



International Labour Organization

SDG

labour market indicators

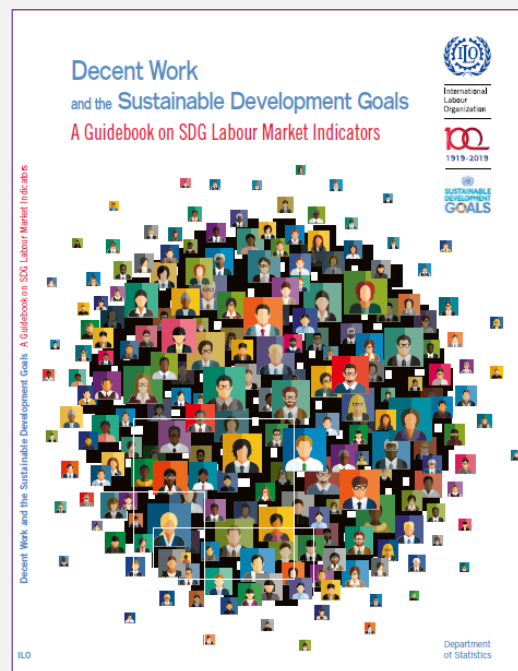
8.5.1 – hourly earnings

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Reference guidebook:

Available in ILOSTAT
www.ilo.org/ilostat,
under «Publications»



SDG indicator 8.5.1

Average hourly earnings of female and male employees, by occupation, age and persons with disabilities

RATIONALE

- Earnings are a key factor of quality of employment: earnings quality determines to a great extent workers' living conditions
- Indication of workers' purchasing power and living standards
- Hourly earnings → information on earnings' adequacy by removing the effect of working time
- Disaggregated data on hourly earnings → pay gap (notably, gender pay gap)
 - useful for targeted policy making

DEFINITION & CONCEPTS



earnings

gross

average

hourly

employees

currency

DEFINITION & CONCEPTS



- Earnings = **gross** remuneration **in cash and in kind** paid to employees, as a rule at **regular intervals**, for time worked or work done together with remuneration for time not worked, such as annual vacation, other type of paid leave or holidays.
- Excluding employers' contributions in respect of their employees to social security and pension schemes and also the benefits received by employees under these schemes.
- Excluding severance and termination pay.

DEFINITION & CONCEPTS



- **Gross:** the total before any deductions are made by the employer in respect of taxes, contributions of employees to social security and pension schemes, life insurance premiums, union dues and other obligations of employees.

(as opposed to **net**)

- **Hourly:** per hour.
- **Average (or mean):** arithmetic average of the hourly earnings of all employees.

DEFINITION & CONCEPTS



- **Currency / unit :** expressed in local currency.
- **Nominal:** current, unadjusted for inflation
(as opposed to **real** or **constant**)
- **Employees:** persons employed holding paid employment jobs (jobs with a basic remuneration not directly dependent on the revenue of the economic unit).

(as opposed to **self-employment**)

CALCULATION



Average hourly earnings

$$= \frac{\sum \text{hourly earnings of all employees}}{\text{Number of employees}}$$

Average hourly earnings

$$= \frac{\sum (\text{hourly earnings of each employee} \times \text{hours worked by each employee})}{\text{Total number of hours worked by all employees}}$$

Gender pay gap

$$= \frac{\text{Average hourly earnings}_{\text{Men}} - \text{Average hourly earnings}_{\text{Women}}}{\text{Average hourly earnings}_{\text{Men}}} \times 100$$

DESIRED DISAGGREGATIONS



- Breakdowns by sex, occupation, age and persons with disabilities → to the extent possible, simultaneously
 - Age: important to at least identify youth/adults/seniors
 - Disability status: Washington Group Short Set of Questions on Disability
 - Occupation: using the International Standard Classification of Occupations (1-digit)
- Various other useful disaggregations
 - Country region, economic activity, etc.

DATA SOURCES



Variety of possible sources represents a challenge

- Establishment surveys → preferred source given the high accuracy of data (provided directly by employer)
 - But often limited coverage (excluding informality)
- Labour force surveys
 - cover all employees regardless of their sector, the establishment they work in, etc.
 - Methodologies vary from country to country
 - Data quality dependent on respondents' accuracy
- Administrative records

INTERPRETATION AND USE



- Crucial information on employees' purchasing power and proxy to their living standards
- Valuable indicator of quality of employment and workers' living conditions
- Earnings trends show progress or deterioration of working conditions
- Inform policy-makers in setting or revising minimum wages.
- Inform collective bargaining on wages
- Disaggregated earnings data crucial to reveal earnings differences across groups
 - important to compare hourly earnings for the same occupation

INTERPRETATION AND USE



- Earnings statistics should be interpreted with other labour market and macroeconomic indicators:
 - employment, productivity, economic growth, and consumption, etc.
- to what extent economic growth and labour productivity translate into gains for workers.

COMPLEMENTARY INDICATORS



SDG indicators

- 1.1.1 – Working poverty rate by age
- 8.5.2 – Unemployment rate
- 8.2.1 – Labour productivity
- 10.4.1 – Labour share in GDP

Other indicators

- Low pay rate
- Earnings dispersion, D_9/D_1 ratio
- Working time (usual hours, actual hours)
- Other indicators of quality of employment
- Employment distribution by status in employment
- Collective bargaining coverage rate

LIMITATIONS

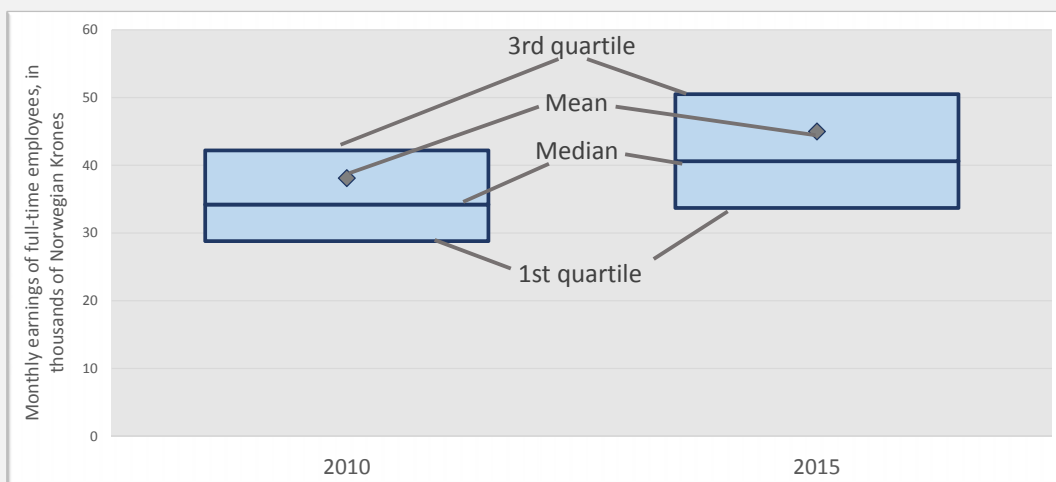


- Numerous comparability issues linked to the variety of possible sources, differences in methods used, operational criteria used, definitions, reference periods, etc.
- Hourly earnings may refer to hourly pay rate or a calculation of hourly earnings based on monthly earnings and working time, hindering comparability
- Household survey data: quality depends on respondents' accuracy
- The use of «average» earnings may mask very different realities

LIMITATIONS



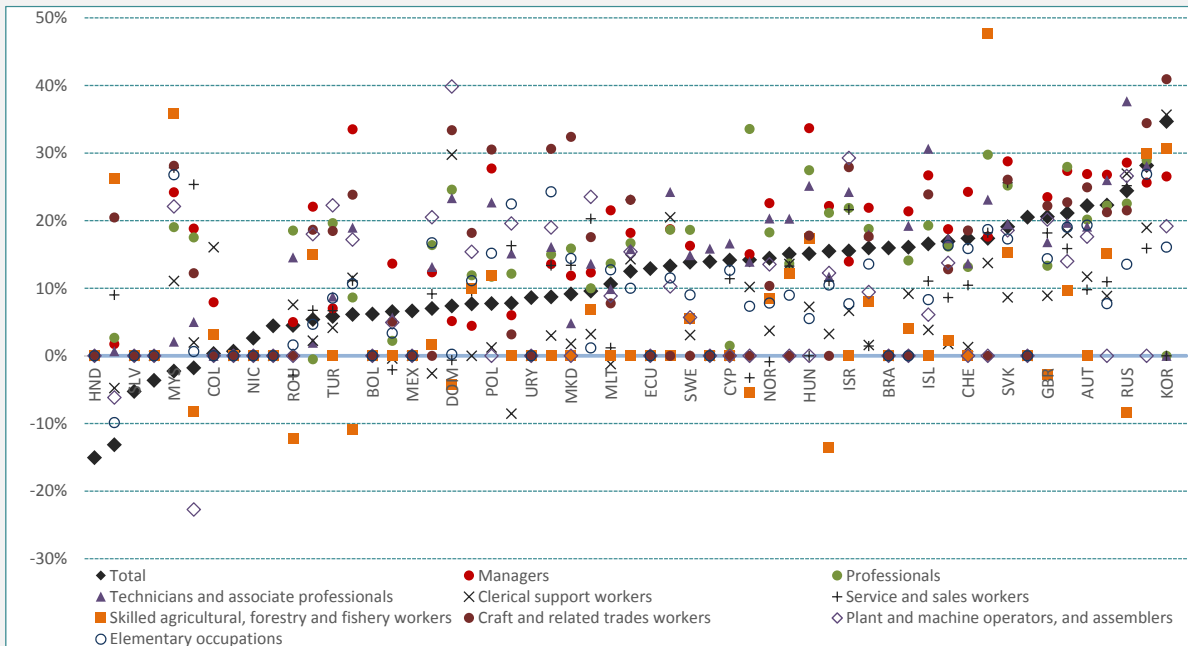
[Mean, median and quartile monthly earnings of full-time employees in Norway, 2010 and 2015](#)
(Statistics Norway)



VISUALIZATION & ANALYSIS



Gender pay gap by occupation, based on average hourly earnings of employees (latest year available)



Source: ILOSTAT

CONSIDERATIONS & CONCLUDING REMARKS



Earnings quality is a crucial part of employment quality, influencing workers' living conditions



Reliable data on hourly earnings by various breakdowns allows for the calculation of pay gaps to identify groups receiving higher/lower pay



Earnings data should be analysed with other quality of employment and economic indicators to have a wider picture of workers' conditions



THANK YOU

www.ilo.org/ilostat