

WAGE RATES IN INDUSTRIES

The Occupational Wages Survey (First of a Series)

This issue of the LABSTAT Updates is the first in the series of statistical releases on wage rates based on the results of the 2004 Occupational Wages Survey (OWS) conducted last year in coordination with the DOLE Regional Offices. The OWS is a nationwide survey covering 6,827 non-agricultural establishments employing 50 or more workers. It aims to provide statistics for wage and salary administration and for wage determination in collective bargaining negotiations.

Statistics on wage rates are useful economic indicators and are inputs to wage, income, productivity and price policies, wage fixing and collective bargaining. Specifically, occupational wage rates can be used to measure wage differentials, wage inequality in typical low wage and high wage occupations and for international comparability. Industry data on basic pay and allowance can be used to measure wage differentials across industries, for investment decisions and as reference in periodic adjustments of minimum wages.

To guide users on the use and interpretation of the survey results, this issue provides a background on the OWS. The succeeding issues will focus on the results of the 2004 survey.

Wage rate is the basic statistical measure of wages

In the 1973 Resolution concerning an integrated system of wages statistics adopted by the 12th International Conference of Labour Statisticians (<http://www.ilo.org/public/english/bureau/stat/res/wages.htm>), wage rates have been defined to include "basic wages, cost of living allowances and other guaranteed and regularly paid allowances, but exclude overtime payments, bonuses and gratuities, family allowances and other social security payments in kind, made by employers. Ex-gratia payments in kind, supplementary to normal wage rates, are also excluded."

In principle, wage rate relates to the amount associated with the job,

not with the individual. It is similar to a price quotation and is computed per unit of time or unit of work done.

Wage rates are categorized into 1) time rates or basic wages paid for normal periods of work and related to an appropriate time unit; and 2) piece rates or those fixed in relation to output. These may be further classified as 1) minimum or statutory rates, fixed by laws or regulations; 2) standard rates, fixed through collective agreements or by arbitral awards; and 3) rates actually paid by the employers.

The Occupational Wages Survey monitors **rates actually paid by employers per time unit of full-time work**. It does not monitor wage rates on output basis because of the

difficulties in determining a standard conversion factor for work done on output basis. Full-time work is considered as it relates to normal or regular periods of work in establishments.

Scope and Coverage

The OWS is a nationwide survey that completely enumerates non-agricultural establishments employing 50 or more persons in 58 non-agricultural industries across the 12 major industry groups of the 1994 Philippine Standard Industrial Classification (PSIC).

As the OWS is designed to collect wage data for time-rate workers on full-time basis in establishments, the agricultural, fishery and forestry sector is excluded. Workers in this sector are largely found in households and are generally paid on contract or output basis.

Also excluded from survey coverage are national postal activities, central banking, public administration and defense and compulsory social security, public education services, public medical, dental and other health services, activities of membership organizations, extra territorial organizations and bodies as their wages are fixed by national legislation or different considerations.

In terms of employment size, coverage is limited to those establishments with 50 or more workers as these have been considered to have occupations with well-defined duties and responsibilities. Occupations monitored by the survey are in accordance with the 1992 Philippine Standard Occupational Classification (PSOC).

Statistics Generated

From the 58 industries covered, 43 specific or sub-industries were pre-determined for monitoring the wage rates of specific occupations falling under the major occupation groups of supervisory, professional, technical, clerical, service, trade skills and machine operation and laborers/unskilled workers.

Occupational Wage Rates

Presently, wage rates for 168 occupations across the 43 pre-determined industries are published. Wage data were collected for 161 occupations in 1999 and 159 in 1997 across 41 industries.

Selection of Industries

The industries were chosen based on the Investment Priority Plan of the Board of Investments, export winners identified by the Department of Trade and Industry, areas of cooperation under the BIMP-EAGA, industries likely to be affected by GATT and industries monitored by the ILO industrial committees and similar bodies (Occupational wage data across countries are disseminated by the ILO through its annual publication on Statistics on Occupational Wages and Hours of Work and on Food Prices. Also refer to <http://www.ilo.org/public/english/bureau/stat/info/dbases.htm>).

Selection of Occupations

In some instances, however, more occupations were drawn for a particular major occupation group depending on the relative importance of the occupations in the specified industry.

In mining and quarrying, selected manufacturing industries, and construction, more occupations were taken from trade skills and machine operation. In trade, postal and telecommunications and most business services, more clerical occupations were covered. In health and social work and in private education services, mostly professional workers were selected. In hotels and restaurants, more service occupations were chosen.

In the determination of the occupations to be covered in the 1997 survey round, the relative importance of the occupations in the industry and the 1992 PSOC were considered. Consultations with employers' and workers' groups, government agencies and the academe were conducted. The Initial List of Indicative Offers to the Coordinating Committee on Services--General Agreement on Trade in Services (GATS ASEAN BLOC); Catalogue of the Occupational Skills Standards for National Certification Program of the Technical Education and Skills Development Authority (TESDA); and Occupations covered by the ILO October Inquiry on Occupational Wages and Hours of Work were also used as references.

Starting with the 2002 survey round (limited to the National Capital Region or Metro Manila because of budget constraints), the OWS began to collect wage data for two (2) benchmark occupations in the 58 industries covered by the survey. These benchmark occupations were Accounting and Bookkeeping Clerks; and Unskilled Workers except Janitors, Messengers and Freight Handlers. The inclusion of these two additional occupations brought the number of occupations monitored to at most 10 in each of the 43 pre-determined industries.

The expansion in occupational coverage in 2002 was the result of reviews made based on the 2001-2002 Key indicators of the Labour Market of the ILO, emerging occupations based on the results of a 2001 BLES survey. Occupational Employment Survey of the US Bureau of Labor Statistics and suggestions made by TESDA and the National Economic and Development Authority.

Wage Rates in Industries

Aside from occupational wage rates, the OWS inquires on the distribution of the time-rate workers on full-time basis along basic pay intervals per time unit of work (hourly, daily and monthly). The distribution of these workers who are given regular/guaranteed cash allowances are also inquired into. These wage distributions lead to the generation of the median monthly basic pay and the median monthly allowance at the industry (58 industries) and regional levels. (*Median refers to that amount where half of the workers in the distribution receive more while the other half receives less.*)

Periodicity and Timeliness

The OWS is conducted every two (2) years and the results are disseminated a year after the June reference period of the survey.

The data are first released in the BLES Homepage (<http://www.manila-online.net/bles/ows.htm>). The survey metadata and the corresponding questionnaire are posted together with the survey results.

Statistical briefs on the survey findings are disseminated through the LABSTAT Updates, also first released in the BLES internet website and subsequently in hard copies.

Data Limitations

While the OWS is a complete enumeration survey, not all of the fielded questionnaires are accomplished. Due to the inadequacy of the sampling frame used, there are reports of permanent closures, non-location, duplicate listing and shifts in industry and employment that are discovered only at the time of data collection. The response rate for the 2004 OWS is 82.1 percent.

While the estimation procedure can partially correct for the inadequacy of the frame, there must be considerable initiatives to update it to capture births and deaths of establishments.

The OWS attempts to measure movements of wage rates over time. The results, however, are highly influenced by employment shifts among occupations and industries. This means wage rates may change not because of the changes in the price of labor per se but because of the movement of employees in and out of the establishments and their length of service. Relatively more new entrants to the establishments paid at

hiring/entry rates¹ will tend to depress the average occupational wage rates or median basic pay/allowance.

The effects of employment shifts on the wage rates can be excluded through the use of index numbers - a fixed base type of index in which the occupational structure and distribution of employees are held constant with reference to a base period of the index. Further studies have to be made on this approach.

Notwithstanding these limitations, the OWS under Executive Order 352 (July 1, 1996) has been designated as one of the statistical activities critical for decision making of the government and the private sector.

Also, the data category "average monthly wage rate of selected occupations" is one of the variables listed by the Philippine government under the Special Data Dissemination Standard (SDDS) of the International Monetary Fund. The SDDS serves as reference to member countries in the dissemination of economic and financial data.

1 The 2004 OWS inquired on the hiring/entry rate for each occupation monitored by the survey. The minimum educational requirement and minimum years of related experience were also asked for each occupation.

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