THE NEW MDG EMPLOYMENT INDICATORS

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ABSTRACT

In 2008, the Millennium Development Goals (MDGs) were expanded to include four new employment indicators under a new target. The inclusion of these new indicators stemmed from the recognition that the promotion of decent and productive work is key to poverty alleviation under Goal 1 or the eradication of extreme poverty and hunger.

Under the recently introduced Target 1B, the MDGs now include the achievement of full and productive employment and decent work, including women and young people. Four indicators were developed to measure progress under this target. These are:

a. Employment to Population Ratio - the total number of employed persons above a certain age (usually 15 years old) over the total population of this age group. The ratio is useful in indicating the capacity of the economy to provide employment for its workers.

b. The Working Poor (or Working Poverty Rate) - number of employed persons living in a household with income below the poverty line, over total employment. The working poor refer to those who, although working – often for long hours, are unable to earn enough to lift themselves and their families out of poverty.

c. The Rate of Vulnerable Employment - sum of own-account workers and contributing family workers as a proportion of total employment. Vulnerable employment gives an indication of the portion of the employed population that are likely to have inadequate or a total lack of social protection and safety nets, work benefits and other rights, such as collective bargaining and freedom of association.

d. Growth rate of labor productivity – change in GDP per employed person. Together with the employment to population ratio, labor productivity growth rates may indicate whether the economy is producing decent and productive employment.

This paper provides an introduction to computation and analytical value of these new indicators. The paper also shows global, regional and national trends based on these indicators.

The new MDG indicators on decent and productive work emphasize the role that employment plays in poverty reduction. It also gives policymakers insight into the quality of employment currently being provided, which in some countries like the Philippines, may be the more pressing problem than unemployment. In this context, it is hoped that the Philippines will adopt these indicators as part of mainstream labor statistics, adding a richer and more value added approach to measuring employment in the country.

KEY WORDS AND PHRASES: Millennium Development Goals, MDG employment indicators, employment to population ratio, working poor, vulnerable employment, growth rate of labor productivity

1 Director, International Labour Organization (ILO) Country Office for the Philippines
Introduction

In 2008, the Millennium Development Goals (MDGs) were expanded to include four new employment indicators under a new target. The inclusion of these new indicators stemmed from the recognition that the promotion of decent and productive work is key to poverty alleviation under Goal 1 or the eradication of extreme poverty and hunger.

Under the recently introduced Target 1B, the MDGs now include the achievement of full and productive employment and decent work, including women and young people. Four indicators were developed to measure progress under this Target. These are:

- Employment to Population Ratio
- The Working Poor (or Working Poverty Rate)
- The Vulnerable Employment Rate and
- Growth rate of labor productivity

The new MDG indicators on decent and productive work emphasize the role that employment plays in poverty reduction. It also gives policymakers insight into the quality of employment currently being provided, which in some countries like the Philippines, may be the more pressing problem than unemployment. In this context, it is hoped that the Philippines will adopt these indicators as part of mainstream labor statistics, adding a richer and more value added approach to measuring employment in the country.

This paper provides an introduction to computation and analytical value of these new indicators. The paper also shows global, regional and national trends based on these indicators.

The MDG Employment Indicators (Target 1.B)

The Employment to Population Ratio measures the proportion of those employed to a country’s working age population and is computed by dividing the total number of employed persons above a certain age (usually 15 years old) by the total population of this age group. The data is usually obtainable through labor force or household surveys.

The ratio is useful in indicating the capacity of the economy to provide employment for its workers and may be used, in relation with the labor productivity indicator, to analyze whether growth has been pro-employment.

The Working Poor (or Working Poverty Rate) refers to those who, although working – often for long hours, are unable to earn enough to lift themselves and their families out of poverty. It is obtained by getting the proportion between the number of employed persons living below the poverty line and total employment.

Working poverty indicates whether the employed are in decent work. It aims to capture the quality of employment in contrast with standard labor market indicators like employment and unemployment rates, which capture only the quantity of employment. The argument goes, if a worker is unable to earn enough to lift himself and his family out of poverty, it is quite likely that the other components of decent work are not met either.

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2 A useful reference is ILO’s Guide to the new Millennium Development Goals Employment Indicators, which provides concepts, definitions, and formulas for each of the new employment indicators and is part of the ILO’s wider support to strengthen national level labour market information and analysis to inform decision makers. It can be downloaded at [http://www.ilo.org/employment/Whatwe.do/Publications/lang--en/docName--WCMS_110511/index.htm](http://www.ilo.org/employment/Whatwe.do/Publications/lang--en/docName--WCMS_110511/index.htm).
The **Vulnerable Employment Rate** refers to the proportion of own-account workers and contributing family workers in total employment. **Own-account workers** are those workers who, working on their own account or with one or more partners, hold the type of jobs defined as a “self-employment jobs” (i.e. jobs where the remuneration is directly dependent upon the profits derived from the goods and services produced), and have not engaged on a continuous basis any employees to work for them. **Contributing family workers** on the other hand, are those who work at home or in a market-oriented establishment operated by a related person living in the same household.³

Vulnerable employment gives an indication of the portion of the employed population that are likely to have inadequate or a total lack of social protection and safety nets, work benefits and other rights, such as collective bargaining and freedom of association.

The **Labour Productivity Growth Rate** is measured as the annual change in Gross Domestic Product (GDP) per person employed.

Growth in labor productivity is due to several factors. It may be due to actual efficiency of labor, increase in capital equipment, technological innovation, or a shift towards more productive industries. Together with the employment to population ratio, labor productivity growth rates may indicate whether the economy is producing decent and productive employment. An increase in labor productivity coupled with nearly constant employment to population ratios, for instance, may indicate jobless growth.

**Disaggregation by Gender and Age.** Disaggregation by age and gender is encouraged for all the new employment indicators to see disparities in employment trends and concentration of vulnerable employment and working poor. The disaggregation could help policymakers formulate and prioritize on areas and methods of intervention.

**Global trends using the new MDG employment indicators**

Employment-to-population ratio is highest in East Asia, followed by South East Asia. In contrast to its Southeast Asian neighbors, the Philippine employment-to-population ratio has generally hovered at about 59 percent and is closer to the ratio posted in Latin American countries. A low ratio is not necessarily bad. Developed economies, for instance, have lower ratios compared to other country groupings because their high labor productivity enables their economies to employ less workers while still producing the same output. A very high ratio, on the other hand, in conjunction with high working poor numbers may indicate that workers are being compelled to take less than decent and productive work to survive. *(Graph 1)*

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Employment to population ratios are generally higher for males than females across all country groupings. The highest disparity is found in South Asia, followed by Latin America. Developed economies and East Asia, on the other hand, posted the lowest percentage difference in employment to population ratio across gender. (Graph 2) In the Philippines, the male employment to population ratio is about 27 percentage points higher than the female ratio. (Graph 3)
Vulnerable employment gives an indication of the portion of the employed population that are likely to have inadequate or a total lack of social protection and safety nets, work benefits and other rights, such as collective bargaining and freedom of association.

Not surprisingly, vulnerable employment in developed economies is five times lower than the world average. South Asia, on the other hand, posted the highest rate, followed by Southeast Asia. In the Philippines, national estimates indicate that vulnerable employment is about 43.5 percent or almost half of the working population. *(Graph 4).*
Like the trend in employment to population ratios, a general bias against females is indicated in vulnerable employment rates, except in Latin America and developed economies. This may be due to the fact that traditionally women are assigned to unpaid household tasks. It is important to remember, however, that the goal is not to create a bias against males but to lower vulnerable employment rates as a whole. (Graph 5).
Along with vulnerable employment, working poverty measures the quality of employment. In particular, it indicates the proportion of the working population who cannot earn enough to keep themselves and their families out of poverty. The MDG definition for this indicator allows countries to use a nationally-defined poverty line as opposed to the international poverty line of US$1.25/day.

Based on the US$ 1.25/day line, Sub-Saharan Africa (58.6 percent) has the highest working poverty rates among the country groupings, followed by South Asia (45.5 percentage points).

East Asia posted the greatest decline in working poverty rates - almost 16 percentage points while the Middle East posted the smallest decline at 1.5 percentage points (Graph 6)
Looking at the Philippines, in particular, working poverty rates range between 27.2 to 28.2 percent of the total employed, depending on whether one uses the national or international poverty line, respectively. While the values may differ, the trend for both working poverty estimates are roughly similar showing an increase in working poverty rates for the period between 1997 to 2000, a decline from 2000 to 2003 and an increase again by 2006.

Finally, the new MDG employment indicators include a measure of labor productivity. This is primarily due to the recognition that an increase in employment alone will be
ineffective in combating poverty. More specifically, an increase in productivity can bring about an increase in efficiency and output which in turn sets the stage for an increase in earnings for those involved in production, processing and transportation. With an increase in earnings, workers would be able to provide an education for their children, access healthcare without placing an undue burden to themselves or the national system, provide adequate shelter for their families and have improved access to water and sanitation. In turn, children of these workers would have the tools to enter the labor market to integrate themselves in productive activities.

The Philippines needs to tap into the virtuous spiral described above in order to effectively address the poverty situation in the country. Among ASEAN countries, however, the country has posted one of the lowest labor productivity rates. High productivity countries, on the other hand, include Vietnam, Malaysia and Thailand.

**Graph 8**

![Labor Productivity Growth, ASEAN (2005-2008)](image)

Source: Key Indicators of the Labor Market, 6th ed, 2009
Achieving the MDGs in the Philippines

President Aquino has spelled out two main priorities in his administration’s development agenda: employment creation and poverty reduction. The following would support his objectives to increase labor productivity, reduce working poverty, and improve conditions of those in vulnerable employment:

- Provide an enabling environment for private sector investment which balances productivity growth and employment in a sustainable manner. DOLE is working with key partners to help identify those sectors that could serve as a catalyst for both economic growth and poverty reduction;

- Public Private Partnership investments in infrastructure that will help reduce the cost of production and improve competitiveness both internationally and domestically;

- Review of national policies and legislation relating to economic growth and employment which will help reinforce the need to balance the two in order to achieve poverty reduction while ensuring a labor market that is flexible but provides income protection, social and welfare security and a strong and cooperative social dialogue mechanism;

- Cultivate agricultural policies and legislation that will provide the necessary tools (i.e., access to capital, education and training, information and knowledge and a stable and secure transportation system) to those in the sector with the largest proportion of workers in vulnerable employment;

- Increase the productive potential of the country by fostering an environment that will support women and men who wish to enter the labor market with the ability to do so in a manner that allow them to balance the need of work and family life;

- Improve policy coherence and strengthen DOLE’s role in contributing to dialogue and policy development on improved competitiveness and economic growth for employment creation;

- Enhance the national monitoring system by improving the collection, tabulation, dissemination and analysis of statistics and administrative records in order to refine and adjust policies at the national, regional and community levels.

Mainstreaming the MDG employment indicators in the Philippines

Standard labor market indicators in the Philippines include household population, labor force participation rate, unemployment, employment and underemployment rates. While giving a picture of overall employment trends in the country, these measures fail to capture the quality of employment. The adoption and mainstreaming of the new MDG employment indicators into Philippine labor statistics will help capture the existence and concentration of decent work deficits as well as evaluate the country’s progress against the new MDG target towards full and productive employment.
How the new MDG employment indicators can be further useful will depend to a great extent on their appreciation by the Philippine statistical bodies, particularly the National Statistical Coordination Board and the National Statistics Office. It is important that they are used vis-à-vis traditional employment indicators in policy analysis.

The recently launched Progress Report of the Philippines on the MDGs also included a section on the new employment indicators and provides an initial analysis of trends.

It is noteworthy also that steps to mainstream the new MDG indicators have already been taken by the Department of Labor and Employment through its Bureau of Labor and Employment Statistics (DOLE-BLES). National figures on the new MDG employment indicators have already been computed and published online. What still needs to be made available are statistics reflecting breakdown by gender, age and region for these four new indicators. The database for these indicators are available through the Labor Force Survey and the Family Income and Expenditure Survey conducted by the National Statistics Office.