

New Decent Work Indicators under the MDGs

Background

In September 2000, the United Nations' member States unanimously adopted the Millennium Declaration, and subsequently after consultation with international agencies and the UN specialized agencies, recognized the Millennium Development Goals (MDGs) as part of the road map for implementing the Declaration. The 8-point development goals are as follows: (1) eradicate extreme poverty and hunger; (2) achieve universal primary education; (3) promote gender equality and empower women; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV/AIDS, malaria, and other diseases; (7) ensure environmental sustainability; and (8) develop a global partnership for development.

Each of these goals is accompanied by a set of targets that need to be met, and each target is measured using one or more indicators chosen based on specific criteria. These criteria ensure that the indicators not only measure progress towards the attainment of targets but also that countries and regions can compare their progress. They also allow for the identification of best cases so that policy advice can be formulated.

While two MDG indicators are directly related to employment – on gender employment under Goal 3, i.e. female share in non-agricultural wage employment and youth unemployment under Goal 8, the ILO has been working at the technical and political levels to integrate the Decent Work Agenda into the MDGs. Thus, in his Report to the General Assembly in August 2006, Secretary General Kofi Annan recommended the inclusion of a new target under Millennium Development Goal 1: **to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies and our national development strategies.**

Following the release of the Secretary-General's Report, the ILO Employment Trends Team and the Bureau of Statistics worked with representatives from the various sectors within the ILO as well as relevant agencies of the UN to develop a set of indicators to measure the new target. The set of indicators was accepted in early 2007.

The ILO defines decent work as work that gives people the opportunity to earn enough for themselves and their families to escape poverty, not just temporarily but permanently. But the concept is not limited to the income component. A decent job provides social security and ensures protection by labor laws, and a voice at work through freely chosen workers' organizations. It gives the job a human face and makes sure that people can work in dignity and freedom.

This issue of the LABSTAT Updates explains the four (4) new indicators as taken from the ILO Key Indicators of the Labor Market (KILM) Fifth Edition. Attempts had also been made to present Philippine data using these indicators for the years 2000, 2003 and 2006, the years in which poverty indicators are available.



The Indicators

Considering the strict criteria in the selection of indicators, and also the challenge of measuring a complex concept such as *"full and productive employment and decent work for all"*, the ILO and the MDG Technical Working Group on Employment have proposed a set of indicators, most of which have focused on the income component of decent work. As it is commonly accepted that realizing full and productive

employment and decent work for all is the main route for people to escape poverty, the target was listed under MDG 1, i.e., eradicate extreme poverty and hunger. Hence, the indicators should not only be able to measure progress towards the attainment of the new target but should also be able to explain the linkages between decent and productive work and poverty reduction.

Employment-to-population ratio for persons aged 15 years old and over and youth (age 15-24 years)

The employment-to-population ratio is the proportion of a country's working-age population that is employed. The cut-off age may vary from country to country but in the Philippines, the acceptable age for employment is 15 years old. Youth employment-to-population ratio under the ILO definition refers to the proportion of the employed 15 to 24 years old to their corresponding age group population.

The ratio tells us the ability of an economy to provide jobs for those who want to work. Generally, a high ratio means that a large proportion of the country's population is employed, while a low ratio means that a large share of the population is not involved directly in market-related activities, because they are either unemployed or out of the labor force.

Although a high overall ratio is typically considered positive, the indicator alone is not sufficient in assessing the level of decent work or the level of decent work deficit. Additional indicators would be required such as earnings, hours of work, informal sector employment, underemployment and working conditions. While there is no "correct" employment-to-population ratio, the following "rules" and favorable trends have a positive impact on reducing decent work deficits in the long and short run:

- Ratios should be lower for youth (age 15-24 years) than for the overall population (15 years old and over) as more young people (as share of their age group) are still in school. Also a reduction in ratio among the youth is seen as a positive sign if there is a corresponding increase in school attendance among their age group.
- Efforts to increase the ratio are needed when unemployment is very high (indicating that a large group of people are looking for work but are finding none) or there is high incidence of discouraged workers (people giving up hope of finding a job).
- Ratios should not be too high. Ratios above 80 percent, for instance, usually indicate an abundance of low quality jobs.
- Increases in ratios should be moderate as sharp increase could be the result of decreases in productivity.

- During the development process, employment-to-population ratios and poverty can both be high because people simply have to work to survive. The wealthier a country becomes, the lower the ratios are because some people can increasingly afford not to

work, particularly if conditions are not ideal. After a certain level of wealth, however, ratios have a tendency to increase again, mainly because of increases in the labor force participation rates for women.

Labor Productivity

Measured as output per employed person, labor productivity indicator is used to assess the likelihood of the country's economic environment to create and sustain decent employment opportunities with fair equitable remuneration.

There is empirical evidence that the link between productivity growth and poverty reduction is highest when productivity growth and employment growth go hand in hand. Thus, there is a

need to measure growth in employment and productivity to monitor this development process. Also, productivity increases often influence the social and economic environment positively, in turn leading to poverty reduction through investment, sectoral shifts, trade, technological progress and increases in social protection. Likewise, available country data from the ILO provide evidence that labor productivity and vulnerable employment have an impact on working poor and thus on poverty.

Vulnerable Employment

The ILO identifies persons in vulnerable employment as the **sum of contributing family workers and own-account workers** (self-employed workers without employees) under the status of employment categories of the employed workers. Its equivalent in the Philippine Labor Force Survey is the unpaid family workers and the self-employed, respectively. The new indicator is expressed as percent to total employment.

Since both the unpaid family workers and the self-employed are less likely to

have formal work arrangements, this measure could indicate the extent of informalization of labor markets. If it is of sizeable proportion, it may indicate a large subsistence agriculture sector, lack of growth in the formal economy or widespread poverty. The poverty link could be attributed to the lack of social protection and safety nets to guard against times of low economic demands and the inability of workers to generate sufficient savings for themselves and their families to offset these times.

Working Poor

Working poor is defined by the ILO as individuals who work, but nevertheless live with their families on less than US\$1 a day per family member. Or, it is the proportion of employed persons living in a household whose members are estimated to be below the poverty line.

The ILO calculates upper-bound and lower-bound estimates with the assumption that all of the poor of working age, and in the labor force, are employed. The assumption is made because in countries where social safety nets do not exist, poor individuals must work in order to maintain a subsistence level of living. The *upper-bound estimate* is derived by multiplying the poverty rate and working-age

population. On the other hand, the *lower bound estimate* is the product of the poverty rate and the labor force. The working poor data is thus the weighted average of the two estimates.

By combining labor market factors with poverty data, working poverty estimates give a clearer picture of the relationship between poverty and employment than that provided by using the standard poverty data alone. It also indicates the lack of decent work: if a person's work cannot even provide enough income above the poverty level, then these jobs, at the very least, do not fulfill the income component of decent work and it is likely that other components are not being fulfilled either.

Reference:

1. **Schmidt, Dorotea**, Decent Employment and the Millenium Development Goals: Description and analysis of a new target, *Key Indicators of the Labor Market (KILM)*, Fifth Edition (2007).

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