

NOTE FOR ANALYSTS

13 May 2008

New data source for Domestic Worker Wages in CPI

1. Introduction

The wages of domestic workers (DWW) form part of the Household operations category of the CPI. This service has a weight of 3,48% in Headline CPI and 3,59% in CPIX (Metro and other urban areas). Data in this respect are included into the CPI twice a year, normally in February/March and September.

For several years, the data source providing the information on DWW has been Stats SA's Labour Force Survey. Stats SA is currently in the process of revamping the Labour Force Survey with a view to producing focused labour statistics on a quarterly basis. The data used by the CPI will not be collected in the new survey. With this in mind, Stats SA's CPI division began exploring alternative data sources regarding DWW in September 2005.

Since 2003, it has been compulsory for domestic workers to be registered for Unemployment Insurance. Employers of domestic workers are required to pay over an amount equivalent to 2% of salary paid to domestic workers to the Unemployment Insurance Fund (UIF). These payments may be made annually or monthly, in advance or in arrears. Stats SA receives updates of the UIF data on a monthly basis. The data on domestic workers have been analysed since September 2005.

In April 2008, Stats SA informed users that it would be switching the source for DWW in the CPI from the Labour Force Survey to the UIF database. The decision to make the change now was prompted by difficulties experienced in comparing the most recent LFS results with previous results. The most recent LFS reported a significant increase in the number of people employed as domestic workers. The related wage information proved not to be comparable with the information from the previous survey.

2. Method used to derive the DWW index from the UIF

The UIF maintains two datasets. The first is a file of registration and declarations information. The second is the payments database.

a) Declarations

Employers have to declare their workers' remuneration and other employment details at registration. The employers are then expected to declare all changes pertaining to the employment details, i.e. both personal and remuneration details, by the 7th day of the new month. Over time, the number of employers making new declarations has decreased significantly. This implies that the declarations do not reflect the most current salaries for domestic workers, making this an unreliable source of information for tracking the wages of domestic workers over time.

b) Payments

The UIF keeps a more updated record of all the contribution payments made by employers on behalf of their employees. However, payments do not show whether they are made in arrear or in advance, or for more than one month (e.g. annual payments). Further, payments cannot be allocated to individual domestic workers in the case of one employer having more than one domestic worker.

The payments file is updated regularly and, with certain editing procedures applied, is suitable for tracking wages of domestic workers for CPI purposes.

3. Editing criteria

The following criteria are applied programmatically to the UIF payments file:

- Employers with only one domestic worker employed are identified from the declarations database; and
- Employers who have made a monthly payment in the six preceding months are then selected to avoid distortions made by annual or periodic payments.

4. Inclusion of results into the CPI

The changes in the wages of domestic workers will continue to be introduced into the CPI twice a year according to the published schedule (although the first change for 2008 will be in the April 2008 release). The percentage change derived from the UIF data will be applied to the existing DWW index. No revision to previous indices will be done. The percentage change is calculated over six months using three-month averages of the median wage.

5. Comparison between UIF and LFS data

The following table shows the percentage changes that were sourced from the Labour Force Survey and were used in the compilation of the CPI. It also shows the percentage changes derived from the UIF data for the equivalent periods.

LFS survey period	UIF period	CPI publication	LFS % median change	UIF % median change (using 3-month average rather than individual months)
Sep-06 (LFS 14)	Mar-06 to Sep-06	Mar-07	2,6%	1,5%
Mar-07 (LFS 15)	Sep-06 to Mar-07	Sep-07	6,7%	7,2%

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