



The BLES

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(A Statistical Digest on Labor Cost)

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Labor Cost in the Philippines

(First of a series)

Wages can be statistically measured in various ways. This issue presents the components of these measures, in particular labor cost, the uses of wage statistics and the wage surveys being conducted in the Philippines. Since differences exist in the national definitions, coverage and methods used in compiling labor cost statistics, the data users are advised to exercise care in making international comparisons.

The rest of the series will focus on the results of the 1998 Labor Cost Survey conducted by the Bureau of Labor and Employment Statistics in 1999.

Introduction

Last year, the Bureau of Labor and Employment Statistics undertook its first labor cost survey. The inquiry fills one of the important gaps in the measurement of wages in the country. (See Table A.)

Presently, there are several nationwide establishment surveys that collect data on wage rates, earnings and compensation. The BLES conducts the Employment, Hours and Earnings Survey (EHES) and the Occupational Wages Survey (the OWS gathers wage rates).

The National Statistics Office is responsible for the Census of Philippine Business and Industry (formerly Census of Establishments), the Annual Survey of Philippine Business and Industry (formerly Annual Survey of Establishments) and the Quarterly Survey of Philippine Business and

Industry (formerly Quarterly Survey of Establishments).

While the CPBI and ASPBI generate levels of compensation of employees and earnings, indices on compensation per employee are derived from the QSPBI.

The CPBI and ASPBI have the calendar year as reference period, and these statistical activities cover the agricultural and non-agricultural sectors of the economy and all establishments regardless of employment size. The other surveys---EHES, OWS and QSPBI are limited to non-agricultural establishments and, generally, have different periodicity, reference period and employment size coverage.

Wage rates of palay, corn, coconut and sugarcane workers in farm households are gathered through the Agricultural Labor Survey (ALS) of the Bureau of Agricultural Statistics. The NSO also collects earnings data from households

through its Labor Force Survey (LFS) using the third quarter of the year as reference period (*this LFS is different from the LFS conducted in January, April, July and October with the past week as reference period*).

These wage surveys are designed to address the various needs of data users. Statistics on earnings and compensation of employees are particularly useful in monitoring the developments in the economy. Data on wage rates and labor costs, on the other hand, aid in wage and salary administration and wage determination in collective bargaining negotiations. Also, labor cost statistics show the relationships between the wage components and their evolution over time.

The various wage measures are inter-related and the statistics when analyzed in association with other economic data are important in assessing the living standards and conditions of work and life. When compared with similar data from other countries the statistics in relation to those of other factors, e.g. productivity, cost of raw materials, cost of power, taxes, subsidies, exchange rate, etc. provide bases for investment decisions and indications on the competitiveness of local industries in international trade.

International Comparability of the Statistics on Labor Cost

Although, labor cost is the most comprehensive of all the wage measures, not all countries undertake labor cost surveys. This along with differences in sources and coverage pose difficulties in making international comparisons of labor cost statistics.

These differences can be attributed to national peculiarities, practices or legislation, for example, on social security expenditures, taxes and subsidies related to employment. These differences bear on the objectives, sources, periodicity, coverage, definitions, classifications and methodologies used in compiling labor cost statistics of each country.

Thus, in making international comparisons, a close correspondence must first be established in the composition, coverage and classifications of the labor cost statistics. This is also true for the rest of the wage measures and other concepts such as unemployment, hours of work, poverty incidence, and productivity, among others.

Table B shows a comparison of the sources and coverage of statistics on labor cost and compensation of employees (that are closely related concepts) in Asian countries that have provided this information to the International Labour Office. While there may be differences in some aspects, the definitions used by these countries generally conform to the international recommendations.

This comparison further shows that the Philippines, Malaysia, Republic of Korea, Japan and India have furnished their data on labor cost of employees in manufacturing to the ILO Yearbook of Labour Statistics. Thailand and Bangladesh provided similar data to ILO but these countries have not provided their sources and methods to this agency. The rest of the countries collect statistics on compensation of employees.

Table A. - An Integrated System of Wages Statistics

Main components of the wage measures "earnings", "compensation of employees (System of National Accounts)", "labor cost"
(+ included; - excluded)

Component	Earnings	Compensation of Employees (SNA)	Labor Cost
Direct wages and salaries (in cash)			
Pay for normal time worked	+	+	+
Premium pay for overtime, holiday work, shift work, night work	+	+	+
Incentive pay (production bonuses, etc.) and other regularly paid bonuses	+	+	+
Family allowances paid directly by employer	+	+	+
Cost of living or dearness allowance	+	+	+
Remuneration for time not worked			
Annual vacation, other paid leaves	+	+	+
Public and other holidays	+	+	+
Other time off granted with pay	+	+	+
Severance and termination pay	-	+	.+ ¹
Bonuses and gratuities			
Year-end and seasonal bonuses	+	+	+
Profit-sharing bonuses	+	+	+
Supplementary vacation pay and other bonuses and gratuities	+	+	+
Food, drink, fuel and other payments in kind	+	+	+
Housing and rent allowances	+	+	+
Social security, pensions, etc.			
Direct payments by employer to employees regarded as social security payments	-	+	.+ ²
Employer's contributions to social security schemes and pension (statutory and other)	-	+	+
Imputed contributions of employer in respect of unfunded pension and other social security schemes	-	+	-
Employer's cost for vocational training	-	-	+
Employer's cost of welfare services³	-	-	+
Employer's other labor costs⁴	-	-	+
Taxes regarded as labor cost	-	-	+

Note: Wage rate consists of basic pay and guaranteed/regularly paid cash allowances.

¹ Where not regarded as social security expenditure (as such, included under social security, pensions, etc).

² Including severance and termination pay regarded as social security benefit. Including also assimilated payments in respect of former employees.

³ Including canteens and assimilated services; educational, cultural and recreational facilities and services; grants to credit unions and cost of assimilated services for employees.

⁴ Including such items as: work clothes, recruitment cost, etc.

Source: International Labour Office, An Integrated System of Wages Statistics: A Manual on Methods (1979).

Table B. - Sources and Coverage of Labor Cost and Compensation Statistics in Asian Countries

	Philippines	Malaysia	Indonesia	Singapore
Title of the survey	Labor Cost Survey	Annual Survey of Manufacturing Industries	Annual Survey of Industry	Annual Census of Industrial Production
Organization responsible	Bureau of Labor and Employment Statistics, Department of Labor and Employment	Department of Statistics	Central Bureau of Statistics	Research and Statistics Unit, Economic Development Board
Objectives	To compile statistics to measure the level and composition of labor cost in the country for use in wage negotiations and wage policy formulation	To determine the growth and composition of manufacturing and to measure its various costs, inputs and outputs; data are also used for economic projections and for compiling national accounts	To obtain information on the number of persons engaged, their wages and salaries, output, intermediate input, value added, capital formation, and source of funding; results provide information on labor absorption and the share of the industrial sector in the economy, and are used for planning purposes	To obtain indicators for the study of structure and trends of the manufacturing sector.
Periodicity	Every 4 years	Annual	Annual	Annual
Reference period	Calendar year	Calendar year or accounting year if different from calendar year	Calendar year	Calendar or financial year
Survey coverage				
<i>Geographical</i>	Whole country	Whole country	Whole country	Whole country
<i>Industrial</i>	All branches of economic activity, except agriculture, hunting, forestry and fishing, national postal activities, central banking, compulsory social security, public education/medical and health services	Manufacturing	Manufacturing	Manufacturing (including industrial servicing and granite quarrying)

Table B. - Sources and Coverage of Labor Cost and Compensation Statistics in Asian Countries (cont'd.)

	Philippines	Malaysia	Indonesia	Singapore
Survey coverage (cont'd.) <i>Establishments</i>	Non-agricultural establishments employing 20 and over	All establishments registered under the Industrial Coordination Act (ICA), 1975 and others over a given employment size	Large establishments (100 or more persons) and medium scale (20 - 99 persons)	Establishments with ten or more workers
<i>Persons</i>	All persons engaged	All persons engaged	All persons engaged	All persons engaged
Labor cost/compensation data supplied to the ILO for publication	<i>Annual labor cost per employee</i> to be provided for 2001 Yearbook of Labour Statistics Data currently provided refers to <i>compensation of employees per year in manufacturing</i> sourced from the NSO's Census/Annual Survey of Philippine Business and Industry	<i>Annual labor cost per employee in manufacturing</i> ¹	<i>Compensation of employees per year in manufacturing</i>	<i>Compensation of employees per year in manufacturing</i>
Conformance to international recommendations	Definition of labor cost conforms to ILO recommendations but taxes regarded as labor costs are excluded	Definition of compensation of employees conforms to international recommendations	Definition of compensation of employees conforms to recommendations contained in the United Nations System of National Accounts (SNA)	Definition of compensation of employees conforms to guidelines contained in the United Nations System of National Accounts (SNA), 1968

¹ While the country submission to the ILO on data sources and methods referred to compensation of employees, data published in the 1999 ILO Yearbook of Labour Statistics pertained to labor cost.

Table B. - Sources and Coverage of Labor Cost and Compensation Statistics in Asian Countries (cont'd.)

	Hong Kong	Republic of Korea	Japan	India
Title of the survey	Annual Survey of Industrial Production	Survey on Labor Cost of Enterprises	General Survey on Wages and Working Hours System	Annual Survey of Industries, Part II
Organization responsible	Industrial Production Statistics Section, Census and Statistics Department	Statistics Division, Ministry of Labor	Policy Planning and Research Department, Ministry of Labor	National Sample Survey Organization plans and carries out the survey while Labor Bureau, Ministry of Labor estimates and publishes the results
Objectives	To compile statistics on the operating characteristics and structure of the industrial activities covered, to assess the contribution of these activities to the Gross Domestic Product and to collect commodity details of industrial production; statistics are useful in formulating policies and making decisions	To reveal the types and amounts of costs incurred by enterprises in employing labor	To study general basic items relating to enterprises: wages and working hours systems, labor cost, welfare facility systems, retirement entitlements and payments systems in major industries, and to obtain basic data on labor conditions; data are used to compare the labor-management systems of enterprises	To provide comparative information to employers, to indicate nature of major social programs for workers financed by employers, to indicate cost of certain programs outside production sphere, to provide means for assessing impact of changes on labor cost and its components due to social legislation, to throw light on employees compensation systems and in particular on certain elements of employees' income which are outside normal wages
Periodicity	Annual	Annual	Annual, but data on labor cost are collected every three years	Annual
Reference period	The calendar year, or any 12-month period between January 1 of a given year and March 31 of the following year, according to the accounting practices of individual establishments	Whole year	Whole year	Whole accounting year normally from April 1 to March 31

Table B. - Sources and Coverage of Labor Cost and Compensation Statistics in Asian Countries (cont'd.)

	Hong Kong	Republic of Korea	Japan	India
Survey coverage <i>Geographical</i>	Whole territory	Whole country	Whole country except some distant islands	Whole country
<i>Industrial</i>	Mining and quarrying, manufacturing, and electricity, gas and water ²	All branches of economic activity, except agriculture, hunting, forestry and fishing	All branches of economic activity, except agriculture, hunting, forestry and fishing, and private households with employed persons and government services	Manufacturing processes defined under the Factories Act, 1948 and gas production and distribution, motion picture production, cold storage and water supply
<i>Establishments</i>	All types and sizes of establishments in operation during the reference period, in both the private and public sectors	Enterprises with 30 or more regular employees	Private enterprises with 30 or more regular employees	Factories using power and employing 10 workers or more, factories not using power and employing 20 or more workers and certain other factories
<i>Persons</i>	All persons engaged	All regular employees	All regular employees	All persons engaged
Labor cost/compensation data supplied to the ILO for publication	<i>Compensation of employees per year</i> (this includes payments to outworkers) <i>in manufacturing</i>	<i>Average monthly labor cost per employee in manufacturing</i>	<i>Average monthly labor cost per employee in manufacturing</i>	<i>Average labor cost per day in manufacturing</i>
Conformance to international recommendations	Definition of compensation of employees conforms to guidelines contained in the United Nations System of National Accounts (SNA), 1993	Definition of labor cost conforms to international guidelines	Definition of labor cost conforms to international guidelines but remuneration for time not worked and taxes regarded as labor cost are excluded	Definition of labor cost conforms to international recommendations

Note: While Thailand and Bangladesh provided data on labor cost in manufacturing and Macau for compensation of employees for the 1999 ILO Yearbook of Labour Statistics, these countries have not provided their data sources and methods to the ILO. On the other hand, Indonesia provided its data sources and methods to ILO but no statistics on compensation per employee were published in the 1999 Yearbook.

² Annual data on compensation of employees are also compiled for other divisions of economic activity, e.g. Survey of Wholesale and Retail Trades, Restaurants and Hotels, Survey of Transport and Related Services, Survey of Storage, Communications, Financing, Insurance and Business Services, Survey on Building Construction.

Source of data (except for the Philippines): International Labour Office, Sources and Methods: Labour Statistics, Vol. 2 Employment, Wages, Hours of Work and Labour Cost (Establishment Surveys), second edition 1995.

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