

Guide to understanding the KILM

The history of the KILM

Data needed for monitoring and assessing the current realities of the world at work is essential for any organization, institution or government that advocates labour-related strategies. In recognition of this, the International Labour Office (ILO) launched the Key Indicators of the Labour Market (KILM) programme in 1999 to complement the regular data collection programmes¹ and to improve dissemination of data on the key elements of the world's labour markets.

1. The question is often raised concerning the relationship between the KILM and the ILO *Yearbook of Labour Statistics*, which has been the ILO's main source of labour statistics for over 60 years. Since 1921, the ILO Bureau of Statistics has collected and disseminated labour statistics on the characteristics of the working population and on conditions of work and life throughout the world. Data are published annually in the *Yearbook* and also on the Internet at website: <http://laborsta.ilo.org> (see box 1 for more information). The KILM differs from the *Yearbook* in terms of scope and content: First, whereas the *Yearbook* is the best source of nationally-reported labour statistics, the KILM supplements this information with data from other sources when it is felt that other sources are more accurate or more complete and provide a better scope for international comparability. The latter point leads to the second difference, which is that the KILM, because it is not restricted to using the national data *as reported*, can and does take efforts to report indicator series that are more comparable across time and across countries. The KILM offers two new series which are in fact "harmonized", meaning they offer a strictly comparable series. These are the labour force participation rates series in tables 1a and 1b and the inactivity rate in table 13. Other indicators are not yet strictly comparable, but efforts have been made to select sources and methodologies that provide a series that is as "clean" and comparable as possible, and where anomalies exist in terms of definitions and methodologies, they are listed clearly as such in the table notes. Finally, some indicators are provided in both the *Yearbook* and the KILM; however, the full list of indicators in each is not identical. For example, labour productivity and time-related underemployment are indicators in the KILM, but not in the *Yearbook*, whereas the *Yearbook* reports data on strikes and lockouts while the KILM does not. The KILM is also able to publish imputed estimates and combine them with real data (as reported) to come up with new indicators such as employment elasticities or working poverty.

The KILM is designed with two primary objectives in mind: (a) to present a core set of labour market indicators; and (b) to improve the availability of the indicators to monitor new employment trends. The indicators were initially chosen in a collaborative effort involving the ILO Employment Sector and the Bureau of Statistics in consultation with experts from ILO field offices, the Organisation for Economic Co-operation and Development (OECD) and several national representatives from Ministries of Labour and national statistical offices. The selection of the indicators was based on the following criteria: (a) conceptual relevance; (b) data availability; and (c) relative comparability across countries and regions. The design and presentation of the core indicators has evolved slightly since the first edition. Two new indicators were added in the second edition (2001-2002) – occupational wages and earning indices (KILM 16) and labour market flows (KILM 19). The KILM 4th Edition maintains the 20 indicators with one significant change: the replacement of the labour market flows with that of employment elasticities in KILM 19. Other enhancements to the indicators are identified in the Executive Summary.

The role of the KILM in labour market analysis

Identifying inefficiencies (and best practices) in the labour market is the first step in designing employment policies aimed at enhancing the well-being of workers while also promoting economic growth. This broad view of the world of work calls for a comprehensive collection, organization and analysis of labour market information. In this context, the KILM can serve as a tool in monitoring and assessing many of the pertinent issues related to the functioning of labour markets. The following are some examples of how the KILM can be used to inform policy in key areas of ILO research:

Box 1. The ILO Bureau of Statistics

From the outset, statistical activities have formed an integral part of the work of the International Labour Organization, as witnessed by the setting up in 1919 of a Statistical Section for “the collection and distribution of information on all subjects relating to the international adjustment of conditions of industrial life and labour” (Article 396 of the Versailles Treaty of Peace and article 10(1) of the Constitution of the ILO). Over the past 84 years, this Statistical Section (now an independent technical department called the Bureau of Statistics) has endeavoured to carry out its mandate in the face of an ever-changing world. Its continuing aim has been to increase the capacity of ILO member States to collect and use essential labour statistics through setting international standards and providing technical assistance, and to compile, analyse and disseminate these statistics.

Within the United Nations system, the ILO Bureau of Statistics is the focal point for labour statistics. Since the early 1950s, the Bureau has worked in close collaboration with the statistical departments of other international organizations, including the World Bank, OECD and the European Union.

The Bureau of Statistics has to cover a very broad range of subjects, relating not just to employment and working conditions, but also to living conditions. The link between social and economic policies and labour statistics is such that the Bureau’s activities and interests at a particular point in time depend to a large extent on the requirements for those policies. As new needs emerge from new orientations in ILO and national programmes and policies, so the Bureau’s activities evolve.

The *ILO Yearbook of Labour Statistics* was first issued in 1935, and contained time series on employment, unemployment, hours of work, wages, costs of living and retail prices, workers’ family budgets, emigration and immigration, and industrial relations. Its coverage has changed over time to reflect current interests and developments. Topics such as food consumption, social security, occupational injuries, national income, international migration, economically active population, household income and expenditure, labour productivity and labour cost were added. Monthly or quarterly updates of the series published in the *Yearbook* were first issued in the *International Labour Review* and its statistical supplement, and since 1965 in the quarterly *Bulletin of Labour Statistics* and its supplement. The *Bulletin* also contains short articles on statistical practices and methods, and presentations of the results of special projects carried out by the Bureau of Statistics. Data and metadata from the *Yearbook*, as well as labour statistics from the *Bulletin* and other outputs of the Bureau of Statistics, are now available online in the LABORSTA database at <http://laborsta.ilo.org>.

Source: Adapted from ILO: “75 years of international labour statistics”, in *Yearbook of Labour Statistics* (Geneva, 1994) and the Bureau of Statistics website at <http://www.ilo.org/stat>.

Promoting the ILO’s Decent Work Agenda

The ILO’s Decent Work Agenda aims to promote opportunities for women and men to obtain productive work, in conditions of freedom, equity, security and human dignity.²

2. Since the publication of the *Report of the Director-General: Decent Work* (Geneva, ILO, 1999), the goal of “decent work” has come to represent the central mandate of the ILO, bringing together standards and fundamental principles and rights at work, employment, social protection and social dialogue in the formulation of policies and programmes aimed at “securing decent work for women and men everywhere”.

As a growing number of governments, employers and workers investigate options for designing policies that adhere to the principles of decent work, it is possible that policy-makers will look for possible ways of interpreting the term “decent”. Applying the concept of “decent” to any form of economic activity is a matter for discussion; for example, personal perceptions of what constitutes a decent wage could differ significantly from person to person. That said, there are certain conditions relating to the world of work that are almost universally accepted as “bad” – working but earning an income that does not

lift one above the poverty line or working under conditions where the fundamental principals and rights at work³ are not respected, for instance.

Keeping in mind that careful empirical research as well as quantitative assessments of the realities of the world of work should precede policy formulation, the KILM, as a collection of a broad range of labour market indicators, can serve as a tool in assessing many of the pertinent questions relating to the ILO's Decent Work Agenda.

Monitoring progress towards the UN's Millennium Development Goals

The United Nations recently resolved to make the goals of full and productive employment and decent work for all a central objective of its national and international policies as well its national development strategies as part of its efforts to achieve the Millennium Development Goals (MDG).⁴ Access to decent work that provides an adequate income for working men and women and their families is the surest route out of poverty and the best solution to meeting the MDG of halving the share of people living under the US\$1 a day poverty line.⁵ The KILM helps to identify where decent work is lacking, especially if measured not only in

3. The ILO Declaration on Fundamental Principles and Rights at Work aims to ensure that social progress goes hand in hand with economic progress and development. See <http://www.ilo.org/declaration> for more information.

4 United Nations: *2005 World Summit Outcome*, High-level Plenary Meeting of the 60th Session of the General Assembly (A/60/L.1), 20 September 2005, para. 47.

5 As part of the Millennium Declaration of the United Nations "to create an environment – at the national and global levels alike – which is conducive to development and the elimination of poverty", the international community has adopted a set of international goals for reducing income poverty and improving human development. A framework of eight goals, 18 targets and 48 indicators to measure progress was adopted by a group of experts from the United Nations Secretariat, ILO, IMF, OECD and the World Bank. The indicators are interrelated and represent a partnership between developed and developing economies. For further information on the Millennium Development Goals, see <http://www.un.org/millenniumgoals/>.

terms of people who are working yet still unable to lift themselves and their families above the poverty threshold (working poor – KILM 20) but also in terms of the quality of work or the lack of any work at all.

In addition, the UN has adopted the youth unemployment rate (KILM 9) as the indicator to measure progress towards the UN MDG to "develop and implement strategies for decent and productive work for youth". The analysis relating to youth unemployment points out, first, how youth are comparatively worse off than adults in terms of finding decent work and, second, the potential reasons for the youth disadvantage.

Monitoring equity in the labour market

Women face specific challenges in attaining decent work. The majority of KILM indicators are disaggregated by sex, which allows for comparison of male and female labour market opportunities. Many of the "trends" analyses associated with individual indicators focus on the progress (or lack thereof) towards the goal of equal opportunity and equal treatment in the labour market.

Assessing employment in a globalizing world

Globalization has the potential of being beneficial to all, but to date the benefits are not reaching enough people. The goal, therefore, is to welcome globalization but in a way that shapes it to encourage creation of decent work opportunities for all.⁶ One means of doing so is to make employment a central objective of macroeconomic and social policies. The KILM indicators can be useful in this regard by monitoring employment dynamics associated with globalization. For example, there are studies indicating that job loss/creation as well as changes in wages and productivity (and thus international competitiveness) are impacted by

6. World Commission on the Social Dimension of Globalization: *A Fair Globalization: Creating Opportunities for All* (Geneva, 2004); website: <http://www.ilo.org/public/english/fairglobalization/index.htm>.

globalization.⁷ If the indicators reflect negative consequences of globalization, one can seek ways of altering macroeconomic policies so as to minimize the costs of adjustment and to distribute the gains of globalization in a more equitable fashion.

ILO research in the recent *World Employment Report*,⁸ which uses labour productivity, employment and unemployment information from the KILM, has gone some ways in monitoring these dynamics and developing policy interventions at the micro and macro level. The report shows that in the long run there need not be a trade-off between the growth of productivity and that of employment and calls for policy interventions in the short- and mid-term in order to mitigate any “adjustment costs” to workers. Again, as with globalization, macroeconomic policy that is managed with an eye towards a decent employment goal can mitigate any unnecessary short-term costs.

Identifying “best practices”

The KILM can help to identify best practice country examples on a number of issues: where the occupational gender wage gap is non-existent or minimal; where youth face disadvantages in terms of access to jobs; where labour productivity and labour compensation are balanced in such a way as to encourage international competitiveness; where economic growth has gone hand in hand with an expansion of employment opportunities; where a country reduces high unemployment; and many others. The key, then, is to identify policies that have led to the positive labour market outcome and to highlight these as possible best practices which could be implemented elsewhere.

7. See Chapter 1, section B for a review of the literature associated with the relationship between globalization and wages.

8. ILO: *World Employment Report 2004-05* (Geneva, ILO, 2005); website: <http://www.ilo.org/public/english/employment/strat/wer2004.htm>.

Labour market analyses using multiple KILM indicators

While more and more countries are producing national unemployment and aggregate employment data, users should be cautioned about the limitations of the statistics if used alone and are urged to take a broader view of labour market developments, necessitating a broader range of statistics. The advantage of using aggregate unemployment rates, for example, is their relative ease of collection and comparability for a significant number of countries. But looking at unemployment (or any other labour market indicator) alone ignores other elements of the labour market that are more difficult to quantify. It is important to realize that unemployment is only one aspect of labour force status.

The first step in labour market analysis, therefore, is to determine the breakdown of labour force status within the population.⁹ The working-age population can be broken down into persons who are inactive (outside of the labour force, KILM 13), employed (KILM 2) or not working and seeking work (unemployed, KILM 8). A large share of the population in either unemployment or inactivity, or both, indicates substantial underutilization of the potential labour force and thus of the economic potential of a country. Governments facing this situation should, if possible, seek to analyse the reasons for inactivity, which in turn could dictate the policy choice necessary to amend the situation.

If the majority of the inactive population is made up of women who are not working because they have household responsibilities, the State might wish to encourage an environment that facilitates female economic participation through, for example, the establishment of day care centres for children or flexible working hours. Alternatively, programmes to promote the employment of

9. For a specific country example of how to analyse labour markets using the KILM indicators, see Appendix F.

the disabled could help to lower the inactivity rate if disability is a common reason for inactivity. It is more difficult to recapture persons who have left the labour market because they are “discouraged”, i.e. because they feel that no suitable work is available, that they do not have the proper qualifications or because they do not know where to look for work, unless perhaps their confidence can be boosted by participation in training programmes and job-search assistance. Regardless, the correct mix of policies can only be designed by looking in detail at the reasons for inactivity.

Unemployment, as well, should be analysed according to sex (KILM 8), age (KILM 9), length (KILM 10) and education level (KILM 11) in order to gain a better understanding of the composition of the jobless population and therefore to target unemployment policies accordingly. Other characteristics of the unemployed not shown in the KILM, such as socio-economic background, work experience, etc., could also be important to analyse, if available, in order to determine which groups face particular hardships. Paradoxically, low unemployment rates may well disguise substantial poverty in a country (see KILM 20), whereas high unemployment rates can occur in countries with significant economic development and low incidence of poverty. In countries without a safety net of unemployment insurance and welfare benefits, many individuals, despite strong family solidarity, simply cannot afford to be unemployed. Instead, they must eke out a living as best they can, often in the informal economy or in informal work arrangements within the formal economy. In countries with well-developed social protection schemes or when savings or other means of support are available, workers can better afford to take the time to find more desirable jobs. Therefore, the problem in many developing economies is not so much unemployment, but rather the lack of decent and productive work opportunities for those who are employed.

This brings us to the need to dissect the total employment number as well in order to assess the well-being of the working

population, under the premise that not all work is “decent work”. If the working population consists largely of self-employed or contributing (unpaid) family workers (see KILM 3) then looking at the indicator on the total employed population (KILM 2) loses its value as a normative measure. Are these people employed? Yes, according to the international definition. Are they in decent employment? Possibly not. Although technically employed, some self-employed workers’ or contributing family workers’ hold on employment is tenuous and the line between employment and unemployment is very thin. If and when salaried jobs open up in the formal economy, this contingent workforce will rush to apply for them. Further assessment should also be undertaken to determine if such workers are generally poor (KILM 20), engaged in traditional agricultural activities (KILM 4), selling goods in the informal market with no job security (KILM 7), working excessive hours (KILM 6a) or wanting to work more hours (KILM 12).

In an ideal world an analysis of labour markets using a broad range of indicators such as those available in the KILM would be an easy matter because the data for each indicator would exist for each country. The reality, of course, is quite different. A glance at KILM table E2, which indicates the availability of KILM data for each country, shows that despite recent improvements in national statistics programmes and in the efficiency of collection on the part of the KILM, many holes still exist whereby data are not available. No country listed has data for all 20 KILM indicators. The closest to perfect coverage are developed economies such as Canada, Denmark and Ireland, which are lacking only the data relating to the informal sector (KILM 7) and Mexico, which lacks coverage in the time-related underemployment indicator (KILM 12).

The coverage of KILM indicators is particularly low in African countries, which is understandable given the low priority that is likely to be placed on conducting labour force survey in countries overrun by poverty and political unrest. The paradox is that this is

precisely the region where greater labour market information is needed in order that international donor money as well as national policies can be productively targeted to improving the possibility for the population to “work out of poverty”.¹⁰ Development of national statistical programmes is desperately needed in many developing economies. Therefore, we urge donors to consider aid in statistical capacity building a suitable and important use of funds, and also encourage governments to place priority on the development of statistical programmes.

KILM organization and coverage

The Statistics Division of the United Nations compiles statistics for approximately 230 countries, areas and territories.¹¹ For each edition of the KILM, the ILO has made an intensive effort to assemble data on the indicators for as many countries, areas and territories as possible. Where there is no information for a country, it is usually because the country involved was not in a position to provide information for the indicator. Even when information for an indicator was available, it may not have been sufficiently current or may not have met other qualifications established for inclusion in the KILM.

Regional classifications need to be reviewed and adjusted from time to time to improve validity and comparability with groupings defined by other international

organizations.¹² Consequently, the KILM groupings in this edition are different from previous editions. With the inclusion of ten new Member States to the European Union in 2004, it no longer made sense to include these countries in the former “transition economies” grouping nor did it make sense to include them in the former “developed economies” grouping since the level of economic development in some of the countries differed significantly from developed economies such as, say, the United States. The resulting new grouping “Developed Economies and the European Union” served as a compromise. The remaining former transition economies are now grouped within the “Central and Eastern Europe (non-EU) and CIS” region. Another adjustment was made to the “Asia and the Pacific” region. In previous editions, this region was divided according to six subregions (Eastern Asia, South-central Asia, South-eastern Asia, Melanesia, Micronesia and Polynesia). The subregions have now been streamlined into four: East Asia, Pacific Islands, South Asia and South-East Asia.

There are six major groupings, based on a combination of level of development and geography. It is important to note that the groupings developed for the KILM are intended exclusively for analytical convenience and are not intended to express judgement or appraisal as to a given country’s current stage in the development process. There is one developmental grouping – Developed Economies and European Union – and four geographic groupings – Central and Eastern Europe (non-EU) and CIS, Asia and the Pacific, Latin America and the Caribbean, sub-Saharan Africa, and the Middle East and North Africa. Each country appears in only one major grouping; for example, Japan is included in the Developed Economies grouping and is therefore excluded from Asia and the Pacific. The inside front cover of the printed KILM gives a graphical representation of the organization of the countries by major groupings. Each major grouping has been

10. The ILO strongly advocates placing employment at the heart of poverty reduction strategies, noting, in particular, that “it is precisely the world of work that holds the key for solid, progressive and long-lasting eradication of poverty”. ILO: *Working Out of Poverty*, Report of the Director-General, International Labour Conference, 91st Session (Geneva, 2003).

11. International Standard ISO 3166-1, *Codes for the representation of names of countries and their subdivisions* – Part 1: *Country codes*, 1997 (Geneva, International Organization on Standardization, 1997); website: <http://www.un.org/Depts/unsd/methods/m49.htm>.

12. For example, the groupings defined by the United Nations for the production of indicators relating to the Millennium Development Goals.

divided into smaller subgroups within the tables to facilitate analysis.

Owing to the limitations associated with presenting such a large volume of information in printed form, information in the book is restricted to the years 1980, 1990, 1995 and the latest available subsequent five years. However, in the KILM interactive software, indicators are available for all years after, and including, 1980. Because of the time needed for typesetting and printing, the printed version may not be as up to date in terms of yearly coverage as the electronic version. Users of the interactive software will also be notified of, and granted access to, updates as soon as new information becomes available and can be assembled, analysed and posted.

If there was no available information for a given country or year at the time this volume was produced, that country or year is not shown in the relevant table. With few exceptions, the indicators are expressed as ratios or percentage changes (for example, labour force participation rates, proportions of part-time to total employment, unemployment rates, inactivity rates, and indices of manufacturing wages). Because of limitations of space, the actual numerators and

denominators used to calculate the indicators are not always provided in the printed edition of KILM, but can be found in the software.

Finally, a note on translations: the International Labour Office makes every effort to provide the KILM in French and Spanish in addition to the original English. These other languages are provided in the KILM interactive software only. Users of the software are able to select their language – English, French or Spanish – from the file menu, and can switch between languages at any time.

Information repositories and methodological information

In compiling the KILM, the ILO concentrates on bringing together information from international repositories. In other words, the KILM team rarely collects information directly from national sources, but rather takes advantage of existing compilations held by various organizations, such as the following:



International Labour Office (Bureau of Statistics)



United Nations Statistics
Division



Organisation for Economic
Co-operation and Development (OECD)



World Bank



United Nations Industrial Development
Organization (UNIDO)



Statistical Office of the
European Union (EUROSTAT)



United Nations Educational, Scientific and Cultural Organization (UNESCO)



United States Bureau of Labor Statistics (BLS)

Information maintained by these organizations has generally been obtained from national sources or is based on official national publications.

Whenever information was available from more than one repository, the information and background documentation from each repository was reviewed in order to select the information most suitable for inclusion, based on an assessment of the general reliability of the sources, the availability of methodological information and explanatory notes regarding the scope of coverage, the availability of information by sex and age, and the degree of historical coverage. Occasionally, two data repositories have been chosen and presented for a single country; any resulting breaks in the historical series are duly noted.

For countries with less-developed labour market information systems, such as those in the developing economies, information may not be easily available to policy-makers and the social partners, and even less so to international organizations seeking to compile global data sets. Many of these countries, however, do collect labour market information through household and establishment surveys, population censuses and administrative records, so that the main problem remains the communication of such information to the global community. In this situation, the ILO Labour Market Indicators Library (LMIL) programme can help. The LMIL is a system for sharing information between the ILO regional offices and headquarters. ILO regional offices are closer to the original micro-sources of data and have therefore been successful in filling in numerous gaps where data at headquarters – used in the production of the KILM – had not existed. It is an ongoing programme that continues to assist the KILM and other ILO publications and research programmes in the expansion of its country and yearly coverage of

indicators. (See box 2 for more information on the LMIL.)

Notes and “breaks”

The collection of labour market indicators presents a dilemma, namely, how to balance the desire to have the greatest degree of geographical coverage for a specified time period with the need to ensure the greatest level of comparability or harmonization? Achieving a harmonious balance between coverage and comparability is a difficult task; the only realistic way of dealing with the question is to provide as much methodological information as possible, while at the same time “flagging” the issues that challenge users who wish to make valid comparisons between countries whose statistical methodology and definitions may not match in every respect. Each indicator has a section on “limitations to comparability”, and notes on methodology and sources are as explicit as possible in each table.

Historical continuity is important for many users of labour market information. Without overburdening the indicator tables, it is necessary to alert users to significant changes in the source, definition or coverage of the information from year to year. A “**B**” placed at the point of a chronological “break” denotes a change in the methodology, scope of coverage and/or type of source used within the country,¹³ while a “**b**” denotes a change of repository which may, in fact, signify no actual change in methodology, scope of coverage or type of source used for a given country. If there has been a change in both methodology and repository for a given country for a given year,

13 .A break in series is not noted when a country-specific survey reference period has changed, although users should be aware that comparability issues do result from the frequency of data observations; the resulting methodology for calculating annual averages and a certain degree of seasonality can influence the results when a full year is not covered.

the notation of a change in methodology is given priority – that is, a “**B**” will appear, not a “**b**”.

Whether the information has been obtained from other international repositories, regional labour market indicator sets or directly

from official sources, a substantial effort has been made to develop and maintain the links to the source and the information provider. Wherever possible, the user will find a link to the information provider’s sources, whether printed publications or web sites.

Box 2. The Labour Market Indicators Library (LMIL) Network

The ILO proposes to benefit from its field structure by enhancing the capabilities of its subregional offices to serve as regional labour market information collection centres. The KILM team, in collaboration with the Bureau of Statistics (STAT) and several subregional offices, has introduced a project entitled the Labour Market Indicators Library (LMIL) Network, which aims to compile, maintain and analyse labour market indicators and methodological information in an efficient and cost-effective manner. The project allows all the partners to share information resources and to gain access to information stored in the LMIL database for analysis and dissemination purposes. In the preparation of the KILM, the LMIL network has provided a comprehensive overview of the availability of labour market indicators, allowing team members to fill in gaps where information exists and to identify additional gaps in national and regional labour market information, thus devising a strategy to strengthen any weak points. Data repositories identified as “LMIL” in the tables indicate that the information was located at the field-office level and transmitted via the LMIL network to headquarters. This system of sharing information has significantly reduced the delay in the time between the gathering and dissemination of information at the national, regional and international level.

The LMIL network is supported by a system for electronically transferring information from the field to headquarters, and vice versa, in a manner that complies with ILO methodological standards. Indicators are compiled, together with meta-information, which is required to assess the accuracy of indicators and to analyse their comparability across economies and time. The system, which is shared among ILO offices, contains the entire KILM database as generated from searches of international information repositories (see the section on Information repositories) and additional variables from the ILO Bureau of Statistics’ *Yearbook of Labour Statistics* as well as variables that are of interest to the field offices and the regions where they operate. The ILO field offices retain responsibility for identifying, soliciting and reviewing the information in order to fill gaps in the series contained in the LMIL dataset and to provide the latest information available from regional or national sources.

In the preparation of this and the three previous editions, the KILM team made use of the LMIL network to enlarge the set of information available. The LMIL network has contributed to improving the availability and timeliness of labour market information, while widening the geographical coverage, particularly for several countries in Africa, Asia, the Middle East, Central and Eastern Europe, Central and Latin America and the Caribbean regions. It is our hope that the LMIL Network will contribute to improving the assembly, analysis and dissemination of up-to-date and relevant labour market indicators so as to arm policy-makers with the proper information and tools for monitoring employment and making labour market policies.

International comparability

As mentioned above, there will always be important caveats relating to the methodologies of measurement; these require time and effort to sort out before reasonable international comparisons can be made. Limitations to comparability are often indicator-specific; however, there are standard issues that require

attention with every indicator. For example, the precision of the measurements made for each country and year, and systematic differences in the type of source, related to the methodology of collection, definitions, scope of coverage and reference period, will certainly affect comparisons.

In order to minimize misinterpretation,

detailed notes are provided that identify the repository, type of source (household and labour force surveys, censuses, administrative records, and so on), and changes or deviations in coverage, such as age groups and geographical coverage (national, urban, rural, capital city and so on).¹⁴ When analysing or making reference to a particular indicator, users are advised to examine closely the section “Limitations to comparability” and the notes to the data tables.

World and regional estimates

For the first time, the KILM 4th Edition includes world and regional estimates for the following indicators: labour force participation (KILM 1), employment-to-population ratio (KILM 2), employment by sector (KILM 4), unemployment (KILM 8), youth unemployment (KILM 9), employment elasticities (KILM 19) and the working poor (KILM 20). The estimates are presented in a box in each indicator’s manuscript along with an analysis of the global and regional trends. The estimates are derived using one of three models which use multivariate regression techniques to impute missing values at the country level. The processes used in the ILO world and regional estimation models are described in detail in box 3.

Summary of the 20 ILO Key Indicators of the Labour Market

The KILM 4th Edition provides indicators related to labour force, employment, unemployment, educational attainment, wages and compensation costs, productivity and labour costs, employment elasticities, and poverty. The 20 indicators have been organized by general topic into eight chapters. Each of the

14. Despite best efforts to include concise and informative notes to the KILM tables, the notes are often limited in terms of the level of detail that was available from the various repositories. As the KILM project evolves, the ILO will continue to collect and refine the indicators and methodological information and work in close cooperation with the producers of the various repositories, with the particular aim of resolving irregularities and clarifying the notes for the indicators.

indicators is briefly described and defined below.

KILM 1. Labour force participation rate

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 a country.

The KILM 4th Edition introduces three labour force participation tables. Table 1a contains labour force participation rate estimates according to the following standardized age groups: 15+, 15-24, 15-64, 25-54, 25-34, 35-54, 55-64 and 65+. This series covers 191 countries over the years 1980 to 2003. Table 1b has the same country and time-period coverage, but presents rates broken down by five-year age groups and sex, together with the corresponding labour force and total population figures.

The participation rates in tables 1a and 1b are harmonized to account for differences in national data collection and tabulation methodologies as well as for other country-specific factors such as military service requirements. These series include both nationally reported and imputed data and include only estimates that are national, meaning there are no geographic limitations in coverage. Table 1c contains data as reported by the country for 218 countries over the years 1980 to 2004. The data in 1c are presented for the following standardized age groups: 15+, 15-24, 15-64, 25-54, 25-34, 35-54, 55-64 and 65+.

KILM 2. Employment-to-population ratio

The employment-to-population ratio provides information on the ability of an economy to create employment; for many countries the indicator is often more insightful than the unemployment rate. 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 in a given country.

Box 3. ILO methodology for producing world and regional estimates of labour market indicators

The biggest challenge in the production of aggregate estimates is that of missing data. In an ideal world, producing world and regional estimates of labour market indicators, such as employment, for example, would simply require summing up the total number of employed persons across all countries in the world or within a given region. However, because not all countries report data in every year and, indeed, some countries do not report data for any years at all, it is not possible to derive aggregate estimates of labour market indicators by merely summing across countries.

To address the problem of missing data, the ILO Employment Trends Unit has designed and actively maintains three econometric models which are used to produce estimates of labour market indicators in the countries and years for which no real data exist. The Global Employment Trends Model (GET Model) is used to produce estimates – disaggregated by age and sex – of unemployment, employment-to-population ratios, employment by sector and employment elasticities (KILMs 2, 4, 8, 9 and 19). The world and regional labour force estimates found in KILM 1 and KILM 13 are estimated using the Trends Labour Force Model (TLF Model), and finally, the working poor estimates in KILM 20 come from the Trends Working Poverty Model (TWP Model).

Each of these models uses multivariate regression techniques to impute missing values at the country level. The first step in each model is to assemble every known piece of real information (i.e. every real data point) for each indicator in question. It is important to note that only data that are national in coverage and comparable across countries and over time are used as inputs. This is an important selection criterion when the models are run, because they are designed to use the relationship between the various labour market indicators and their macroeconomic correlates (such as per-capita GDP, GDP growth rates, demographic trends, country membership in the Highly Indebted Poor Country (HIPC) Initiative, geographic indicators and country and time dummy variables) in order to produce estimates of the labour market indicators where no data exist. Thus, the comparability of the labour market data that are used as inputs in the imputation models is essential to ensure that the models accurately capture the relationship between the labour market indicators and the macroeconomic variables.

The last step of the estimation procedure occurs once the datasets containing both the real and imputed labour market data have been assembled. In this step, the ILO Trends Team aggregates the data across countries to produce the final world and regional estimates. For further information on the world and regional econometric models, readers can consult the technical background papers available at the following website: <http://www.ilo.org/public/english/employment/strat/wrest.htm>.

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.

KILM 3. 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) contributing 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 and the level of development of countries. Over the years, and with growth of the country, one would typically expect to see a shift in employment from the agriculture to the industry and services sectors, with a corresponding increase in wage and salaried workers and decreases in self-employed and contributing family workers, previously employed in the agricultural sector.

The method of classifying employment by status is based on the 1993 International Classification by Status in Employment (ICSE), which classifies jobs held by persons at a point in time with respect to the type of explicit or implicit employment contract the person has with other persons or organizations. Such status classifications reflect the degree of economic risk, an element of which is the strength of the attachment between the person and the job, and the type of authority over establishments and other workers that the person has or will have.

KILM 4. Employment by sector

This indicator disaggregates employment into three broad sectors – agriculture, industry and services – and expresses each as a percentage of total employment. The indicator shows employment growth and decline on a broad sectoral scale, while highlighting differences in trends and levels between developed and developing economies. 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 addition of further sectoral detail in tables 4b and 4c is useful for demonstrating trends of employment within individual sectors of the economy.

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). Appendix C contains both ISIC Revisions 2 and 3.

KILM 5. Part-time workers

There has been rapid growth in part-time work in the past few decades in the developed economies. This trend is related to the increase in the number of women in the labour market, but also to attempts to introduce labour market flexibility in reaction to changing work organization within industry and to the growth of the services sector.

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, the dividing line is determined either on a country-by-country basis or through the use of special estimations. 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.

KILM 6. 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.

Two measurements related to working time are included in KILM 6 in order to give an overall picture of the time that the employed throughout the world devote to work activities. The first measure relates to the hours an employed person works per week (table 6a). 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 (table 6b).

KILM 7. 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 most developing, as well as some developed, economies. 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 (KILM 8) and time-related underemployment (KILM 12).

The 15th ICLS defined the informal sector as units of production within unincorporated enterprises owned by households. Those employed in the informal economy comprise all persons who, during a given reference period, were employed in at least one production unit that meets these informal sector guidelines, irrespective of their status in employment and whether it was their main or a secondary job. The ICLS resolution makes allowances for some national variations. As a result, information for the indicator is often based on national definitions and measurements of the informal economy. However, to the greatest extent possible, data are grouped in the table according to the definitions and methodology used, so as to maximize comparability.

KILM 8. Unemployment

The unemployment rate is probably the best-known labour market measure and certainly one of the most widely quoted by the media in many countries. Together with the employment-to-population ratio (KILM 2), it provides the broadest available indicator of economic activity and 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.

The resolution concerning statistics of the economically active population, employment, unemployment and underemployment, adopted by the 13th ICLS, defines the unemployed as all persons above a specified age who, during the reference period, were without work, currently available for work and seeking work. However, it should be recognized that national definitions and coverage of unemployment can vary with regard to factors such as age limits, criteria for seeking work, and treatment of, for example, persons temporarily laid off, discouraged about job prospects or seeking work for the first time.

KILM 9. 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 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 KILM 9 measures should be analysed together; any of the four, when analysed in isolation, could paint a distorted image. For example, a country might have a high ratio of youth-to-adult unemployment but a low youth share in total unemployment. 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.

KILM 10. 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 when unemployment benefits either do not exist or have been exhausted. Long-term unemployment is not generally viewed as an important indicator for developing economies, where the duration of unemployment often tends to be short, due to the lack of unemployment compensation and the fact that most people cannot afford to be without work for long periods. Therefore, most of the information available for this indicator comes from the more developed economies.

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).

KILM 11. Unemployment by educational attainment

This indicator can provide important insights into the relationship between the educational attainment of workers and unemployment in different countries. This allows researchers to discern a key characteristic of a country's or 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 KILM 11 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.

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. The categories used in the indicator are conceptually based on the levels of the International Standard Classification of Education (ISCED), contained in Appendix D. ISCED was designed by UNESCO to serve as an instrument for assembling, compiling and presenting comparable indicators and statistics of education, both within countries and internationally.

KILM 12. Time-related underemployment

Underemployment reflects under-utilization of the productive capacity of the labour force. Time-related underemployment, as the only component of underemployment, to date, that has been agreed on and properly defined within the international community of labour statisticians, is, therefore, 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 – time-related underemployment as a percentage of the labour force, and as a percentage of total employment.

The international definition of time-related underemployment was adopted in 1982 by the 13th ICLS and amended in 1998 by the 16th ICLS. It 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”.

KILM 13. 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 inactivity rate of the age groups 15+, 15-24, 15-64, 25-54, 25-34, 35-54, 55-64 and 65+ are shown in table 13. 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 (KILM table 1a) for the corresponding group, will equal 100 per cent.

The inactivity rate of women, in particular, tells us a lot about the social customs of a country, attitudes towards women in the labour force, and family structures in general.

KILM 14. 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 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.

The KILM 14 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. As with the indicator for unemployment by educational attainment (KILM 11), KILM 14 presents information in accordance with the ISCED (see Appendix D).

KILM 15. Manufacturing wage indices

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 (despite the fact that paid employment in manufacturing activities is not uniformly important across regions and over time, for reasons explained in detail within KILM 15).

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.

KILM 16. Occupational wage and earning indices

While KILM 15 shows trends in average wages at the industry level (i.e. in manufacturing), KILM 16 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.

Two tables of wage indices are presented for this indicator: one relating to nominal and real wage rates, and the other to nominal and

real earnings. Nineteen occupations were selected to give a representative picture of the development of real wage rates and earnings for different types of occupations with varying skill levels in different sectors of activity.

KILM 17. 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 (KILM 18), 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.

For the purposes of this indicator, hourly compensation costs of manufacturing production workers are expressed in US dollars at market exchange rates; comparisons in index terms show the position of countries in relation to the United States (United States = 100). The indicator also shows non-wage labour costs as a percentage of total compensation costs – the sum of gross earnings and the employers' contributions to legally required insurance programmes, contractual and private benefit schemes (plans), and labour taxes – as well as the annual percentage change in total compensation costs over the period 1980-2003.

KILM 18. Labour productivity and unit labour costs

Productivity and unit labour costs, in combination with hourly compensation costs, can be used to assess the international competitiveness of a labour market. Economic growth in a country or sector can be ascribed either to increased employment or to more effective work by those who are employed. The latter can be described through data on labour productivity. Labour productivity, therefore, is a key measure of economic performance. An understanding of the driving forces behind it, in particular the accumulation of machinery and equipment, improvements in organization as well as physical and institutional infrastructures, improved health and skills of

workers (“human capital”) and the generation of new technology, is important in formulating policies to support economic growth.

Labour productivity is defined as output per unit of labour input, and unit labour cost is the labour cost per unit of output. Information is presented for the total economy and the manufacturing sector as well as two service sectors, transport and communication, and wholesale and retail trade. In addition, this edition of the KILM provides estimates of productivity in the agriculture, forestry and fisheries sector.

KILM 19. Employment elasticities

Employment elasticities provide a numerical measure of how employment growth varies with growth in economic output – i.e. how much employment growth is associated with 1 percentage point of economic growth. Employment elasticities can serve as a useful way to examine how growth in economic output and growth in employment evolve together over time. They can also provide insights into how employment generation varies for different population subsets in an economy and assist in detecting and analysing structural changes in employment over time. Taken together with other indicators such as economic growth rates, labour force growth, poverty, hours of work and wages, employment elasticities can provide important insights into labour market trends.

Two tables of employment elasticities are provided for this indicator. Table 19a gives the percentage point change in employment, by sex, associated with a 1 percentage point increase in total economic growth over three time periods: 1991 to 1995, 1995 to 1999 and 1999 to 2003. The second table provides sector employment elasticities, which indicate the percentage point change in employment within a given sector (agriculture, industry or services) associated with a 1 percentage point change in value added in the sector.

KILM 20. Poverty, working poverty and income distribution

Poverty can result when individuals are unable to generate sufficient income from their labour to maintain a minimum standard of living. The extent of poverty, therefore, can be viewed as an outcome of the functioning of labour markets. Because labour is often the most significant, if not the only, asset of individuals in poverty, the most effective way to improve the level of welfare is to increase employment opportunities and labour productivity through education and training.

An estimate of the number of people in poverty in a country depends on the choice of the poverty threshold. However, what constitutes such a threshold of minimum basic needs is subjective, varying with culture and national priorities. Definitional variations create difficulties when it comes to making international comparisons. Therefore, in addition to national poverty measurements, this indicator presents data relative to the World Bank international poverty lines of US\$1 and US\$2 per person per day. The Gini index is also given, as it is a convenient summary measure of the degree of inequality based on either income or expenditure. Estimates of the “working poor” – defined as the proportion of employed persons living in a household whose members are estimated to be below the poverty line – are also available for the first time in the KILM 4th Edition.

the data sets for the indicators, together with interactive software through which users can select and query the indicators by country, year, type of source and other user-defined functions according to specific needs. It includes everything that is in the printed publication plus information for all years after 1980, as well as all the basic statistics used to calculate the indicators. The KILM 4th Edition software also includes a number of innovations. First, new functionality allows users to generate a multiple table grid, consolidating multiple indicators available for one country side by side. For example, a user may choose to generate a table with unemployment and employment estimates together.

Another improved feature is the “update” capacity. Data updates will be automatically downloaded each time a user opens the programme (if connected to the Internet). Users who do not have Internet access will be notified by email of the availability of updates, assuming they fill in the registration material. The KILM software will be updated approximately every six months so that users of the electronic product can feel confident that they will have access to the latest available labour market information.

KILM interactive software

The ILO hopes to reach a wider audience by presenting KILM in software as well as in printed form, each of which corresponds to specific users’ needs. As in previous editions, the electronic version of the KILM contains all