Beyond the Employment/Unemployment Dichotomy: Measuring the Quality of Employment in Low Income Countries

Draft for Comment

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## Table of Contents

INTRODUCTION 3

1. THE INADEQUACY OF STANDARD EMPLOYMENT/UNEMPLOYMENT INDICATORS 4

2. ATTEMPTS TO IMPROVE THE EMPLOYMENT/UNEMPLOYMENT DICHOTOMY 7
   Discouraged Workers 7
   Underemployment 9
   Working Poor 11
   Measuring Labour Status and Informality 12
   Discerning Job Quality by Measuring Specific Job Attributes 17

3. ADDING THE SECURITY DIMENSION TO JOB QUALITY 19
   Employment Security 19
   Income Security 20
   The Interplay between Employment Security, Income Security and Job Quality 22

4. CONCLUSION 23
Introduction

Labour markets in developing countries are characterized by enormous heterogeneity in the situations faced by their workers ranging from unequal access to employment, to differentials in returns to labour, as well as income and job security; all factors that constitute job quality. The current widely used employment and unemployment indicators focus on measuring quantity of employment and fail capture this heterogeneity in job quality. Over the years, attempts have been made to compensate for some of the shortcomings of the employment and unemployment indicators by developing additional indicators to measure discouragement, underemployment and the working poor, as well as elaborate schemas to better classify labour status. This paper explores the limitations of these attempts and their application particularly for developing economies. It takes a closer look at security as one of the common threads that runs through the various attempts to discern job quality. The discussion in this paper is by no means exhaustive; rather, the intent is to evoke thought and discourse on how to better empirically capture the concept of job quality so as to inform development policies, particularly for developing countries.

Critics argue that the notion of job quality is based on a hierarchy of attributes that is largely subjective. Without a job, one lacks the opportunity for decent work; if core labour standards are not honoured then the job is a bad one; and while some jobs may respect core labour standards, they are still deemed to be unacceptable because pay earnings are below the amount needed to enable an average-sized family to attain an internationally-minimal standard of living (Fields, 2001). While there is debate amongst international organizations on what specifically constitutes a good quality job, there is consensus that discourse on labour markets ought to include discussions on job quality in addition to quantity. From ILO Director-General’s report on Decent Work (ILO, 1999) presented to the 87th session of the International Labour Conference in 1999 to Francis Bourguignon’s discussion of Development Strategies for More and Better Jobs (Bourguignon, 2005) greater attention is being given to quality of employment; however, there is still a need for more empirical work in adequately measuring different aspects of job quality particularly in developing countries.
This paper is divided into four sections. The first section explores some of the key problems with the standard employment/unemployment indicators, particularly in developing countries. The second section reviews some of the attempts made to move beyond the employment/unemployment dichotomy through the elaboration of indicators such as discouraged workers, underemployment and the working poor as well as through the development of schemas to better delineate labour status, formality and informality. This section analyses the applicability of these indicators in a developing country context. The third section goes beyond the discussion of labour status and income as means of discerning job quality to draw out in some more detail the common element of security; it focuses on aspects of job security, income security and the interplay between them. The final section concludes with a brief summary of the discussion in the paper highlighting what remains to be done in the continuing struggle to capture in empirical terms the heterogeneity in job quality.

1. The Inadequacy of Standard Employment/Unemployment Indicators

The employment/unemployment dichotomy serves as a reasonable proxy of labour market tightness in industrialized economies, but its application to developing countries is less appropriate. This is for two, closely related reasons.

First, the aim to have a definition of employment that was consistent with national accounts led to the definition of employment commonly used today; this definition is overly inclusive. The definition encompasses marginal jobs, low paid jobs of one or two hours a week, as well as full-time jobs with high earnings and generous employment benefits. Employment in the three tiered labour force framework that gives precedence to employment over unemployment, and unemployment over economic activity, is intentionally broadly defined to cover various forms of work and the most number of people at work, if only for one hour during a particular, often short, reference period (Hussmanns, et al., 1990). The one-hour criterion is intended to allow for short-time work, casual labour, stand-by work, and other forms of irregular employment that is common particularly in low-income economies. However, being employed for at least one hour in a reference period is not necessarily indicative of gainful employment.
Ready access to informal employment provides ample opportunity for people to be employed for at least one hour a day. In the large rural areas of most developing countries, agricultural workers form the bulk of this unorganized sector. Employment, especially in rural areas of developing economies where the predominant form of labour is in family enterprises -- typically a farm, tends to absorb a large part of the labour force. While such workers are not faced with a total lack of work, many are underemployed. Sharing of low-productivity work, especially in the so-called informal or unorganized sector, is common and widespread; many work only part of the time. There is also the additional nuance of seasonal workers that work long hours during specific periods of the year in activities such as planting, harvesting, construction, tourism, holiday sales, etc, but at other times of the year, they remain otherwise idle. The classification of such workers can be ambiguous during the off-season.

The second reason that the employment/unemployment dichotomy is not a good proxy for labour market slack in developing countries is because in countries plagued by poverty and a lack of social safety nets, open-unemployment is not a luxury that the poor can afford. In order for a person to be considered unemployed, they have to satisfy three criteria simultaneously: completely without work, currently available to work and seeking work (Hussmanns, et al., 1990) In the absence of social safety nets and unemployment insurance, a total lack of work is only an option for whom searching for a job and waiting until a right one comes along is financially viable. The open unemployment figure therefore tends to measure those that are economically “better off”.

For example, in 2000 India had 10.5 million unemployed persons; this implies that the rate of unemployment was a low 2.8 per cent (Ghose, 2004). In more advanced industrial countries such a rate of unemployment would indicate full employment; however, in this instance, it suggests that most Indians cannot afford to be unemployed (Ghose, 2004). Furthermore, based on the assumption that a person’s level of education is a good indicator of their household income level, in his study of employment in India, Ghose finds that the rate of unemployment steadily rises as the level of education rises. The average unemployed person in India has a higher level of education than the average person employed in industry or agriculture (Table 1).
A majority of people are compelled to engage in some form of economic activity, however insignificant or inadequate (Say’s law of employment). The poor are often obliged to take jobs that have difficult working conditions and low wages; sharing of low-productivity work, frequently in agriculture, is common. Open unemployment for developing countries is therefore frequently low and can be seriously misleading as a measure of labour market slack. Data shows that in 2003, the average (unweighted) rate of unemployment for the low-income countries - 56 in total - was lower than the average for middle-income countries (Table 2).

<table>
<thead>
<tr>
<th>Years of Education</th>
<th>Rate of Unemployment</th>
<th>Distribution of Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>0</td>
<td>0.4</td>
<td>0.1</td>
</tr>
<tr>
<td>1 to 5</td>
<td>1.7</td>
<td>1.3</td>
</tr>
<tr>
<td>6 to 8</td>
<td>3.7</td>
<td>4.9</td>
</tr>
<tr>
<td>9 to 10</td>
<td>5.4</td>
<td>15.8</td>
</tr>
<tr>
<td>11 to 12</td>
<td>7.6</td>
<td>21.1</td>
</tr>
<tr>
<td>More than 12</td>
<td>8.5</td>
<td>27.0</td>
</tr>
</tbody>
</table>

Note: Unemployed are persons, aged 5 years or more, who are unemployed according to usual principal status


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<tr>
<td>Low income (56)</td>
<td>6.7</td>
<td>6.5</td>
<td>-0.2</td>
</tr>
<tr>
<td>Lower middle income (47)</td>
<td>11.7</td>
<td>11.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Upper middle income (29)</td>
<td>10.6</td>
<td>10.9</td>
<td>0.4</td>
</tr>
</tbody>
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Note: Income levels based on World Bank definitions


“Over the course of development, and reflecting the structural transformation of the economy, the concentration of unemployment shifts from underemployment to some form of more open unemployment” (World Bank, 1995, p. 27-28). Rising incomes and urbanization contribute to this process. This is not only because more people can afford to search for work, but also because more modern economies organize work in ways that does not lend itself as easily to work-sharing or adjustment of hours as is possible in economies with a high degree of agricultural work and a large purported informal sector (World Bank, 1995).
As mentioned earlier, an important reason behind the adoption of these definitions of employment and unemployment based on the one-hour criterion was the aim to have a definition that would be consistent with national accounts. The definition of unemployment as a total absence of work was prompted by the intention to measure all labour that goes into production, and to ensure that employment and unemployment are entirely mutually exclusive with priority given to employment. In theory, the production generated by all those persons working just a few hours could be large. It was considered of less importance whether those working only one hour would consider themselves employed, or whether society would have that view.

Therefore, the employment/unemployment dichotomy does not capture the heterogeneity in the labour market. Changes in the unemployment rate do not serve as a good proxy for the variations in the composition of good and bad jobs in the labour market. There is a need to further delineate this heterogeneity of jobs to gain a better understanding of the labour market.

2. Attempts to Improve the Employment/Unemployment Dichotomy

Over the years, attempts made to adopt more nuanced approaches to classifying employment status were partly based on the assumption that this would also provide more information on job quality. Some of these approaches try to develop better measures of labour utilization and try to capture the real extent of idle labour time, hence the evolution of concepts such as discouraged workers and time-related underemployment. Others seek to improve the traditional employment/unemployment dichotomy by using income or the number of hours worked as indicators of job quality (working poor, income related underemployment and time related underemployment). This section briefly reviews some of the widely accepted indicators found in the literature today.

Discouraged Workers

While there is some variation in the definition across countries, generally, a discouraged worker is one that wants a job, is currently available to work, but has given up the search
for employment because she/he believes that a search would be futile due to a lack of employment opportunities. The concept of discouraged workers is not only somewhat ambiguous, but the inclusion of discouraged workers among the unemployed is also an issue of debate, especially because discouragement is difficult to measure. The concept evolved as an attempt to relax the ‘seeking work’ category of unemployment to counter inadequate labour absorption as well as from the need to adequately capture potentially unutilized labour resources (Hussmanns, et al., 1990).

The debate over the inclusion or exclusion of discouraged workers from the pool of the unemployed has to do with their readiness, and likelihood, of entering the labour force should an opportunity present itself. Nonetheless, measuring this form of labour attachment is difficult and would require additional study to ascertain how likely those classified as discouraged are to enter the labour force, and whether the former activities of the individual included searching for a job.

How relevant is the concept of discouraged workers to developing countries? By-in-large, the above argument that few can afford the option of being unemployed may well explain why most empirical studies on discouraged workers were carried out in industrialized countries. It may be that discouragement is a pervasive phenomenon among particular segments of a population such as youth (15-24 year olds) or women in a given developing country that may rely on extended family structures for support. Using the data from the Organization for Economic Cooperation and Development’s (OECD) collection of statistics on discouraged workers, the ILO calculated that among OECD countries the share of young discouraged workers in the youth population outside of the labour force (inactive youth) was 2.6 per cent in 2004. The ILO estimates that the global share of young discouraged workers would be slightly higher – 4 per cent – due to a higher presence of discouragement in some regions such as in non-EU Central and Eastern Europe and CIS. 4 per cent of 525 million inactive youth means that there are approximately 20 million discouraged youth globally (ILO, 2006). Figure 1 is a visual representation of how discouraged youth fair with respect to other labour market indicators.
Thus, the indicator to capture discouraged workers attempts to facilitate a more accurate estimate of the potential reserves of labour – those that are willing and available to work, but have given up the search.

Underemployment

The International Conference of Labour Statisticians discussed defining and measuring underemployment on seven occasions: 1925, 1947, 1954, 1957, 1966, 1982 and in 1998 when the international statistical guidelines on the measurement of underemployment were revised (ICLS, 1998). The recognition that measured unemployment is insufficient to understand the deficiencies of the labour market fuelled this exercise. This is particularly pertinent in developing countries where many do not suffer from a total lack of employment, but rather a partial lack of it; where underemployment hides under the guise of employment.

Persons are considered underemployed if they had a job during the reference period but were willing and available to change their current work situation in order to increase their duration (visible underemployment) and productivity of work (other forms of underemployment). Indicators reflecting the productivity of work include hourly income and use of skills, but as these are far from being “invisible underemployment”, the name of this dimension of underemployment was changed to “other forms of underemployment”. Visible underemployment and other forms of underemployment are
not mutually exclusive as one could be underutilised both in terms of their hours of work and skills or hourly income. This further complicates the measurement of underemployment. It has repeatedly been recognised by the ICLS that for operational reasons the statistical measurement of underemployment may be limited to visible underemployment (ICLS, 1998). This limited scope meant that, once again, the measure focused on the volume of employment leaving out underemployment resulting from the underutilisation of skill and low productivity because these attributes are more difficult to measure.

A number of countries have started calculating an unemployment rate as well as an underemployment rate (mostly time-related) based on the ICLS guidelines. However, time-related underemployment (commonly defined as fifteen hours or fewer per week) does not paint an adequate picture of the situation in developing countries. In many low-income economies, people may work longer hours because of low wages and/or low productivity (Bescond, et al., 2003) – a fact not captured by the visible underemployment measure. Using data derived from national labour force surveys, an ILO study analysed the percentage of people working excessive hours (49 or more hours a week) for 43 countries (Figure 2). The study found that people in developing countries tend to work longer hours than those in transition or industrialized countries (Bescond, et al., 2003).

**Figure 2 : Excessive Hours of Work in 43 Countries (49 hour or more per week)**

* High rate: ≥ 40 percent of workers work 49 or more hours per week
** Intermediate rate: between 20 and 39 percent of workers work 49 or more hours per week
*** Low rate: < 20 percent of workers work 49 or more hours per week

Based on National Labour Force Surveys. For a list of countries, please see source.

**Source:** Adapted from Bescond, David, A. Chataignier and F. Mehran. 2003. “Seven Indicators to Measure Decent Work: An International Comparison”, in *International Labour Review*. Geneva: ILO.
Working Poor

The concept of working poor was introduced in the 1990s as a means to disaggregate total employment by linking it to (household or individual) earnings. Various definitions have since been developed. For example, the World Bank using micro data defines working poor as workers with earnings insufficient to maintain the median household above the poverty line. This benchmark may be the official poverty line, the $1 or $2 a day absolute poverty line or 50 per cent of median per capita consumption expenditures. The ILO has used the poverty headcount ratio for the population times the size of the labour force for its calculation of the global and regional estimates of the working poor. The EU uses micro data defining working poor as those individuals in the labour force that live in poor households. Clearly the ILO and EU definitions are less useful as a labour market indicator. The household is the unit of reference and the definition merely links household poverty to the number of employed persons in the household, rather than individual pay to the person employed.

A number of studies exploring the development impact of migration and remittances for example note that in many low-income countries, migrant remittances constitute a significant proportion of household incomes, especially among poorer groups (World Bank, 2006). It may therefore be feasible to have a reduction in the number of working poor without necessarily improving the labour market. Working poor is a useful concept to describe the poverty among workers, or depending on the definition used, the number of workers with low pay but it only discusses the low pay aspect of job quality without serving as a good proxy for other attributes related to job quality. This population-based household indicator is not an adequate labour market indicator. In addition, not only is it particularly difficult to measure income in low-income countries, but also obtaining an accurate estimate of total income including non-labour market earnings is even more difficult.

It has been argued that, while the earning levels are not the singular aspect determining the quality of work, “…in general, and especially for the half of humanity who subsist on less than $2 per person per day, it is the earnings from work that is the best indicator of the goodness or badness of the work they are doing” (Fields, 2001, p.6). A recent ILO study
on decent work and human development supports the argument that hourly income is a good proxy (Ahmed, 2003). The study, based on a sample of 38 countries, estimates the relationship between GDP and an index of different labour indicators such as hourly pay, unemployment, hours worked and access to a pension; it finds that there is a significant positive relationship between the two variables. On the other hand however, a different ILO study on patterns of job quality attributes in the European Union countries finds evidence to suggest just the contrary; that is, incomes may be higher to compensate for inadequate working conditions (Ritter, 2005). The evidence on whether or not income serves as a good proxy for job quality is mixed and the debate remains unresolved. Nonetheless, the challenge to using income as in indicator of job quality is that jobs in which core labour standards are not respected cannot be considered of good quality regardless of earnings.

Measuring Labour Status and Informality

Moving beyond the use of income, scholars have elaborated detailed schemas to take a closer look at labour status and the associated variations in employment conditions. This exercise was partly fuelled by the need to take a closer look at shifting patterns of labour utilization in light of globalization and the implications for quality of employment.

In their study of Coimbatore, India, Harriss, Kannan and Rodgers (1990) contend that, “in order to tackle issues of poverty and inadequate employment it is desirable to separate out different forms of labour utilisation in a much finer way then is usually the case, identifying distinct – partly interacting – production systems with different labour implications” (Harriss, et al., 1990, p.2). The authors therefore propose a method to measure labour status more effectively so as to better capture the stratification and segmentation1 of the labour market and its implications for policy.

Harriss, et al. define labour status as being composed of varying degrees of legal protection, regularity, reliability and autonomy; these elements are also dimensions of vulnerability that a worker is subject to. They identify 10 labour statuses distinguishing

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1 Stratification refers to the vertical division of the labour market according to differences in vulnerability. Segmentation can be found within or between these various strata; they are horizontal divisions defined by characteristics such as gender or race for example.
between wage labour and self-employed workers, apprentices and family workers (Table 3).

| Table 3: Labour Statuses Distinguished In Terms of Protection, Regularity, Reliability and Autonomy Coimbatore, India |
|-------------------------------------------------|----------------------------------------------------------|
| Wage Labour                                      |                                                           |
| Protected regular workers                        | The least vulnerable                                       |
| Unprotected regular long-term workers            |                                                           |
| Unprotected regular short-term workers           |                                                           |
| Independent workers                              | Lie between wage workers and self-employed in terms of autonomy |
| Self Employed                                    |                                                           |
| Those with some capital, generating incomes comparable to or higher than the least vulnerable wage workers |                                                           |
| Those engaging in marginal activities            | Comparable to the more vulnerable groups of wage workers |
| Apprentices                                      |                                                           |
| Family Workers                                   |                                                           |
| Unprotected irregular workers                    | The most vulnerable                                        |
| Unemployed                                       |                                                           |

Source: Adapted from Harris, Kannan and Rodgers, 1990

Although based on a survey of the city of Coimbatore in India, the authors argue that this approach to defining labour status has wider application; this method based on a priori reasoning is preferable to descriptive categories such as casual workers that are not always succinctly defined.

Another way to further qualify employment is by using the informal/formal dichotomy. The distinction between formal and informal sector employment was recognized as early as the 1970s. Attempts have since been made to define this distinction and to apply it to better understand the multiple facets of the labour market such as variations in the types of work people engage in and the associated variations in the quality of employment. Nonetheless, the nebulous nature of the unorganized sector not only make it particularly difficult to define, but empirical literature on informal employment has used so many definitions of informality that it is difficult to draw any meaningful international comparisons.
The ILO’s Key Indicators of the Labour Market (KILM) uses an enterprise-based concept to define informality. Accordingly, informal sector employment refers to all those persons that work in an informal sector enterprise (Hussmanns, 2004) including own-account enterprises (either all, or only those that are not registered). Enterprises owned by informal employers are also considered to be part of the informal sector and are defined on the basis of any of the following three criteria: (1) number of employees (to be determined according to national circumstances), (2) non-registration of the enterprise, and/or (3) non-registration of the employees. While some scholars have used the ILO’s definition of firm size to define informality (Maloney, 2004), others have used variables such as access to social protection coverage, or contract status, and still others have used a combination of these three indicators.

In 2003, the ILO through 17th International conference of Labour Statisticians resolved to move to a status-based concept of informality. The ICLS adopted a wider definition of informal employment that included employment in the informal sector as well as informal employment in the formal sector. The latter included several new categories of workers of which the most important category was that of employees that have an informal job in formal sector enterprises. Employees were considered to have informal jobs, “…if their employment relationship is in law or in practice, not subject to standard labour legislation, income taxation, social protection, or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.)…” (Hussmanns, 2004, p.6). Representatives of worker and employer’s groups alike agreed upon this definition.

As a major share of the population in developing and transition countries is in the informal economy, and because it is often argued that the informal economy harbours and conceals poor conditions of work, the ILO Bureau of Statistics in collaboration with the Department for Statistics and Sociology of the Republic of Moldova conducted another study seeking to operationalize the application of statistical methods for the measurement of informal employment based on the 2003 ICLS’ wider definition. The study found that 18.4 per cent of the persons employed in the formal sector had informal jobs (ILO, 2004b). The study examines the employment conditions of employees based on 8 criteria. A comparison between the conditions of workers in informal employment versus formal employment is made based on the following: job permanency, employment contract,
employer’s social contributions, paid annual leave, paid sick leave, maternity leave, protection against dismissal and compensation in case of dismissal (ILO, 2004b).

On the other hand, rather than casting informality and formality as a dichotomy, the ILO’s Socio-Economic Security Programme uses information from its People Security Surveys to present informality as a continuum based on five criteria: regularity status, contract status, workplace status, employment protection status and social protection status (ILO, 2004a). Hence while there is a vast literature on informality, defining it is an arduous task that makes cross-country comparisons difficult.

Characteristics of the informal sector, such as its size, vary depending on the definition used. Using data from Brazilian household surveys Henley, et al. (2006) for example compare three definitions of informality based on employment contract registration, social security protection and the characteristics of the employer and employment. The study shows that the size of the informal sector in Brazil depends very much on the definition used. Similarly, Marcouiller et al. (1997) found that using non-payment of social security taxes resulted in a much larger informal sector than if using firm size. Gong et al. (2000) studied informality in Mexico and concluded that the volume of informal employment varied substantially depending on which criteria are used (job status, social security coverage or firm size). In discussing job quality, knowing the size of the informal sector reveals critical information in order to discern the reach of labour/job protection regulations for example.

Aside from the varying definitions of informality, another challenge in deciphering informality and its implications for job quality is that earnings criteria are not part of the definition of the informal sector. Therefore, it may not be an appropriate measure for distinguishing between low and high-quality work, particularly with respect to income levels. Within the ILO’s definition of informal sector employment for example, there may be jobs that span a wide range of income and productivity levels. The definition is broad so as to not only include those who eke out a subsistence living through very low productive work, but also others who are unable to find formal jobs, or are displaced and waiting for better jobs; under such circumstances informal sector employment merely acts as a safety net. On the other hand, the definition could also include those working in
informal sector enterprises with much higher productivity levels, and earnings that are above the poverty line.

Based on the continuum developed by the ILO’s Socio-Economic Security Programme, Table 4 illustrates the income dispersion in groups defined according to the level of labour informality in Argentina, Brazil and Chile (ILO, 2004a). While more labour informality is associated with a larger number of people in the lower income group, there is nonetheless income dispersion within each category of the informality/formality continuum.

| Table 4: Selected Latin American Countries: Labour Informality and Income (2001) |
|---------------------------------|-----------------|-------|-------|-------|-------|-------|-------|
| Income over the two years prior to the survey | Informal | Very Low | Low | Medium | Almost Formal | Formal | Total |
| Argentina          |       |       |       |       |       |       |       |
| Higher            | 6.1   | 7.3   | 18.8  | 8.6   | 17.2  | 19.0  | 11.6  |
| About the same    | 22.7  | 25.6  | 37.5  | 42.9  | 53.3  | 53.1  | 35.8  |
| Lower             | 68.2  | 64.2  | 43.7  | 45.0  | 28.0  | 27.5  | 50.6  |
| Brazil            |       |       |       |       |       |       |       |
| Higher            | 18.1  | 26.0  | 33.8  | 32.9  | 32.8  | 37.0  | 29.1  |
| About the same    | 37.7  | 36.7  | 45.9  | 46.1  | 43.0  | 39.6  | 39.5  |
| Lower             | 44.3  | 37.3  | 20.3  | 21.0  | 24.3  | 23.4  | 31.4  |
| Chile             |       |       |       |       |       |       |       |
| Higher            | 17.0  | 21.9  | 16.1  | 27.4  | 27.7  | 43.0  | 29.9  |
| About the same    | 43.0  | 33.4  | 48.3  | 44.6  | 50.6  | 41.6  | 42.2  |
| Lower             | 40.0  | 44.7  | 35.6  | 28.0  | 21.6  | 15.5  | 27.9  |

Note: The table illustrates that an informal labour status means a greater likelihood of income variability and decline. More of the relatively informal experienced a decline in their income over the past two years prior to the survey.


Such argumentation forms the basis for the debate revolving around the assumption that the informal sector is necessarily characterized by a lack of benefits, irregular working conditions, high turnover and overall, lower rates of remuneration (Maloney, 2004). There is an opposing view that contends that in the face of international competition, firms reduce legislated or union induced rigidities as well as high labour costs by subcontracting production to unprotected workers (Maloney, 2004). This raises the question whether informality is necessarily symptomatic of the poor health of the labour market, or whether in this era of change heralded by globalization, does it pave the way for instituting greater flexibility within the labour market? Perhaps income dispersion within the informal economy bares testament to the latter argument.
Therefore, while data certainly confirm that informality is often associated with those with lower earnings, the income dispersion within the informal sector make it particularly hard to make a clear assessment of job quality with respect to income levels. Conversely, workers that earn a minimum wage for example are likely to have relatively formal working conditions; others without a signed contract for instance, may have a reasonable income level that may help compensate for the lack of formality (Sehnbruch, 2004). The distinction between the formal and informal sectors can thus only be helpful to a point. There is an additional need to examine differences in the quality of jobs within the informal sector itself. While earlier studies have demonstrated that average working conditions tend to be lower in the informal sector little empirical evidence exists on the variation of such conditions within the sector.

Discerning Job Quality by Measuring Specific Job Attributes

If one exercise is to capture variations the conditions that workers endure by better delineating labour utilisation and work-related income, another way is to measure specific job attributes that help determine whether a given job is ‘decent or not’. Based on the ILO’s four pillars of decent work: acceptable productive employment, social protection, social dialogue and rights at work, the ILO’s Statistical Development and Analysis Unit designed a series of pilot surveys to test the feasibility of measuring indicators of decent work. These indicators include hours of work for all jobs during the reference week, hourly pay among time-rated wage and salary earners as well as informal employment among wage and salary workers (for a complete list please see Mehran, 2005).

Examining the hours worked reveals information on the quality of employment in a variety of ways. For example, few hours of work could imply time-related underemployment and the underutilisation of labour. Conversely long hours of work could indicate low hourly wages and income-related underemployment. The results of the Philippines pilot survey reinforce the idea that long hours rather than short hours are more characteristic of the employment problem in developing countries. Additionally, the
results suggest that there is a relationship between low hourly pay\(^2\) and the number of hours worked (Mehran, 2005), although this is not always the case.\(^3\)

The pilot surveys designed to examine the feasibility of measuring indicators of decent work gauged informal employment based on the nature of the contract, the employer’s contribution to a social security fund, and entitlements to paid sick leave or to paid annual leave. A joint analysis of these four criteria yielded the following hierarchical pattern of employee’s social benefits that signifies degrees of informality of employment (Figure 3). For self-employed workers, formality or informality was based on the nature of the economic unit – in operational terms, namely its size, registration of the unit or its employees (Mehran, 2005). Furthermore, since the pattern of employee’s benefits is hierarchical in nature, whether or not one has a contract could serve as a proxy to gauge the existence of other social benefits.

\(\text{Figure 3}\)

Hierarchical Pattern of Employee’s Social Benefits

\[\text{Contract} \rightarrow \begin{cases} \text{Social Security} & \text{Yes} \\ \text{No} & \text{No} \end{cases} \rightarrow \begin{cases} \text{Sick Leave} & \text{Yes} \\ \text{Annual Leave} & \text{No} \end{cases} \rightarrow \begin{cases} \text{End} & \text{Yes} \\ \text{End} & \text{No} \end{cases}\]

\[\text{Source: Adapted from Mehran, 2005}\]

\(^2\) An adequate pay for statistical purposes is defined in relative terms as half the median value of the distribution of hourly pay among time-rated employees or an absolute minimum, whichever is greater (Anker, et. al., 2003)

\(^3\) The World Bank’s 1995 World Development Report entitled \textit{Workers In an Integrating World} points to evidence from Ghana and Malaysia to make the point that low wages do not always mean long hours of work. Families in the bottom 40 percent of the income distribution on average worked 15-20 fewer hours than individuals from the top 20 percent. A lack of opportunities in rural areas is the likely culprit.
3. Adding the security dimension to job quality

As illustrated by the examples in the preceding section, there are different ways in which to conceptualize the heterogeneity in labour status, overall worker vulnerability in informal versus formal sector jobs, and the conditions of work, in order to ascertain overall job quality. A common element underlying the discussion of many of the latter indicators concerns the element of security. A criticism of the working poor approach is that it only refers to current work-related income that does not always paint an adequate picture of worker vulnerability especially in terms of the sustainability of that income. At the heart of the discussion on labour status and the informality/formality of jobs is the extent to which one enjoys protection and regularity of employment and income. All these refer in one way or another to security -- a key ingredient for determining job quality.

There is general consensus that security is a critical component of job quality but that there are different types of work-related security\(^4\) makes matters complicated. An in depth discussion of the different forms of work-related security is beyond the scope of this paper; nonetheless, using somewhat broad definitions of job security and income security this section of the paper explores the interplay between security and job quality.

**Employment Security**

Employment security focuses on the probability of retaining a job, which is of course, to a large extent, contingent upon macroeconomic conditions. In jobs with a degree of formality, employment security also refers to the extent that employment protection regulation exists and is implemented. As far as employment security is relevant to the self-employed, it is the likelihood of losing independent work and/or business failure. The stability of the work relationship (permanent vs. temporary jobs) is also central. The key characteristic of job security is that it is employment-based. That is, it pertains to the job only and is directly linked to labour status.

Examining job tenure is one method of trying to empirically capture the extent of job security. However, this method of measurement is fraught with problems. For example, ageing and employment growth affect average tenure as does the proportion of youth in the labour force since youth tend to have very short employment tenure; this can pull down the average tenure and vice versa (ILO, 2004a).

Studying the existence of employment protection regulation is another way of trying to get at job security. However this poses particular problems in developing countries. Employment protection regulation has been the subject of intense debate for decades. Put simply, supporters argue that it is an essential determinant of job quality, and they adopt a rights based approach towards job security, while critics argue that employment security is a necessary trade-off for lower unemployment and greater flexibility in the labour market. However, in a developing country context, this debate is less relevant for two reasons. First, even though employment protection regulations may exist in some developing countries, they are often not enforced (Botero et al. 2004) and measuring the extent of their enforcement is an arduous task. Second, as noted earlier, since a significant proportion of the population in developing countries is informal, they are often beyond the reach of such regulation.

Therefore, in the context of developing countries it is not enough to look at employment security as the key representative of the element of security in assessing job quality.

Income Security

Income security, on the other hand, “consists of an adequate level of income, a reasonable assurance that such an income will continue, a sense that the income is fair, relative to actual and perceived needs and relative to the income of others, and the assurance of compensation or support in the eventuality of a shock or crisis affecting income” (ILO, 2004a, p.55).

In the absence of a single indicator that captures the varying job attributes, looking at income security is often seen as a good predictor of one’s quality of work. Despite the different approaches, there is little disagreement on the fact that income security is perhaps
the most fundamental determinant of worker vulnerability although it is by no means the only one. In society, those groups that are more vulnerable such as women, children, and other marginalized populations, are largely so because of their inability to generate an income. One may draw the conclusion that a higher income, perhaps decreasing in marginal value, reduces the level of vulnerability thus giving the worker more control over relationships and events.

The sufficiency and stability of the income is therefore seen as a vital component of job quality, and this in particular points to one of the limitations of the working poor approach. On the other hand, it would be interesting to examine the compensability between current and future income. For example “how many people would prefer to not pay their contributions, and rather run the risk of falling ill or growing old without protection, simply because they consider cash in hand now to be preferable to future income? In the case of Chile, 75% of the self-employed take this view” (Sehnbruch, 2004, p.22).

Furthermore, the literature on income security is also frequently limited to old age income security or income security in the event of a disability. An expansion of this discussion to the way in which income security reflects worker vulnerability can make significant contributions in capturing critical aspects of the job quality, though not all of them.

There are many types of incomes -- money income, full income or social income. Money income refers to wages, profits, rents or the proceeds from market sales (ILO, 2004a). In developing countries with large informal economies and often having weak social protection systems, non-wage entitlements that have a monetary value such as subsidized food, paid leave, insurance, and so on are frequently limited. Private investments and wealth transfers are also limited to the more affluent populations. Family and community transfers play a major role in the income security of most people in developing countries; however, these are problematic to measure.

In a discussion of income security, it is nonetheless critical to consider to the extent possible, different sources of income. Looking at one alone may actually mask poverty in terms of income security. For example, if a worker moves to an urban area for a higher
paid job and as a result loses access to family or community transfers, his income insecurity may actually increase even if the new job provides a higher wage. Focussing on money incomes, as is the case with $1 or $2 poverty headcounts, can therefore be misleading.

Nonetheless, while income security allows one to look beyond a certain degree of heterogeneity in labour status (it does not matter if one is a wage or salary earner, or self-employed, whether one is in the informal or formal economy, the critical determinant is their income security) measuring total income from different sources is a formidable task.

The Interplay between Employment Security, Income Security and Job Quality

As noted earlier, the key characteristic of employment security is that it is employment-based. That is, it pertains to the job only and is directly linked to labour status. Income security on the other hand relates more to the person holding that job. If one assumes that with higher income security one is able to buy greater job security, say through education to improve employability in a formal job or through retraining in order to retain a job, then job security becomes a facet of income security. The critical question for researchers interested in studying the element of security in job quality is to decide whether they are interested in examining the security attached to a specific job or rather the security of the holder of the job.

An innovative way to examine the security of an individual may be to study the economic opportunities he/she has available to them. The Hope Street Group (www.hopestreetgroup.org), a U.S. based non-profit, is compiling an Economic Opportunity Index (EOI) to quantitatively measure a person’s ability to capitalize on his/her skills, talents, and hard work to achieve economic security for themselves and their families. The researchers are doing so by examining how the availability of education, the extent of market competition, and additional factors such as these might affect an individual’s opportunities.

5 The definition of employment-based job security can also be expanded to include other forms of security in addition to employment protection regulations such as career protection by instituting barriers to skill dilution for example, protection against occupational accidents and illness at work through safety and health regulations as well as regulations such as those regarding working time, and so on. These forms of security still refer to the protection given to those in work.
4. Conclusion

Recognizing that dualistic concepts of the labour market are too simplistic, Paul Streeten wrote in 1981:

> Employment and unemployment make sense only in an industrialized society where there are employment exchanges, organized and informed labour markets, and social security benefits for the unemployed who are trained workers, willing and able to work, but temporarily without a job.... « Employment » as interpreted in industrial countries is not the appropriate concept...to afford to be unemployed, a worker has to be fairly well off. To survive, an unemployed person must have an income from another source.... Indeed, the very poor are not unemployed but work very hard and long hours in unremonerative, unproductive forms of activity. This discovery drew attention to the informal sector.... The problem then was redefined as that of the working poor (Streeten, 1981 : 12-13).

The inadequacy of the employment/unemployment dichotomy has therefore yielded attempts to come up with more nuanced approaches in assessing the health of the labour market. Over time, this exercise gradually evolved to include a discussion on the concept of job quality such that discussions of the quantity and quality of employment have now become closely intertwined. Researchers keep trying to come up with indicators that provide finer and finer iterations of an individual’s world of work but job quality is a multifaceted concept that makes it difficult to grasp in empirical terms.

Critics argue that job quality is a subjective concept. The appeal of various job characteristics is based to a large extent on personal needs and circumstances (Sehnbruch, 2004). With many different elements, any method of calculating a composite indicator with different weights would necessarily be subjective (Sehnbruch, 2004; Anker, et al., 2003). Indeed, the discussion in this paper has also illustrated that in focussing on one aspect of job quality one runs the risk of neglecting others. Perhaps public opinion surveys can provide a more promising avenue to capture job quality. Nonetheless, moving beyond the employment/unemployment dichotomy and continuing the quest to develop a set of job quality indicators that adequately capture the heterogeneity of labour markets particularly for developing countries is critical.
References


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www.hopestreetgroup.org