



Terms of Reference

Develop Methodologies for Wage Price Index in Viet Nam (1.1)

I. Background

ILO and wage policies

The International Labour Organization (ILO) has had a significant influence on wage policies globally. The ILO dedicated to promoting decent work and social justice, advocates for wage policies which are instrumental in shaping labour standards, advocating for fair wages, and providing guidance to member states.

In the same vein, the ILO's impact on wage policies is multifaceted. It extends to the provision of international labour standards, the use of labour market institutions such as minimum wages and collective bargaining, data collection and dissemination, and facilitation of technical assistance. These multifarious endeavours underpin the ILO's enduring commitment to advancing towards Social Justice.

Recently, the Meeting of Experts on wage policies, including living wages in February 2024 concluded that “wage-setting practices should be based on...Utilize robust data and statistics for an evidence-based approach”. This is because of the fact that designing and implementing adequate wage policies require representative data, timely and reliable statistics and data analysis. The development of Wage Price Index(es) (WPI) will contribute to the development of reliable data for the negotiations on wage at different levels in Viet Nam.

The Need for Evidence-Based Wage Policies

In the evolving global economic landscape, the development of effective wage policies stands as a cornerstone of governance, labour relations, and economic and social prosperity. Ensuring that these policies are underpinned by evidence is of paramount importance. A comprehensive foundation of information, robust data, and labour market indicators is indispensable in making informed decisions that redound to the benefit of workers, businesses, and society at large.

Wage policies are pivotal instruments in achieving equitable income distribution, promoting economic growth, and ensuring social stability. These policies directly impact the lives of individuals and the functioning of labour markets, thus requiring an evidence-based approach.

The foundation of evidence-based wage policies rests upon the availability, accessibility, and utilization of accurate information, comprehensive data, and labour market indicators which can ensure:

Informed Decision-Making: Robust data and labour market indicators empower policymakers to make informed decisions that consider the labour market dynamics, the needs of the worker and their families, and economic factors.

Transparency and Accountability: Data-driven wage policies promote transparency and accountability in the decision-making process, ensuring that stakeholders can assess the basis for wage adjustments.

Needs from National partners in Viet Nam

The Government of Viet Nam seeks for support from the ILO to strengthen the use of information and indicators, which will be conducive of more effective wage policies. It, therefore, requires the assistance to review the literature of the methodologies that are used to develop WPI that will enable to monitor the evolution of wages in general and by region, sectors, industry, gender and other dimensions.

The ILO and GSO had several exchanges to analyse the national needs to develop WPI in Viet Nam. It is agreed that GSO expect soon technical support from the ILO to develop the methodologies for developing the new Index on Wage Price. The Statistics Office shall take relevant pilot calculation in 2025 if the data sources allow.

The activities are implemented in the framework of the Setting Adequate Wages Project and RESA with funding from the Government of the Netherlands.

II. Objectives

The purpose of the exercise is to propose a study concerning the methodologies and data sourcing required to develop WPI based on theory and drawing from country experiences. A WPI is a critical economic indicator used to monitor changes in average wage levels, allowing us to understand the dynamics of labour market trends, inflation, and cost of living adjustments.

The primary objectives of this study:

- a. Develop a comprehensive framework on how WPI is constructed.
- b. Draw insights from country experiences and best practices in how countries in Asia and the Pacific have developed a WPI.
- c. Propose a methodology and the use of information for Vietnam, to develop and implement a WPI based on the GSO's capacity and resources.

III. Selection of Methodology

The choice of methodology is fundamental to the construction of a WPI. Common methodologies include:

- a. Fixed Basket Approach: This approach maintains a fixed basket of jobs or job categories over time and calculates changes in wages within this basket.
- b. Hedonic Regression Approach: It considers the quality and characteristics of jobs in addition to wage changes.

- c. Laspeyres Index: It measures changes in wage levels by keeping the base-period employment structure constant.
- d. Paasche Index: It allows the employment structure to change with time.
- e. Combined methodologies

To implement the selected methodology, the following data sources are required:

- a. Wage data: Collect wage data for various job categories, sectors, and regions.
- b. Employment data: Obtain employment statistics to calculate employment weights.
- c. Inflation data: Gather data on consumer prices to adjust wages for inflation.
- d. Quality and skill level data: If using a hedonic approach, data on job characteristics and skills are necessary.

It is critical to address definitions of these dimensions to have a precise indicator and to be able to have standard data for comparison purposes.

Drawing from international experiences is crucial in developing a robust WPI. Consider the following:

- a. Review existing WPIs in other countries in the AP region to understand their methodologies, challenges, and best practices.
- b. Seek input from experts and statisticians experienced in constructing WPIs.

A possible chapter could include the processing of data for richer analysis and validate the outcomes.

- a. Adjust nominal wage data for inflation using a suitable price index.
- b. Calculate the WPI based on the selected methodology.
- c. Validate the results through statistical tests and comparisons with other economic indicators.

A brief assessment should be made to implementing a specific methodology. In the case of Vietnam where we want to pilot the development of a WPI, it is suggested that the following areas to be addressed properly:

- a. Data availability and quality
- b. Justification of the methodological choice
- c. Seasonal variations and outlier observations should be addressed.

IV. Scope of work

The External Collaborator, with technical support from the ILO, and in coordination with the General Statistics Office of Viet Nam and relevant national experts, shall complete the followings tasks

1. Draft Literature Review on methodologies to calculate WPI in different countries in the world including two case studies from the Asia and Pacific region relevant for Viet Nam.
2. Provide 1.5 day training to the national partners on WPI methodologies and suitable techniques.
3. Provide technical guidance to the national partners and relevant national consultant in the process of collecting data, analysing data and identifying suitable methodologies and data collection strategy. Review and improve the proposed methodologies from national partners through document exchanges and at suitable validation meetings.
4. Develop a report identifying the suitable methodologies and technical advice for Viet Nam and validate this report at a national workshop.

V. Expected timelines and deliverables

#	Key tasks/Activities	Key deliverables	Tentative timelines
(1)	Draft Literature Review on methodologies and two case studies	International Literature Review and Case study Report	January - February 2025
(2)	Provide onsite training on methodologies based on national context and available data analysis	Training materials	March 2025
(3)	Provide support and inputs to the methodology proposal prepared by national partners	Inputs to the methodology proposal prepared by national experts	March - May 2025
(4)	Develop a report identifying the suitable methodologies and technical advice	PPT at the validation workshop on methodologies Final methodology report	May - June 2025

VI. Qualifications and Application

- A graduate degree (Master's or equivalent) in economics, development studies or related areas. An advanced degree (Ph.D.) in these relevant fields would be an advantage.
- Familiarity with the ILO's technical methodologies on wage settings and relevant International Labour Standards on wages. Demonstrated knowledge of wage formulation and evidence-based research for wage setting. Prior working experience with the ILO/UN would be an advantage.
- At least five years of relevant professional experience in research on labour and social policies. Demonstrated experiences in leading similar research assignments. Working experience with similar tasks in Viet Nam is an advantage.
- Strong research report writing skills and analytical skills. Ability to use analytical tools and qualitative and quantitative techniques.
- Demonstrated capacity in training in terms of training material development and delivery.
- Excellent command of English (Full professional proficiency). Knowledge of Vietnamese would be an advantage.

Application to deliver this consultancy service should be submitted by email to kimhue@ilo.org with a copy to hanoi@ilo.org no later than **14:00 Monday 18 November 2024** (Hanoi time) and must include:

- **CV** of the consultant;
- Brief **technical proposal**;
- Proposed **consultancy fee** with daily rate and expected number of working days.