

## LABOR COST IN THE PHILIPPINES

*(First of a series)*

*This LABSTAT is the first issue on a series of reports that focus on labor cost based on the results of the 2002/2003 BLES Integrated Survey (BITS) conducted last year in coordination with the DOLE Regional Offices. The BITS is a nationwide survey covering 6,818 sample non-agricultural establishments with 20 or more workers that aims to generate an integrated data set on employment, labor relations, labor cost and occupational safety in the workplace as basis for policy and program formulation.*

*This issue shall define the statistical measures of wage statistics to provide a clearer understanding of each wage concepts and to situate labor cost within the context of wage statistics. The succeeding issues will be on the results of the labor cost inquiry of the 2002/2003 BITS.*

### IMPORTANCE OF WAGE STATISTICS

Wage statistics constitute one of the more important components of labor statistics. Initially, the use of wage statistics was limited to the study of living standards and conditions of work. Economic and social development planning, however, has necessitated the use of more detailed and comprehensive wage statistics on policy decisions such as:

- Productivity improvements and gains sharing schemes,
- Taxation, savings and capital formation, and
- Assessing the country's global competitiveness

The 12<sup>th</sup> International Conference on Labor Statistics prescribed guidelines on the collection and generation of wage statistics to ensure statistical soundness and international comparability of data.

### STATISTICAL MEASURES OF WAGE STATISTICS

According to the ILO, there are four (4) statistical measures of wages, namely: wage rates, earnings, compensations and labor cost. (*Table A*)

#### Wage Rates

Perhaps the simplest statistical measure of wage is wage rate. It includes basic wages, cost of living allowances and other guaranteed and regularly paid allowances.

Statistics on these are obtained from results of the Occupational Wages Survey (OWS) of the BLES. It inquires on the wage rates of time-rate workers on full-time basis in non-agricultural establishments. On the other hand, the Agricultural Labor Survey (ALS) of the BAS covers farm wages of farm households engaged in palay, corn, coconut and sugar cane production. Meanwhile, starting

January 2001, the Labor Force Survey (LFS) of the NSO inquired on basic pay of wage and salary workers. However, the wage data from LFS has yet to be released by the NSO.

Meanwhile, regional minimum wage rates are determined by the Regional Tripartite Wages and Productivity Boards (RTWPBs) through wage orders.

### **Earnings**

Earnings constitute "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 for annual vacation, other paid leaves or holidays".

Earnings data can be obtained from NSO's Annual Survey of Philippine Business and Industry (ASPBI) - *formerly Annual Survey of Establishments (ASE)* and the Census of Philippine Business and Industry (CPBI) - *formerly Census of Establishments (CE)*. These surveys inquire on earnings of workers in establishments, regardless of size and economic activity. From 1998 to 2002, the BLES also produced earnings data from its Employment, Hours and Earnings Survey (EHES) covering non-agricultural establishments employing 20 and over.

### **Compensation**

Compensation includes "all payments by producers of wages and salaries to their employees, in kind as well as in cash, and of contributions in respect of their employees to social security and to private pension, casualty insurance, life insurance and similar schemes".

Primary sources of compensation data are the ASPBI, CPBI and the Quarterly Survey of Philippine Business and Industry (QSPBI) - *formerly Quarterly Survey of Establishments*.

### **Labor Cost**

Labor cost represents all costs incurred by the employer in the employment of labor. Specifically, it covers "remuneration for work performed, payments in respect of time paid for but not worked, bonuses and gratuities, the cost of food, drink and other payments in kind, cost of workers' housing borne by employers, employer's social security expenditures, cost to the employer for vocational training, welfare services and miscellaneous items such as transport of workers, work clothes and recruitment, together with taxes regarded as labor cost".

The BLES is the only source of labor cost data in the country. The first data collection was conducted with 1998 reference period under the title Labor Cost Survey. The second round of inquiry was conducted through the 2002/2003 BITS and this inquiry will be part of the survey every four years.

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## 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
<b>Direct wages and salaries</b>			
Pay for normal time worked	+	+	+
Premium pay for overtime, holiday work, shift work, night work	+	+	+
Incentive pay (production bonuses, etc.) and other regular paid bonuses	+	+	+
Family allowances paid directly by employer	+	+	+
Cost of living or dearness allowance	+	+	+
<b>Remuneration for time not worked</b>			
Annual vacation, other paid leave	+	+	+
Public and other holidays	+	+	+
Other time off granted with pay	+	+	+
Severance and termination pay	-	+	. <sup>1</sup>
<b>Bonuses and gratuities</b>			
Year-end and seasonal bonuses	+	+	+
Profit-sharing bonuses	+	+	+
Supplementary vacation pay and other bonuses and gratuities	+	+	+
<b>Food, drink, fuel and other payments in kind</b>	+	+	+
<b>Housing and rent allowances</b>	+	+	+
<b>Social security, pensions, etc.</b>			
Direct payments by employer to employees regarded as social security payments	-	+	. <sup>2</sup>
Employer's contributions to social security schemes and pension Schemes (statutory and other)	-	+	+
Imputed contributions of employer in respect of unfunded pension and other social security schemes	-	+	-
<b>Employer's cost for vocational training</b>	-	-	+
<b>Employer's cost of welfare services<sup>3</sup></b>	-	-	+
<b>Employer's other labor cost<sup>4</sup></b>	-	-	+
<b>Taxes regarded as labor cost</b>	-	-	+

*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 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).*