

## Concepts and Definitions

The concepts and definitions used in this report conform to international standards and the International Labour Organisation.

### 3.1 Labour Force Participation Rates:

The labour force participation rate is a measure of the proportion of a country's working-age population that engages actively in the labour market, either by working or looking for work; it provides an indication of the relative size of the supply of labour available to engage in the production of goods and services. The breakdown of the labour force by sex and age group gives a profile of the distribution of the economically active population within the country. The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working age population.

### 3.2 Labour Force

The labour force is the sum of the number of persons above the age of 14 years who were employed and the number of unemployed persons who were available for work above the age of 14 years during the reference period.

### 3.3 The Employed Population

The employed population comprised all persons who performed some work for pay, profit or family gain. Payment of wages, profit etc., may have been in cash or in the form of goods and services or a combination of these. The employed population includes all persons who had a job and would normally have worked for pay or profit or return in kind. It also includes those who were on paid or unpaid vacation or study leave, subsistence farmers as well as those who were temporarily prevented from working by illness, bad weather, industrial dispute etc.

### 3.4 Employment-to-population ratio:

The employment-to-population ratio provides information on the ability of an economy to create employment. Although a high overall ratio is typically considered as positive, the indicator alone is not sufficient for assessing the level of decent work or the level of a decent work deficit. Additional indicators are required to assess such issues as earnings, hours of work, informal sector employment, underemployment and working conditions. Employment-to-population

ratios are of particular interest when broken down by sex, as the ratios for men and women can provide information on gender differences in labour market activity.

The employment-to-population ratio is defined as the proportion of a country's working-age population that is employed. A high ratio means that a large proportion of a country's population is employed, while a low ratio means that a large share of the population is not involved directly in market-related activities, because they are either unemployed or (more likely) out of the labour force altogether.

### 3.5 Status in employment

Indicators of status in employment distinguish between three important and useful categories of the employed – (a) wage and salaried workers, (b) self-employed workers, and (c) unpaid family workers – with each being expressed as a proportion of the total employed. Categorization by employment status can help in understanding both the dynamics of the labour market.

### 3.6 Employment by sector

This indicator disaggregates employment into ten broad sectors – Agriculture, Forestry and Fishing; Mining and Quarrying; Manufacturing; Electricity, Water and Gas; Construction; Retail and Wholesale Trade; Hotels, Bars and Restaurants; Transport, Communications and Storage; Real Estate, Business and Financial Services and Community, Social and Personal Services. The indicator expresses each as a percentage of total employment. The indicator shows employment growth and decline on a broad sectoral scale. Sectoral employment flows are an important factor in the analysis of productivity trends, because within-sector productivity growth needs to be distinguished from growth resulting from shifts from lower to higher productivity sectors.

The sectors of economic activity are defined according to the International Standard Industrial Classification of All Economic Activities (ISIC), Revision 2 (1968) and Revision 3 (1990).

### 3.7 Part-time workers

The indicator on part-time workers focuses on individuals whose working hours total less than “full

time”, as a proportion of total employment. Because there is no agreed international definition as to the minimum number of hours in a week that constitute full-time work, part-time workers were defined as those who worked less than six hours per day. Two measures are calculated for this indicator: total part-time employment as a proportion of total employment, sometimes referred to as the “part-time employment rate”; and the percentage of the part-time workforce comprised of women.



status in terms of labour markets for countries that regularly collect information on the labour force. The unemployment rate tells us the proportion of the labour force that does not have a job and is actively looking for work. It should not be misinterpreted as a measurement of economic hardship, however, although a correlation often exists.

Unemployment is defined as all persons above the age of 14 years who, during the seven days prior to the survey, were without work, currently available for work and seeking work.

### **3.8 Hours of work**

The number of hours worked have an impact on the health and well-being of workers as well as on levels of productivity and labour costs of establishments. Measuring the level and trends in the hours worked in a society, for different groups of workers and for workers individually, is therefore important when monitoring working and life conditions as well as when analysing economic developments.

The first measure relates to the hours an employed person works per week. The number of employed are presented according to the following hour bands: less than 20 hours worked per week, less than 34 hours worked per week, between 20 and 29 hours, between 30 and 39 hours, 40 hours and over and 50 hours and over, where available. The second measure is the average annual number of hours worked per person.

### **3.9 Employment in the informal economy**

Employment in the informal economy relates the estimated number of persons employed in the informal economy to the total number of employed persons. In terms of size and growth, the informal sector is an important part of economic, social and political life. In countries with high rates of population growth or urbanization, the informal economy tends to absorb most of the growing labour force. The indicator represents an attempt to capture labour market situations that are inadequately covered by other indicators, such as the unemployment rate and underemployment.

Informal sector employment was defined as employment where the employed persons were not entitled to paid leave, pension, gratuity and social security and worked in an establishment employing less than 5 persons. All the three requirements had to be fulfilled in order to classify a person as working in the informal sector. Informal agriculture was also included.

### **3.10 Unemployment**

The unemployment rate is probably the best-known labour market measure and certainly one of the most widely quoted by the media. Together with the employment-to-population ratio, it provides the broadest available indicator of economic activity and

### **3.11 Youth unemployment**

Youth unemployment is an important policy issue for many countries, regardless of the stage of development. For the purpose of this indicator, the term “youth” covers persons aged 15 to 24, while “adults” are defined as persons aged 25 years and over. The indicator presents youth unemployment in the following ways: (a) the youth unemployment rate;

(b) the youth unemployment rate as a percentage of the adult unemployment rate; (c) the youth share in total unemployment; and (d) youth unemployment as a proportion of the youth population.

The presentation of youth unemployment as a proportion of the youth population recognizes the fact that a large proportion of young people enter unemployment from outside the labour force. Taken together, the four indicators provide a fairly comprehensive indication of the problems that young people face in finding jobs.

### **3.12 Long-term unemployment**

Unemployment tends to have more severe effects the longer it lasts. Short periods of joblessness can normally be dealt with through unemployment compensation, savings and, perhaps, assistance from family members. Unemployment lasting a year or longer, however, can cause substantial financial hardship, especially in the Zambian situation where unemployment benefits do not exist.

The indicator on long-term unemployment makes the basic assumption that unemployment that lasts a full year or more is too long, and is thus a phenomenon worthy of special attention. Two separate measures of long-term unemployment are included: (a) those unemployed one year or more as a percentage of the labour force; and (b) those unemployed one year or more as a percentage of the total unemployed (the incidence of long-term unemployment).

### **3.13 Unemployment by educational attainment**

This indicator can provide important insights into the relationship between the educational attainment of workers and unemployment. This allows researchers to discern a key characteristic of a region's unemployed

labour force and, in so doing, assists in identifying the likelihood of different groups of workers experiencing unemployment. The information in the indicator may also be used to draw inferences relating to changes in employment demand. By focusing on the education characteristics of the unemployed, the indicator can aid in analyses designed to shed light on how significant long-term events in the country, such as ongoing skills-based technological change, increased trade openness or shifts in the sectoral structure of the economy, alter the experience of high- and low-skilled workers in the labour market.



indicator of labour force skill levels. These are important determinants of a country's capacity to compete successfully in world markets and to make efficient use of rapid technological advances; they are also among the factors determining the employability of workers.

This indicator reflects the levels and distribution of the knowledge- and skills-base of the labour force and population. It includes two measures pertaining to educational levels, and a third measuring illiteracy in the adult population. The indicators cover the educational attainment of both women and men in the entire labour force.

Information for this indicator is classified according to categories of schooling – less than one year, less than primary level, primary level, secondary level and tertiary level – and is presented as the proportion of total unemployed in each of these five categories.

### **3.14 Underemployment**

Underemployment reflects underutilization of the productive capacity of the labour force. Underemployment is the best available proxy of the underutilized labour force. The indicator is important for improving the description of employment-related problems, as well as assessing the extent to which available human resources are being utilized in the production process of the country. It also provides useful insights for the design and evaluation of employment, income and social programmes. The indicator includes two measures – underemployment as a percentage of the labour force, and as a percentage of total employment.

The definition of underemployment includes all persons in employment whose hours of work “are insufficient in relation to an alternative employment situation in which the person is willing and available to engage”.

### **3.15 Inactivity rate**

The inactivity rate is defined as the percentage of the population that is neither working nor seeking work (that is, not in the labour force). The 25-54 age group can be of particular interest since it is considered to be the “prime-age” group, in which individuals are generally expected to be in the labour force; it is worthwhile investigating why these potential labour force participants are inactive, since they have normally completed their education but have not yet reached retirement age. The inactivity rates, when added to the labour force participation rate for the corresponding group, will equal 100 per cent.

### **3.16 Educational attainment and illiteracy**

An increasingly important aspect of labour market performance and national competitiveness is the skill level of the workforce. Information on levels of educational attainment is currently the best available

### **3.17 Wages in specific Sectors**

Wages are a widely used measure of the general level of workers' income. Such information is often applied to formulate, implement and monitor economic policies and, more specifically, to address labour issues such as human resource planning, labour utilization, wage fixing, social security and labour costs. This indicator covers real wages in manufacturing.

Real wages in an economic activity are viewed as a major indicator of employees' purchasing power and as a proxy for their level of income, independent of the actual work performed in that activity. Significant differences in the purchasing power of wages, over time and between countries, reflect modern economic society, and comparisons of the movement of real wages can provide a measure of the material progress (or regression) of the working population.

### **3.18 Occupational Wages**

This indicator looks at trends in, and differentials between, occupational wages (i.e. wage rates or earnings) in specific industry groups. Changes in average wages within an industry or sector may be due not only to changes in levels of wage rates or earnings but also to changes in the occupational composition of employment and in the proportion of men and women employed. Looking at wages of particular occupations avoids some of the limitations associated with using broad averages, where changes in the composition and structure of the workforce might be influencing the recorded changes in average wages.

### **3.19 Hourly compensation costs**

Hourly compensation costs are only one factor in international competitiveness and, when used alone, can be misleading. However, in conjunction with other indicators, including labour productivity and unit labour costs, relative changes can be helpful in assessing trends in competitiveness. In addition, non-wage labour costs have become an important issue in debates on labour market flexibility.