Session 2001. International Labour Office, Geneva 1999.

## 2. Conceptual dimension of decent work

The above-mentioned definition of decent work as “opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity” clearly includes the following six dimensions:

- ① ***Opportunities for work*** applies to the need for all persons (men and women) who want work to be able to find work, since decent work is not possible without work as such. The underlying concept of work is a broad one, encompassing all forms of economic activity.
- ② ***Freedom of choice of employment*** is concerned with the fact that work should be freely chosen and not forced on individuals (bonded and slave labour, unacceptable forms of child labour should be eliminated).
- ③ ***Productive work*** is fundamental for workers to have acceptable livelihoods for themselves and their families, as well as to ensure sustainable development and competitiveness of enterprises and countries.
- ④ ***Equity in work*** infers workers’ need to have fair and equitable treatment in work, including not having to face discrimination either at work or in access to work, and to be able to balance work with family life.
- ⑤ ***Security at work*** takes care of the need to safeguard health and pensions, and to provide adequate protection in the event of unpredictable every day contingencies. It also considers workers’ need for an acceptable level of job security and insecurity associated with the possible loss of work and livelihood.
- ⑥ ***Dignity at work*** demands that workers be treated with respect at work, and be able to voice concerns and participate in decision-making about working conditions, including freedom of association and collective bargaining.

The first two dimensions of decent work relate to the availability of work and the acceptable scope of work. The remaining four dimensions refer to the extent to which the work being performed is decent.

- ① Amount and scope of work.
- ② Classification of work according to the degree to which it is decent.

## 3. Ten aspects of decent work

To develop statistical indicators of decent work, the approach taken is to look through the eyes of individuals. The following general aspects of work have been singled out (which individuals from all over the world would consider important elements of decent work). To measure each of these aspects of decent work, statistical indicators need to be identified, with an emphasis on the actual situation faced by workers and potential workers and especially the poorest and least well off:

1. Employment opportunities.
2. Unacceptable work.
3. Adequate earnings and productive work.
4. Decent hours.
5. Stability and security of work.
6. Fair treatment in employment and at work.
7. Safe work environment.
8. Social protection.
9. Combining work and family life.
10. Social dialogue and participation.

The above features of decent work also depict quite well the six dimensions of decent work noted above in the concise and simple sentence defining decent work. Employment opportunities helps portray *opportunities for work*, whereas unacceptable types of work help picture *freedom of choice of work*. Adequate earnings and productive work help reflect productive work. Fair treatment at work, balancing work and family life, and social dialogue help mirror *equity* and *dignity at work*. Safe work environment, social protection, and stability and security of work help portray *security at work*.

#### **4. Development of decent work statistical indicators: ILO programme**

The ILO's intention is to: (i) identify *a core*, i.e. minimal, set of *statistical indicators* for each of the above aspects of decent work, and (ii) *measure these for countries*. As the first step (within one year), the objective is to prove the possibility and applicability of this core set of decent work indicators by measuring and describing these for at least 50-60 countries which should make it possible to arrive at sufficient regional distribution and cross-country comparability as well as make world and regional estimates. It is important to keep in mind that this effort is intended to provide a minimal set of indicators. For national needs, it is clear that additional indicators will be required.

The above means that *in the short run* it will be necessary to rely on *available national data*, make sure that all available statistics are collected to increase the country coverage of the six decent work dimensions, and standardise data as much as possible to improve cross-country comparability. It also means that minor data manipulation will be made, wherever necessary and possible, to obtain what is called "direct decent work indicators" (see example illustrated in Annex 1).

In the longer run, the intention is to *extend both the coverage of countries and list of issues/indicators*. To achieve this, complementary indicators not selected for the "first round" due to various reasons, such as lack of reliable data or conceptual clarity, will be conceptualised and added. There is also the intention to develop new methodologies such as Decent Work Survey modules for inclusion on labour force surveys to help obtain new and insightful data on decent work for more countries and indicators.

The *ultimate ambition*, as perceived now, is to *assist the ILO member States with the collection of appropriate data to compute a comprehensive set of decent work indicators covering all dimensions of decent work; encourage countries to report data in a standard format; and develop relevant international standards and methodologies underlying them*.

## Annex 1

**By way of illustration, Annex 1 describes a “low pay indicator” proposed for one of the ten aspects of work, namely “Adequate earnings and productive work”<sup>3</sup>**

From the worker’s point of view, the level of earnings is probably the single most important characteristic of the work activity, whether it is paid employment or self-employment. From a decent work perspective what is especially important is the percent of workers who do not receive what is considered to be an adequate level of pay.

The major concern, therefore, is pay that is at least adequate, and that as many workers as possible have at least an adequate level of pay. While high and rising average pay for all workers is a worthy objective, the focus here is on low pay and the percentage of workers with low pay since it is felt that this is more appropriate for measuring and monitoring decent work deficits as regards pay. This implies that a new indicator needs to be developed and measured, since almost all of pay data that are available internationally measure average pay.

In order to clearly distinguish between the rate of pay and the amount of work performed, the indicator is formulated in terms of hourly earnings, defined as the rate of gross earning<sup>4</sup> for one hour of work.

The indicator specifies that hourly earnings below half of the median are considered low. The idea to set this value with respect to the distribution of hourly earnings in each country is an attempt to accommodate differing national norms about “decency” of pay. Since the median of the distribution reflects the relative position of a typical worker in that distribution, it is plausible that national norms for what constitutes decent pay are tied to the median. Furthermore, formulating the indicator in terms of a specific percentage of the median earnings makes it independent of national currencies and therefore facilitates international comparison.

In countries that have adopted minimum wage legislations, the level at which the minimum wage is set often turns out to be close to half of the median wage (being on average 38 percent of the median, with national values varying from about 25% to 50%).<sup>5</sup> While the choice of 50% is debatable, it has the advantage of simplicity. It is also robust with respect to changes in the value of the national minimum wage over time. Another advantage of the definition is its wide applicability including in countries that have either not adopted minimum wage legislations or have set the minimum wage at such a low level below the prevailing market wages that make the calculations based on it virtually meaningless.

In principle, a job is the statistical unit for measuring the low pay indicator, and therefore a person with more than one job could be classified as *low pay* with respect to one job, and *decent pay* with respect to another. Because the definition is based on hourly

<sup>3</sup> Prepared by Farhad Mehran, Statistical Development and Analysis Unit, ILO Policy Integration Department.

<sup>4</sup> See Resolution concerning an integrated system of wages statistics, adopted by the Twelfth International Conference of Labour Statisticians (October 1973), paras.8-10, in *Current International Recommendations on Labour Statistics 2000 Edition*, ILO, Geneva, 2000, pp. 44-45.

<sup>5</sup> OECD Employment Outlook 1998.

earnings, it is however very unlikely that a person holding two *low pay* jobs would be classified as *decent pay* with respect to the combined jobs.

A full measurement of the *low pay* indicator requires data on status in employment for each job, the pay period, the gross earnings last received in the case of paid employment and the gross income related to self-employment currently earning in the case of self-employment jobs, and in each case the corresponding hours of work. The measurement should account for situations in which a person changed jobs, or, started, or quit the job within the normal pay period. Implementation will often require compromises, as full measurement will be difficult in most regular labour force surveys.

The most straightforward calculation would be based on direct questions about the hourly rate of pay, but this faces some practical difficulties. First, for employees, the rate of pay is often set for a different interval than one hour. In this case it is necessary to divide gross earnings by an appropriate multiple of usual hours of work. Second, for self-employed persons and contributing family workers, the calculation of hourly earnings is more problematic as both earnings and hours of work are especially difficult to define and measure. For this reason, many national labour force surveys limit the measurement of earnings to employees only. In certain countries, the statistics on hourly earnings are limited further sub-category of employees paid on hourly rates.

The following table presents data for Jordan and the United Kingdom. Despite elements of non-comparability, the results show that the percentage of workers with *low pay* was higher in Jordan than in the United Kingdom by a wide margin.

**Table 1. Percentage of workers with gross hourly earnings below 50% of the median**

<u>Country</u>	<u>Both sexes</u>	<u>Male</u>	<u>Female</u>
Jordan (November 2001) <sup>1</sup>	15.4%	88.2% (86.7%) <sup>3</sup>	11.8% (13.3%) <sup>3</sup>
United Kingdom (Autumn 2001) <sup>2</sup>	9.3%	59.1% (64.2%) <sup>3</sup>	40.9% (35.8%) <sup>3</sup>

Sources: The Hashemite Kingdom of Jordan, Department of Statistics, *Employment and Unemployment Survey (Fourth Round) November 2001, Principal Report*, January 2002, Table 7/3. National Statistics Office, United Kingdom, *Labour Force Survey Quarterly supplement*, Autumn (September to November 2001), No. 16, February 2002, Table 36.

Notes: <sup>1</sup> Cover all employed persons except unpaid family workers. Percentages calculated on the basis of grouped data cross-classified by interval of monthly earnings at all jobs and of actual hours worked during the week.

<sup>2</sup> Limited to employees only. Percentages calculated on the basis of a trimmed decile distribution of gross hourly earnings (Employees whose hourly pay is £100 or over were excluded from the sample). <sup>3</sup> Figures in parentheses refer to share of male or female employment in total employment.

The gender comparison is based on the relative number of women among low pay workers, male and female combined, as compared to their relative number among all workers low pay or not. Underlying this comparison is the idea that the decent pay threshold should be the same for men and women. The results show that in Jordan about 12% of the low pay workers are women, slightly lower than the percentage of women in total employment, about 13%. In the United Kingdom, however, the percentage of women among low pay workers (about 41%) is significantly higher than the overall percentage of women in employment (about 36%).

The appropriate method of subgroup comparison should be examined for each variable, as it may depend on the issue at hand. For example, comparison of the low pay indicator for agricultural and non-agricultural workers may use the pay distributions of the two groups separately, implicitly assuming different decent pay thresholds for agricultural and non-agriculture workers, in line with the assumed differences in levels of living in rural and urban areas. By contrast, the comparison for manual and non-manual workers may follow the same procedure used for male and female comparison.