

UNDERSTANDING THE "ONE HOUR" CRITERION IN THE INTERNATIONAL STANDARD DEFINITION OF EMPLOYMENT

THE INTERNATIONAL STANDARD DEFINITION OF EMPLOYMENT ENJOYS A BROAD DEFINITION IN THE LABOR FORCE FRAMEWORK TO INCLUDE PERSONS AT WORK EVEN FOR ONE HOUR DURING THE REFERENCE PERIOD. STATISTICS SHOWED THAT THE NUMBER OF PERSONS WORKING ONLY ONE HOUR A WEEK IS NOT SUBSTANTIAL AND RAISING THE ONE HOUR CRITERION BY FEW HOURS WILL NOT CHANGE SUBSTANTIALLY THE NUMBER OF EMPLOYED.

Background

People in the real world are engaged in economic activities of numerous kinds to support themselves and their families. But not all people work on a regular basis. Some work only occasionally such as seasonal workers or daily laborers while still others may do work only intermittently such as students, homemakers or retirees who are usually engaged in non-economic activities but do paid employment once in a while such as giving private tutorials, babysitting, or as sale agents for real estates and insurance.

Meanwhile, there are people who work long hours particularly in the service-oriented industries such as security guards, nurses, sales workers and workers in fast-food chains, among others. Indeed, today's technology allows some people to work 24/7 - they can bring their work home or even take it on vacation.

It is against this backdrop, that the "one hour" criterion in the

operational definition of employment used in the Labor Force Survey has been a contentious issue in recent years. For some data users, one hour is unreasonably low to be considered as work and as such persons who work for only an hour should be excluded from the count of employment since it served to blow up or overestimate its level.

This LABSTAT issue takes a closer look on the underlying reasons for the adoption of the "one hour" criterion in the international definition of employment. It also examines the recent data series on employment by hours of work in an attempt to shed light into the discussion of the issue.

Measurement of Employment

To cover the various kinds of work, "employment", as a term used to measure the number of persons employed, enjoys a broad coverage in the international standard definition as embodied in Resolution I of the 13th International Conference of Labor Statisticians (ICLS). The term includes persons at work, even if only for one hour during the

reference period and also persons temporarily absent from work.

For this reason, the 13th ICLS recommends that data on employment should always be supplemented by hours of work to identify within the employed population subgroups the different degrees of participation such as persons in visible underemployment, voluntary and involuntary part-time employment.

Underlying Principles for "One Hour" Criterion¹

The international standard recommends that for operational purposes, the notion of "some work" may be interpreted as work for at least one hour during the reference period. The 13th ICLS cites two underlying principles for the adoption of the one hour criterion:

1. *Total employment should correspond to aggregate production* – the term employment is linked to the concept of production as defined in the United Nations System of National Accounts (SNA) which means that any activity falling within the SNA production boundary, no matter how small, is considered as work for the purpose of measuring employment. **All work, even for only an hour a week, contributes to total national output, and should therefore be counted.**
2. *Fundamental in defining unemployment as a situation of total lack of work* - in the labor force framework, the definitions of employment and unemployment are interrelated. The one hour criterion is fundamental in defining unemployment which is "a

International Standard Definition of Employment

The current concept and measurement of employment in the Philippine Labor Force Survey (LFS) are largely based on the international standard of the International Labor Organization (ILO) as embodied in "*Resolution concerning statistics of the economically active population, employment, unemployment and underemployment*" that was adopted by the 13th International Conference of Labor Statisticians (ICLS) in October 1982.

The international definition of employment is governed by three (3) important features in line with the labor force framework:

1. It is based on a "short reference period", i.e., one week or one day.
2. For operational purposes, the notion of "some work" may be interpreted as work for at least "one hour" during the reference period.
3. The "priority rule" which gives precedence to *employment* over *unemployment* and to *unemployment* over *economic inactivity*.

According to the 13th ICLS, the "employed" comprise all persons above the age specified for measuring the economically active population who, during a specified brief period (one week or one day), were in the following categories:

- **Paid employment:** (1) "at work": persons who, during the reference period, performed some work for wage or salary, in cash or in kind; (2) "with a job but not at work": persons who, having already worked in their present job, were temporarily not at work during the reference period but had a formal attachment to their jobs.
- **Self-employment:** (1) "at work": persons who, during the reference period, performed some work for profit or family gain, in cash or in kind; (2) "with an enterprise but not at work": persons with an enterprise, which may be a business enterprise, a farm or a service undertaking who were temporarily not at work during a reference period for some specific reasons.

¹ *Survey of economically active population, employment, unemployment and underemployment: An ILO manual on concepts and methods, International Labour Office, Geneva 1990.*

situation of total lack of work, i.e., the person did not work at all during the reference week **not even for one hour**". Thus, increasing the minimum number of hours worked in the definition of employment would also mean changing - and to some extent distorting - the definition of unemployment to include persons who rendered some hours of work and thus unduly raise the number of unemployed persons.

... vast majority of countries apply the one hour criterion in their labor force surveys

A review of national practices by the ILO reveals that a vast majority of countries apply the one hour criterion in their labor force surveys, though some still require a higher number of hours for unpaid family workers. In certain countries, alternative minimum hours criteria have been proposed or used in the labor force surveys, e.g., a one day criterion (Malaysia); 13 hours (Austria); and most of the time during the reference period (Syria).

Statistics on Employment by Hours of Work

... Philippine workforce tended to work longer hours

Statistics on hours of work suggest that the Philippine workforce tended to work longer hours than usual. The 2009 LFS annual data placed the *mean hours* worked at 41.2 a week which was above the 40.0 hours cut-off for measuring full-time employment.

The number of persons in full-time employment during the same year stood at 21.544 million

TABLE 1 - Employment by Hours of Work Per Week, Philippines: 2009

Hours of Work Per Week	Employment (in 000)	% Share
TOTAL	<u>35,061</u>	<u>100.0</u>
Part-time employment	12,945	36.9
1 hour	30	0.1
2 hours	76	0.2
3 hours	65	0.2
4 hours	190	0.5
5 hours	67	0.2
6 hours	272	0.8
7 hours	180	0.5
8 to 9 hours	706	2.0
10 to 19 hours	3,085	8.8
20 to 39 hours	8,275	23.6
Full-time employment	21,544	61.4
40 to 48 hours	13,661	39.0
More than 48 hours	7,883	22.5
Did not Work	571	1.6
Mean Hours Worked	41.2	

Note: Details may not add to totals due to rounding of figures.

Source of basic data: National Statistics Office, Labor Force Survey.

representing 61.4% of the 35.061 million total employed persons reported that year. Of the total employed, almost two fifths (39.0% or 13.661 million) worked 40-48 hours a week. This figure could easily translate to a full 5 to 6-day work schedule assuming an eight hour work-day. In sharp contrast, the number of persons who worked less than eight (8) hours a week (i.e., less than one day) represents only 2.5% (881,000) of total employment.

... Proportion of persons working one hour a week negligible or insignificant

Of particular interest to this article is the number of persons who worked one hour during the reference week. Statistics showed that this employed population subgroup is just a fraction (0.1% or 29,575) of the 35.061 million employed in 2009 - too small or negligible to even make a dent on total employment. For this reason,

raising the one hour criterion by a few hours will not substantially alter the number of employed persons. This proportion has stayed constant since 2006 despite the ups and downs in the economy in recent years. This suggests that their participation in employment were influenced more by non-economic factors.

TABLE 2 - Employment Share (%) of Persons Working One Hour A Week, Philippines: 2006 to 2009

Hours Worked	2006	2007	2008	2009
TOTAL	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
1 hour	0.1	0.1	0.1	0.1
2 to 4 hours	1.2	0.9	0.8	0.9
5 to 9 hours	3.8	3.3	3.2	3.5
10 to 19 hours	8.9	8.6	8.3	8.8
20 to 39 hours	23.4	23.6	22.7	23.6
40 hours and over	61.1	62.1	63.5	61.6
With job, did not work	1.6	1.4	1.5	1.6

Source of basic data: National Statistics Office, Labor Force Survey.

. . . Decision to work one hour a week a deliberate choice

The decision to work one hour a week could be a deliberate choice or voluntary on the part of an individual person rather than the absence of work opportunities. When asked whether they want more hours of work, only few or less than one-third (28.2%) expressed the desire for additional hours of work while the large majority (71.8%) did not express the same intention.

Furthermore, among those who want additional work, barely one third (32.0%) actually looked for additional work.

TABLE 3 - Number of Persons Who Worked One Hour A Week, Philippines: 2009

TOTAL	<u>29,575</u>	<u>100.0</u>
Want additional work	8,350	28.2
- Looked for additional work	2,674	32.0 ^a
- Did not look for additional work	5,676	68.0 ^a
Did not want additional work	21,225	71.8

a Percentage share of those who want additional work. Source of basic data: National Statistics Office, Labor Force Survey.

It is difficult to find out with certainty why a particular population subgroup would work only one hour a week at their own volition since the LFS in its present form does not capture the reasons why people work less than part-time. In some countries, the reason for working part-time is a key feature of the LFS because this provides vital information that enriches the analysis of the labor market particularly in times of economic downturn. In the Philippines, this information can be obtained by inserting a column for "reason" for working part-time in the LFS questionnaire or this item can be a possible rider question to one survey round of the LFS.

Also, it is useful to examine the profile of this subgroup to identify certain patterns or characteristics that can provide a glimpse into their participation in employment.

PROFILE OF PERSONS WORKING ONE HOUR

. . . Majority women, in the prime working age and relatively educated

Persons who worked one hour a week tended to be disproportionately women (52.3%); in their prime working age or 25 to 54 years old (43.8%); and relatively

educated – about 30.0% attended college and 39.2% with secondary education. The majority (55.7%) were non-heads of the households and married (59.6%). (Table 4)

. . . Predominantly self-employed

By class of worker, self-employment was the most predominant (54.7%). The rest were wage and salary workers (19.0%), employers (10.2%) and unpaid family workers (16.1%). Note that the share of employers was more than twice the share (4.1%) of all employers who worked more than one hour.

. . . Largely engaged in agriculture and real estate, renting and business activities

Classified by industry group, their employment were most pronounced in two sub-sectors, namely, agriculture, hunting and forestry (29.2%) and real estate, renting and business activities (21.5%). The latter was quite unusual since the industry proportion of those who worked more than one hour was just 3.1%.

. . . Managers, executives, supervisors predominated

As to the type of occupation, the largest group consisted of managerial and supervisory positions (35.1%) – almost three times of those who worked more than one hour in the same occupations. This figure is also substantially larger than the share of laborers (26.2%), farmers (15.0%) and service workers (12.1%). These were the three largest occupation groups of those persons who worked more than one hour.

. . . Majority had permanent job/business/unpaid family work

By nature of employment, more than three-fourths (76.7%) held permanent job/business/unpaid family work while a little less than one-fourth (22.9%) had short-term/seasonal job/business/unpaid family work.

On the overall, the statistics presented above tended to support the applications of international standard of “one hour” criterion in measuring employment. While their contributions to total employment in terms of hours worked may be nil, statistics suggest that the value of their contribution could be significant to a particular sector if not to the nation’s output considering the above findings that most of them were educated, working proprietors, and employed in one of the fastest growing sector of the economy. Their presence cannot be ignored simply on the basis of their hours of work. This should be evaluated also in terms of the value of their contribution to output.

Moreover, their exclusion will have a direct implication on the measurements not only of unemployment (as mentioned earlier) and national accounts but of labor productivity as well.

TABLE 4 - Profile of Employed Persons and Persons Who Worked One Hour A Week in Primary Job, Philippines: 2009

Item	All Hours		Worked One Hour	
	Number (000)	% Share	Number	% Share
TOTAL EMPLOYMENT	<u>35,061</u>	<u>100.0</u>	<u>29,575</u>	<u>100.0</u>
Sex				
Male	21,404	61.0	14,104	47.7
Female	13,657	39.0	15,471	52.3
Age				
15 to 24	6,731	19.2	5,195	17.6
25 to 54	23,568	67.2	12,959	43.8
55 and Over	4,762	13.6	11,421	38.6
Educational Attainment				
No formal education	642	1.8	1,129	3.8
Primary	11,066	31.6	8,081	27.3
Secondary	13,632	38.9	11,600	39.2
College	9,720	27.7	8,766	29.6
Relationship to Household Head				
Head of Household	14,227	40.6	13,110	44.3
Non-Head	20,834	59.4	16,465	55.7
Marital Status				
Single	10,247	29.2	6,946	23.5
Married	22,670	64.7	17,634	59.6
Others	2,144	6.1	4,996	16.9
Industry				
Agriculture, Hunting and Forestry	10,582	30.2	8,642	29.2
Real Estate, Renting and Business Activities	1,064	3.1	6,369	21.5
Wholesale and Retail Trade	6,735	19.2	3,904	13.2
Other Community, Social and Personal Service Activities	877	2.5	3,629	12.3
Others	15,803	45.1	7,031	23.8
Class of Worker				
Wage and Salary	18,681	53.3	5,632	19.0
- <i>Private Establishments</i>	13,824	39.4	3,705	12.5
Employer	1,438	4.1	3,008	10.2
Self-employed	10,724	30.6	16,166	54.7
Unpaid Family Worker	4,218	12.0	4,771	16.1
Occupation				
Officials, Managers, Executives, Proprietors, Supervisors	4,722	13.5	10,391	35.1
Laborers	11,385	32.5	7,759	26.2
Farmers	5,851	16.7	4,445	15.0
Service Workers	3,672	10.5	3,564	12.1
Technicians	932	2.7	1,365	4.6
Others	8,499	24.2	2,051	6.9
Nature of Employment				
Permanent job/business/unpaid family work	28,273	80.6	22,696	76.7
Short-term/seasonal job/business/unpaid family work	6,070	17.3	6,770	22.9
Worked for different employers on day to day or week to week basis	718	2.0	108	0.4

Source of basic data: National Statistics Office, Labor Force Survey.

FOR INQUIRIES:

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