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Measurement of the Quality of Employment
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Topic 3

EMPLOYMENT-RELATED INCOME

Invited paper submitted by the ILO Bureau of Statistics¹

1. Employment-related income is probably the indicator of employment quality that is most often mentioned in the socio-economic literature. The majority of the population, i.e. persons in paid or self-employment and their families, depend almost entirely on the income they derive from their job(s) to provide themselves with food, clothing, housing and all the other necessities of life. The payments in cash and in kind they receive serve as one of the indicators of their level of living. In addition, their relative status in society, their spirits and motivation towards productivity, are conditioned by the income they receive. Pay in the form of minimum wages, collectively agreed wage rates and similar basic remuneration, is at the centre of collective bargaining and many other aspects of industrial relations. A clearer indication of the actual development of workers' incomes is provided by earnings figures which, in addition to basic wages and salaries, include elements such as bonuses and overtime pay. In labour statistics, these types of income have been traditionally measured by means of statistics on the level of wages (average wage rates or earnings) of employees, generally characterized by economic activity, occupational group and sex, sometimes by occupation, and statistics on earnings distributions.

2. During the past decades, remuneration systems have broadened considerably, mainly through two mechanisms : the proliferation of non-wage benefits and forms of compensation

¹ Prepared by Marie-Thérèse Dupré.

offered by employers to attract and retain employees; and the expansion of employment-related social security benefits. Both aspects, which have an impact on income level and security, are not reflected in the existing wages statistics. At the other end of the spectrum, the stability of regular wage employment has declined and many workers have had to resort to other types of income-earning activities, such as casual or temporary paid employment, part-time employment, multiple job holding, etc., in either the formal or the informal sector of the economy. Measuring changes in wages or income levels has therefore become a complex task ; measuring the quality of these different types of jobs is even more complex. The resolution adopted by the 16th ICLS (1998) on the measurement of income related to paid employment seeks to account for the various forms of remuneration which accrue to persons in paid employment by virtue of their current or former involvement in paid employment jobs, whatever the form of employment.

3. The level of earnings and income related to paid employment is influenced by a number of factors : some of them characterize the job (industry, occupation, type and size of enterprise, work duration, whether full- or part-time, etc.), some of them, the individual (age, sex, education and skill level, seniority in job and/or enterprise, number of jobs held, etc.), while other factors are linked to the institutional context in terms of industrial relations and protection of minimum income, such as minimum wage regulations, wage indexation mechanisms, collective bargaining, etc. In addition to statistics on the level of employment-related income, it would be useful to have statistical information on these characteristics which affect the quality of employment. This information could be used to refine measures of income distributions and income inequality, such as gender-specific wage differentials. It would also represent a first step towards the measurement of income-related inadequate employment.

4. The measurement of the incomes of the self-employed presents different problems, compared to that of persons in paid employment. The self-employed comprise a wide range of workers who carry out their activities in various circumstances (such as corporations, individual or household enterprises, professional practices), with or without the help of partners, employees or contributing family workers. When statistics on income generated by self-employment are available, they follow a variety of concepts and methodologies, they are often available only at the household or enterprise level, and little information is available on the relationship between income and the characteristics of the self-employment job. The 1998 resolution on the measurement of employment-related income proposes a definition and measurement method of income related to self-employment at the individual level and by types of components of income. It also proposes to analyze income related to self-employment in relation to some of the factors which affect the quality of self-employment : type, legal status and size of the enterprise, sector, industry, occupation, existence of partners or contributing family workers, duration of employment and time worked, socio-economic characteristics of individuals, etc.

5. As in the case of income from paid employment, it would be useful to have statistical information on the different forms and components of income related to self-employment and on their impact on income security, income distributions, inequality measures, etc. Additional factors, which are not accounted for in the above-mentioned resolution, affect the quality of employment of the self-employed : these include the legal framework within which businesses operate, the administrative and tax systems in force, the access to financial and support services, etc. Further work may therefore be required to refine the quality assessment of self-employment,

and in the years ahead, to define and measure the concept of inadequate self-employment in terms of income.

6. The new guidelines on the measurement of employment-related income are still at the developmental stage. Further work will be required to test their applicability, the problems of measurement and the validity of the statistics produced. Additional work is also required to assess the quality of both paid and self-employment. The objective of this paper is therefore twofold :

- (a) to discuss some of the methodological issues involved in estimating income related to paid and self-employment, in the light of national experiences; and
- (b) to exchange views on possible areas of research, in the field of earnings, income related to paid employment and income related to self-employment, in order to assess the qualitative dimension of these two broad forms of employment.
