



# OPHI WORKING PAPER NO. 02

## Employment

### A proposal for internationally comparable indicators

María Ana Lugo \*

May 2007

#### Abstract

Employment is the main source of income for most families in the world. While it is certainly not a new dimension of well-being, it is sometimes forgotten in human development studies and poverty reduction policies or, at least, not considered in the depth it deserves. This paper proposes seven indicators of employment to be added to multi-purpose household surveys which, we argue, are crucial to a comprehensive understanding of causes and implications of poverty around the world. Traditional approaches to labour market indicators present two main weaknesses. First, in most cases, they are not as relevant in the developing world as they are in developed economies, and hence do not provide an accurate picture of labour markets in these countries. Second, surveys that collect a broader set of questions on employment do not always include extensive questions on the household and its members. The indicators proposed are informal employment; income from employment (including self-employment earnings); occupational hazard; under/over employment; multiple activities; and discouraged unemployment. The aim is to complement 'traditional' indicators to provide a deeper understanding of both the *quantity* and *quality* of employment.

Keywords: work, quality of employment, poverty, household survey

JEL classification: J21, J81, C8

Copyright © Oxford Poverty & Human Development Initiative 2009

\* University of Oxford, maria.lugo@economics.ox.ac.uk

This study has been prepared within the OPHI theme on The Missing Dimensions of Poverty Data.

OPHI gratefully acknowledges support for its research and activities from the Government of Canada through the International Development Research Centre (IDRC) and the Canadian International Development Agency (CIDA), the Australian Agency for International Development (AusAID), and the United Kingdom Department for International Development (DFID).

ISSN 2040-8188

ISBN 978-1-907194-02-3

## Acknowledgements

I am grateful for the comments of Sabina Alkire, Proochista Ariana, Grace Bediako, Martha Chen, Rachael Diprose, Valeria Esquivel, Valpy Fitzgerald, Emma Samman, Justin Sandefur, N.S. Sastry and Sylvester Young on the content of this paper; all errors remain my own.

A modified version of this paper was published in the December 2007 issue of *Oxford Development Studies*, vol. 35, no. 4.

## Contents

I.	Employment: a missing dimension?	1
II.	Survey instruments	2
III.	Indicators	3
	1. Protection: Informal employment	5
	2. Income: Income from employment	8
	3. Safety: Occupational hazard	9
	4. Time: under- and over-employment and multiple activities	11
	5. Discouraged unemployed	12
IV.	Conclusions	13
V.	Appendix. Matrix used to capture income and profits of self-employed workers	15

## Tables

1	Shortlist of employment indicators	5
2	Questions to determine informality.....	7
3	Questions to determine income from self-employment .....	9
4	Questions to determine occupational hazards .....	10
5	Questions to determine under- and over-employment .....	12
6	Questions to determine multiple activities .....	12
7	Questions to determine discouraged unemployment .....	13

*The Oxford Poverty and Human Development Initiative (OPHI) is a research centre within the Oxford Department of International Development, Queen Elizabeth House, at the University of Oxford. Led by Sabina Alkire, OPHI aspires to build and advance a more systematic methodological and economic framework for reducing multidimensional poverty, grounded in people's experiences and values.*

This publication is copyright, however it may be reproduced without fee for teaching or non-profit purposes, but not for resale. Formal permission is required for all such uses, and will normally be granted immediately. For copying in any other circumstances, or for re-use in other publications, or for translation or adaptation, prior written permission must be obtained from OPHI and may be subject to a fee.

Oxford Poverty & Human Development Initiative (OPHI)  
 Oxford Department of International Development  
 Queen Elizabeth House (QEH), University of Oxford  
 3 Mansfield Road, Oxford OX1 3TB, UK  
 Tel. +44 (0)1865 271915      Fax +44 (0)1865 281801  
 ophi@qeh.ox.ac.uk      <http://phi.qeh.ox.ac.uk/>

The views expressed in this publication are those of the author(s). Publication does not imply endorsement by OPHI or the University of Oxford, nor by the sponsors, of any of the views expressed.

## I. Employment: a missing dimension?

Employment is the main source of income for most families in the world. While certainly not a new dimension of well-being, it is sometimes forgotten in human development studies and poverty reduction policies or, at least, not considered in the depth it deserves. Having a good and decent job is generally associated with being out of poverty, whichever way poverty is defined. Additionally, employment can give a sense of self-respect and fulfilment (Sen 1975). There is hence no question as to the importance of employment as a constituent part of individuals' well-being. Any economic development and poverty reduction agenda will necessarily include an analysis of the labour market situation and how it can be improved. There is less agreement, though, on how much and which type of employment is necessary. The present paper proposes seven indicators of employment to help specialists and policy makers answer these questions, at a global level. The aim is to complement 'traditional' indicators to provide a deeper understanding of both the *quantity* and *quality* of employment. The point of departure is the list of basic indicators proposed by the International Labour Organization (ILO) included in the LABORSTA<sup>1</sup> database of labour statistics, and the guiding principle follows closely the ILO's *Decent and Productive Work for all Agenda*,<sup>2</sup> where:

Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.

(ILO, <http://www.ilo.org/public/english/decent.htm>)

For the purpose of poverty analysis, the traditional approach to labour market indicators presents two main weaknesses.

First, most of these indicators are not as relevant in the developing world as they are in developed economies, and hence do not provide an accurate picture of labour markets in these countries. Most of the poor do work, and primarily engage in informal activities. Worldwide, more than 500 million people work but still live on less than US\$1 a day (ILO 2007: table 4). In the poorest regions – Africa, South Asia and Latin America – on average, only 5 to 10 percent of the active population is unemployed while between 50 and 80 per cent of employment in non-agricultural activities is informal (Chen et al. 2005). Moreover, at most 2 in 5 workers in low-income Sub-Saharan Africa have wage employment, whether formal or informal. It is thus imperative to have better information to describe the characteristics of the labour force which fall outside the traditional idea of employment (i.e., wage employment), and which can be used to compare labour markets across countries. In this paper, we propose a short list of indicators of employment that ought to be collected (at the level of individuals) and the respective questions to be included in household survey questionnaires, so as to obtain an adequate representation of both the quantity and quality of employment in developing countries. This set addresses employment

---

<sup>1</sup> LABORSTA includes yearly data on the economically active population, employment, unemployment, hours of work, wages, labour cost, consumer price indices, occupational injuries and strikes and lockouts. Usually, information on the status of employment (wage employee, self-employed, employer) and sector of activity (agriculture, industry, services) is added. We also consider child employment to belong to the list of basic indicators, given the extent to which these data are available for developing countries.

<sup>2</sup> The emphasis on 'decent work' is also present in the Millennium Development Goals for youth (Target 16: 'In cooperation with developing countries, develop and implement strategies for decent and productive work for youth').

in four spheres: protection, income, time, and safety. Once the information is collected for all persons, it can be combined and aggregated to best describe the conditions of the labour market in a particular region, country or other aggregated unit. For instance, examining the structure of employment in a country (as a share of total employment) in terms of the different spheres of employment – informal versus formal, low versus high income, safe versus unsafe – would give a comprehensive overview of the whole labour force in a country.<sup>3</sup>

A second weakness of traditional labour force data is that surveys that collect a broad set of data on employment do not always include extensive questions on the household and its members. Labour Force Surveys (LFS), for instance, are conducted periodically on a relative large sample and provide detailed information on the employment of the individual, hence allowing a deep understanding of working conditions. However, because of the nature of the exercise, these questionnaires include only a few questions related to the household and members outside the labour force. Multi-purpose surveys – such as the World Bank Living Standard Measurement Surveys (LSMS) – on the other hand, use a relatively more complex and longer questionnaire, and are conducted less frequently. Because often these two types of surveys are not formally linked, it is not possible to relate labour market conditions to household outcomes, such as levels of consumption, health, education, dwelling and other characteristics that make up the person's well-being. This also implies that information about the spheres of work and family are maintained separately, contrary to the situation prevailing in reality. We therefore stress the need to include detailed labour market questions in household surveys and/or allow for formal linkages between labour force and multi-purpose household surveys as key to improving our understanding of the determinants and effects of poverty.<sup>4</sup>

The next section expands on this last idea of integrating labour force and multi-purpose surveys. Section 3, the core of this article, presents seven indicators of employment and the requisite questions that we suggest should be included in standard household surveys in developing countries. The last section concludes.

## II. Survey instruments

Most internationally-comparable information on employment is obtained from household surveys such as Labour Force Surveys (LFS) or multi-purpose household surveys which have a special employment module. LFS are mainly available in Latin American and Eastern European countries. They are also regularly implemented in the main OECD countries. Among integrated household surveys, the LSMS are the most extensively implemented in the developing world. As of 2007, 32 countries had at least one round and up to 14 rounds (panel and non-panel). In practically all cases, they include an employment module. Similarly, non-LSMS surveys – such as 'integrated surveys' – implemented in many African countries tend to include a module on employment. Finally, the World Bank Core Welfare Indicator Questionnaire (CWIQ), applied only in African countries, incorporates a few questions on the labour conditions of household members. The issue is then not necessarily that internationally comparable household surveys should ask labour market questions, as most of them already do, but rather that the

---

<sup>3</sup> Women in Informal Employment: Globalizing and Organizing (WIEGO), for instance, proposes to use as an indicator of employment the structure of employment (as a share of total employment) by sex, disaggregated by status and rural/urban location. WIEGO is a global research-policy network that seeks to improve the status of the working poor, especially women, in the informal economy. The members and associates of the WIEGO network are drawn from its three constituencies: member-based organizations of informal workers; research, statistical, and academic institutions; and international development agencies (non-governmental and inter-governmental). See [www.wiego.org](http://www.wiego.org).

<sup>4</sup> Sastry (2002) and NALEDI (2003) use recent labour force surveys in South Africa and India which also include household expenditure data, and illuminate the relationship between informal employment and poverty.

set of questions is not extensive enough to include all information necessary to compute the list of indicators proposed here. For some indicators, all these questions are already included in standard questionnaires; for some others, it will imply adding just a couple of questions; and for others still, it will involve adding a set of approximately 10 questions

Alternatively, or complementarily, it would be ideal if surveys of different sorts – such as LSMS and LFS – could be integrated as much as possible, so that both detailed labour market questions and household characteristics could be obtained for a given household. This is particularly crucial for low-income countries where the distinctions between work and household activities are less clear. Given that sample sizes of these two surveys differ considerably (LSMS are broader in themes and smaller in sample size than the LFS), connecting them will imply focusing on a reduced sub-sample than that of the LFS. This sub-sample, therefore, could be used to obtain additional information about these households, even if the national representation of the original sample is lost. Nevertheless, the interconnection of these surveys could prove useful to study the relationships between different dimensions at a micro level.

### III. Indicators

In this section, we build on existing efforts and indicators already in use, and propose a small list of internationally-comparable labour markets indicators that, alongside traditional ones, give a satisfactory description of employment in developing countries. We build primarily from proposals of leading institutions such as the ILO, World Bank and WIEGO. We therefore do not intend to ‘reinvent the wheel’ but rather take the work of experts to provide a summary list reflecting the current consensus, also in concordance with a concept of individuals’ well-being as understood by OPHI. Again, the purpose is to complement basic indicators (LABORSTA and child labour as defined by UNICEF or ILO’s Statistical Information & Monitoring Programme on Child Labour, SIMPOC)<sup>5</sup> and to expand the list to territories where there is a strong agreement among experts. These indicators focus mainly on the quality – the type of job - rather than the quantity – the having (or not) – of employment. In developing countries, unemployment is not sufficient to assess the lack of decent employment. ‘More than three times the number of unemployed people in the world are indeed “employed”, but under conditions so poorly remunerated as to prevent them and their families from earning more than US\$1 a day per person. [...] We need not just more, but better jobs’ (ILO 2005b: v). In contexts where unemployment insurance is scarce, if existent at all, unemployment is not an option for most of the population. Most often, people engage in activities that may be low in productivity, paid poorly, with no contract, and/or in extremely unsafe conditions. Therefore, having indicators of the conditions of work could be as, if not more, important than the availability of work. We thus propose to look at four distinct dimensions that define quality of employment: time, income, social protection, and safety. Naturally, all these dimensions will often overlap to a great extent, so that measuring one could be sufficient to obtain information about the others. Still, as the overlap is not perfect and in some countries is more prevalent than in others, we prefer to emphasise each of them.

For each indicator, we propose questions to be added to household surveys – when not present already. In all cases, questions are taken from surveys already implemented in developing countries and proven to be successful. Most often than not, standard household surveys such as the LSMS, Demographic Household Survey (DHS) funded by USAID, and Multiple Indicator Cluster Survey (MICS) developed by UNICEF already include a portion of these questions.<sup>6</sup> On the other hand, and especially in the case of LSMS, where questionnaires are designed and applied by the implementing country, they might lack

---

<sup>5</sup> Both World Development Indicators and Human Development Reports normally do not go beyond this list.

<sup>6</sup> For more information on MICS, see <http://www.childinfo.org/areas/childlabour/>.

information present in others. The recommendation would thus be to add additional questions in those cases where the data for the indicators reviewed here are missing. As prototypes of well-developed and complete LSMS surveys, we consider the Ghana GLSS 4 and the Nicaragua EMNV'01. On informality, we use questions suggested by Hussmanns (2004) while on safety, we suggest questions asked in 1997 in Zimbabwe. All these questions should be included in labour questionnaires, wherever appropriate.

The ILO is the main agency responsible for developing conceptual and methodological frameworks and standards for the collection of internationally comparable data on economic activity. LABORSTA provides yearly statistics of employment, unemployment, hours of work, wages, labour cost, consumer price indices, occupational injuries, and strikes and lockouts from 1969 to 2000.<sup>7</sup> Additionally, workers are classified according to status of employment (employees, self-employed, own-account workers, employers, and unpaid family workers) and sector of activity (agriculture, manufacturing and services, classified using the 1 or 2 digit ISIC). LABORSTA indicators give an excellent basic picture of the labour markets in different countries, particularly in developed economies, but might fall short in describing employment in low- and middle-income countries, especially for those living under deprived conditions. The sources of the LABORSTA database include Labour Force Surveys, Household Surveys, Enterprise Surveys and Censuses, and official Estimates and Records. We cannot overstate the point that the additional list of indicators proposed in this article is meant to *complement* the LABORSTA list; it does not intend to replace it.<sup>8</sup> We also consider child labour data, as collected primarily by UNICEF through the Multiple Indicator Cluster Surveys (MICS) as basic data on which we build. We therefore exclude child labour indicators from our list not because we believe they are not sufficiently important to be collected by all countries, but rather because they are considered as belonging to a *basic list* of indicators which is already available for a relatively high number of countries.<sup>9</sup>

In the past decades, numerous groups of specialised professionals in the area have undertaken a similar task. The ILO provides a list of 20 Key Indicators of Labour Markets (KILM) for over 200 countries from 1980 onwards, to be used to inform policy in key areas. Data are obtained from various sources including national data as reported by the country and other sources. The list includes some of the indicators proposed here and adds others.

Within the World Bank (Job and Migration PREM – Africa), a team is preparing a report proposing a new set of labour markets indicators. Essentially, it recommends a ‘compact set of four indicators that every country should collect on an annual basis and report at different levels of disaggregation’ (e.g. employment rate, income from work – wage and salaries, hours worked) and six additional indicators to ‘help policymakers build a deeper understanding of the labor market’ (World Bank 2007: iii). These include: the number of income generating activities per worker; the income level and distribution of the self-employed and family workers; the seasonal variation in income; job security and access to benefits; the number of low income workers; and the number of poor among the unemployed.<sup>10</sup>

The following six indicators try to capture most of the elements denoting the quantity and quality of decent work, adding to the basic set of indicators included in LABORSTA.

---

<sup>7</sup> LABORSTA is composed of relational, independent databases. For more information, see <http://laborsta.ilo.org>.

<sup>8</sup> At present, LABORSTA data are not yet fully comparable and its coverage is not complete. Approximately 70% of all countries lack figures for unemployment, and the proportion is much higher in some regions such as Africa (WER 2004). There is still room for improvement on basic indicators in terms of availability and comparability. This does not eliminate, however, the need for additional indicators.

<sup>9</sup> According to UNICEF, in 2000, about 50 developing countries had collected data on child labour using MICS, while other 50 countries were in the process of collecting it.

<sup>10</sup> The ILO and the World Bank are working together to create a new list of indicators of Decent and Productive Employment for the Millennium Development Goals (MDG), but we were unable to find any record of this list.

Table 1 – Shortlist of employment indicators

Protection:	1. Informal employment
Income:	2. Income from employment (including self-employed earnings)
Safety:	3. Occupational hazard (accidents, illnesses and workplace exposures)
Time:	4. Under/over employment (prefer to work more/less than at present)
Quantity:	5. Multiple activities (number of income-generating occupations)
	6. Discouraged unemployed (prefer to work but have stopped searching)

This information should be presented disaggregated by status of employment, sex, age, and region as well as ethnicity, where culturally acceptable. A person can be ‘employed poor’ for any or, most probably, more than one of these categories. Naturally, all these categories are intimately related. Many workers in the informal economy receive lower earning than others employed in formal activities, work less than desired, and are subject to unstable conditions. Still, informal employment is not homogeneous, and we need to be able to distinguish between different qualities of work.

We take the list of proposed indicators as a starting point from which to build and evolve. Many important aspects of employment in developing economies have been left out, not because they lack relevance, but because the nature of the exercise requires choosing a limited set. Missing valuable aspects include rights at work,<sup>11</sup> unpaid domestic work, job seasonality, and the possibility to move if working conditions are better elsewhere (within the same city, to another region, or to another country), all of which are particularly crucial to understanding the living conditions of the population.

## 1 Protection: Informal employment

A key aspect of the quality of employment relates to protection against adverse job-related situations. In other words, a decent job protects workers from changes in activity (for wage-employees, this may include contract type, layoff regulations and severance payments, for farmers, insurance against a bad crop); sickness (health insurance); pregnancy (paid maternity leave); or simply age (pension). These ideas lie behind the concept of ‘informal employment’, where this is understood to include all types of work from commerce and services to industry and agriculture. The term ‘informal employment’ refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements.<sup>12</sup> According to the ILO, businesses and workers in the informal economy are characterised by the lack of seven securities (ILO 2004a): employment security (rules governing the hiring and firing of workers, employment stability), work security (protection against accidents and illness at work, limits on working time, etc.), income security (provision of an adequate income), labour market security, job security (the opportunity to enhance competence), skill reproduction security (training, apprenticeship) and representation security (collective voice). In this

<sup>11</sup> The ILO as a rights-based organization considers ‘right at work’ to be a basic dimension of quality of work. It may be useful therefore to consider an additional set of indicators to fully describe and analyse the relationship between the labour market and poverty, where the latter is looked at from a rights perspective. Among important rights are: the right to belong to a trade union through membership; access to institutional mechanisms to obtain redress when labour rights, as enshrined in national laws and/or as adopted as international standards, are violated; and the ability of workers to bargain for a reasonable salary, especially a minimum salary.

<sup>12</sup> We underscore the difference between ‘informal economy’ and ‘informal sector’ where the former refers to a broader category which encompasses ‘the expanding and increasingly diverse group of workers and enterprises in both rural and urban area operating in informality’ (ILO 2002: 2). The term ‘informal economy’ does not include the ‘hidden’ or ‘underground’ economy. ‘Many enterprises deliberately operate illegally, and often very profitably, engaging in criminal and socially undesirable activities such as drug trafficking.’ (ILO/AIDS 2002: 2).

report, the protection dimension addresses the first three ‘securities’. We can thus use employment in the informal employment as one indicator to describe workers and entrepreneurs characterized by a high degree of vulnerability.

The question remains whether the concept of informal employment, and the way it is usually measured, does indeed capture all types of vulnerabilities related to employment. A considerable proportion of workers in developing countries are self-employed (farmers, retail traders, etc) or family workers with no legal separation of their business and the household economy. They are, therefore included within the informal sector definition. But the issue that we want to capture is not ‘informality’ from a legal point of view, but rather worker protection against shocks and ways they have to cushion them, whether formal or informal. It is not the legality of the activity that matters to qualify employment from a vulnerability perspective, even if in most cases, legality ensures protection.<sup>13</sup> To acquire information on employment protection for these other forms of employment, we will probably need to include additional questions that address these issues directly. These questions are not included in this report, though efforts will be made in the future to incorporate them among the shortlist of indicators proposed.

The concept of informal employment has been around since 1970s.<sup>14</sup> Since then, there has been wide agreement among experts that distinguishing between formal and informal employment was crucial to obtain an accurate portrait of labour conditions.<sup>15</sup> There was, however, less agreement on how to define informal labour. Here, we emphasise a broad definition of informal employment, as agreed to at the 17th International Conference of Labour Statisticians (ICLS) held in 2003. It includes both persons employed in informal sector activities (enterprise-based definition) and informal jobs (worker-based definition) (ILO 2004b).

The informal sector is defined as units of production within unincorporated enterprises owned by households. In other words, enterprises that are not constituted as a separate legal entity independently of the households, and for which no complete sets of accounts are available. In this context, *informal employment* includes all individuals employed in at least one production unit that meets these informal sector guidelines, irrespective of their employment status and whether it was their main or secondary job. At the national level, operational definitions used may vary, and sometimes specify further requirements for a unit to be classified as part of the informal sector. These usually refer to the size of unit (specifying a minimum number of employees), and non-registration of the enterprise and its employees. The lack of common criterion to define informal sector enterprises across countries represents an enormous challenge when the aim is to make international comparisons. Therefore, ideally, data should be disaggregated so that different definitions can be accommodated.

The worker-based definition of informal employment focuses on the characteristics of the job. It incorporates informal sector workers and adds those that, even if working in the formal sector, have a position with informal characteristics. These refer to the type of contract, and benefits attached to it (pension, paid annual leave, paid sick leave, maternity leave, etc). The social protection dimension is particularly important to describe the quality of employment for wage employees, particularly in developed economies and in formal employment in developing countries.

LFS and integrated household surveys normally include various questions on employment giving information on hours of work, the branch of economic activity by sector, occupation and status of

---

<sup>13</sup> Making this distinction is important not only for definitional matters but also for the derived policy implications.

<sup>14</sup> Three dominant schools of thought on the Informal Sector are: the *dualist* school (Hart, ILO), the *structuralist* school (Moser, Portes), and the *legalist* school (de Soto). (Chen et al. 2004).

<sup>15</sup> ‘Informal employment is particularly important in developing countries, where it comprises one half to three quarters of non-agricultural employment: specifically, 48 per cent in Northern Africa; 51 per cent in Latin America; 65 per cent in Asia; and 72 per cent in sub-Saharan Africa’ (Chen et al. 2005: 39).



employment. Additionally ‘if properly designed, questions on the form of registration of the enterprise cover [...] also the criteria of ownership, legal organisation and type of accounts, which are used to define private unincorporated enterprises’ (Husmanns 2004: 14). In these cases, only a few questions need to be added to identify employment in the informal sector, as well as informal employment as a whole. These refer to size of the firm; enterprise registration; and for employees, the type of contracts and benefits (e.g., pension, paid annual leave, paid sick leave, paid maternity leave and health insurance).

The following five questions are designed to determine informal jobs (Husmanns 2004). Questions on informal sector enterprises (unincorporated household enterprises) should also be added if missing from the household questionnaire; see Ghana GLSS 4, Part B, section 10.A for an example (Ghana Statistical Office 1998-1999).

Table 2 – Questions to determine informality

Q1. How many people altogether work in the same organisation as you do this work? Number			
Q2. (for employers, own-account workers and contributing family workers) Has the enterprise been already registered? 1. Yes 2. Is in the process of being registered 3. No 4. Do not know 5. Do not want to answer			
Q3. Are you employed temporarily or permanently? 1. Temporarily 2. Permanently			
Q4. When you started this job, did you sign a written contract? 1. Yes 2. No			
Q5. For this work ...	Yes	No	Do not know
(a) Will you receive a retirement pension? are you entitled to ...			
(b) paid holidays ?			
(c) paid sick leave?			
(d) social security benefits ?			
(e) free or subsidised medical care?			
(f) maternity leave?			

Source: Husmanns 2004.

## 2 Income: Income from employment

An indicator related to income is important to assess quality of employment, both formal and informal. In the case of traditional wage employment and formal self-employment, the type of contract and extent of benefits might give sufficient information to assess job quality. However, in the case of self-employed activities in developing countries, these indicators prove to be meaningless. Whether a person is able to extract enough benefits for him or herself and the family will not be determined by legal forms, but rather by the amount of income he or she is able to obtain. There is a long tradition of collecting data on the earnings of wage employees and, especially in developing countries, on those self-employed in agriculture. The situation is not quite the same in the case of the non-agricultural self-employed. Data on incomes for this category are rarely collected, and those which exist are considered by many – understandably – to be either unreliable or non-comparable with other sources of income or across countries. Still, in the poorest countries, self-employment represents the major source of labour and incomes for families. In some cases, self-employed activities (such as trading) are almost synonymous with the lack of decent employment (i.e., what one does while one waits for a good job); in others, self-employment is source of stable and relatively high earnings. Unfortunately, accurate measures of earnings in this category are among the hardest to obtain from surveys. We encourage the efforts towards estimating self-employed earnings as a good proxy for quality of work, and to understand labour prospects, even if that information lacks the reliability of other measures (i.e., consumption or expenditure) or other sectors (i.e. wage employees).<sup>16</sup>

Labour earning data can be then used to identify workers belonging to the working poor population. ‘Working poverty’ is a concept developed by the ILO defined as

people who work but do not earn enough to lift themselves and their families above the US\$1 or 2 a day poverty line. There is high likelihood that people who constitute the working poor hold informal jobs (whereas the reverse is not necessarily the case, for people who work in the informal economy are not necessarily working poor). For this reason the estimate of working poor can be interpreted as a first approximation of people who work in the informal economy with very low earnings.

(ILO 2005b: 26)

Having information about all incomes due to employment as part of multi-purpose household surveys allows us to link ‘working poor’ as defined by ILO and ‘poor that work’, where a household is defined poor according to its per capita consumption.<sup>17</sup>

Two approaches are usually taken to measure the incomes of non-agricultural self-employed and own-account workers. The first aims at constructing a matrix of quantity and costs of all inputs and indirect costs, and payment received for the output sold. In some cases, questions are distinguished according to the type of activity (e.g., manufacture, trade, other services). Ghana GLSS 4 provides an example (included in the Appendix). The problem here though is that the methodologies used to measure income

<sup>16</sup> The indications of a decent work deficit in the global labour market, from the absence of social protection to the absence of basic rights at work, are many. A key *economic* indicator of that deficit is *whether men and women earn enough from their work to lift themselves and their families out of poverty*. It is here where productivity matters most. It is through productivity that a material link exists between employment of any sort and decent work. This, by implication, suggests that a narrow focus on “unemployment” and “employment” as a means of describing labour market conditions is, in fact, a sorely inadequate gauge for most countries of the world’ (WER 2004).

<sup>17</sup> UNIFEM (2005) uses a slightly different definition of working poor, as ‘people from poor households who are working’ or, in other words ‘workers who are from poor households’. The focus in this definition is not on individual earnings but on household earnings.

are different for different categories of employment hence comparison across categories is not possible. Other surveys that aim at estimating earnings are the CSAE RECOUP Household Survey 2006 (Ghana, Tanzania, and Pakistan) and the Tanzania National Panel Survey 2007. The second approach asks the respondent directly to estimate the profits (or income). Although subject to larger measurement error, the direct profit/income approach is considered by some as more accurate than the previous one (McKenzie 2004, McKenzie and Woodruff 2006).<sup>18</sup> Given common constraints to the number of questions that can be added to an already existing questionnaire, we recommend this second approach, but emphasise that whenever possible, these questions should be complemented by a matrix approach to profit information (see Appendix). At present, more research is needed to understand better whether both approaches do in fact produce the same measures, and if not, which is more accurate.

Table 3 – Questions to determine income from self-employment

Q1. In a good month, how much profit does this business/enterprise/ farm normally make (net of costs)?
Q2. What is the total value of equipment/stock that is used in the business?

Source: Aslam et al. 2006

The two questions were asked in Pakistan's RECOUP 2006 Survey (Aslam et al. 2006) of self-employed workers in both agricultural and non-agricultural sectors, after asking for a description of the business.

### 3 Safety: Occupational hazard

'[T]he ILO estimates the worldwide fatality level from work-related injuries and diseases to be about 2 million annually. While annual rates of such injuries and diseases are declining slowly in most industrialized countries, they are on the increase in developing countries' (ILO 2005a). Data on occupational hazard, safety and health conditions of employment are not abundant for developing countries. LABORSTA database formally includes occupational injuries but the availability of this information for low- and middle-income countries is, at present, quite limited and, for many countries, includes information only for employees or, even more stringently, for 'insured employees'.<sup>19</sup> Thus, the problem is aggravated by the considerable proportion of workers that are not wage employees, but rather informally self-employed and whose place of work and living coincide.

The majority of urban informal sector workers live in poor areas, lack basic health and welfare services and social protection and work in an unhealthy and unsafe working environment. For many informal sector operators their home and workplace are one and the same place ... The conditions under which most informal workers operate are precarious and unsafe. Many of the micro-enterprises in which they operate have ramshackle structures, lack sanitary facilities or potable water and have poor waste disposals.

(Forastieri 1999: 6)

<sup>18</sup> It could be argued that a third approach to estimating income from work is related to 'withdrawals' which estimates income derived in terms of the amount used by the person for household consumption.

<sup>19</sup> At present, information is available for only African countries, most of them belonging to North Africa. The ILO is in the process of publishing a manual on collecting statistics on injuries through household surveys and through establishment surveys. The proposals are based on the results of an experimental exercise in which modules attached to labour force surveys and to establishment surveys were tested in three countries: Philippines, Nigeria and Jamaica. ILO does not extend the list of indicators to illnesses for two reasons: objectively isolating those that are work-related and the absence of international standards on the classification of occupational diseases.

In this respect, household surveys can prove ideal in obtaining such information and would require simply adding a few questions or including a module on occupational safety and health.

Table 4 – Questions to determine occupational hazards

<b>Accident</b>	
Q1. Have you suffered any accidental injury during the past 12 months?	
No	
Yes →	<p>Q1.1. Total number of accidents caused by work with more than 24 hours lost time</p> <p>Q1.2. Total accidents caused by work requiring a medical consultation</p> <p>Q1.3. Does the injury have a</p> <ol style="list-style-type: none"> <li>1. No permanent effect</li> <li>2. Permanent effect, able to work in the same job</li> <li>3. Permanent effect, able to work, not in the same job</li> <li>4. Permanent effect, not able to work at all</li> </ol>
<b>Illness</b>	
Q2.1. Have you stopped working during the past 12 months due to any health problems (illness) related to your work? Yes / No	
Q2.2 Have you stopped working during the past 12 months due to any health problems (illness) that was aggravated by your work? Yes / No	
Q2.3. How would you describe this illness?	
<ol style="list-style-type: none"> <li>1. Upper respiratory disease (e.g. throat, nose, sinuses)</li> <li>2. Lower respiratory disease (e.g. asthma, TB, pneumonia)</li> <li>3. Hearing loss</li> <li>4. Upper limb disorder (e.g. neck, shoulder, arm, wrist, hand)</li> <li>5. Lower limb disorders (e.g. legs, foot)</li> <li>6. Other musculoskeletal (back, hip)</li> <li>7. Skin diseases</li> </ol>	<ol style="list-style-type: none"> <li>8. Eyes strain, eye problems</li> <li>9. Headaches</li> <li>10. Other organ damage (e.g. liver, kidney)</li> <li>11. Cardiovascular disease</li> <li>12. Stress / depression</li> <li>13. Other</li> </ol>
<b>Workplace exposures (main activity)</b>	
Q3. Indicate with a tick if present or true, a cross if not present and '0' if no answer	
<ol style="list-style-type: none"> <li>1. Inadequate clean water supplies;</li> <li>2. Toilets inadequate / dirty</li> <li>3. Tripping hazards;</li> <li>4. Machine parts unguarded;</li> <li>5. Work with cutting/ grinding hand tools</li> <li>6. Noise too loud to talk normally;</li> <li>7. Exposed to extreme heat source</li> </ol>	<ol style="list-style-type: none"> <li>8. Use red or purple triangle chemicals</li> <li>9. Mineral dusts in workplace</li> <li>10. Vegetable dusts in workplace</li> <li>11. Handling heavy loads</li> <li>12. Uncomfortable work posture</li> <li>13. Long hours of standing</li> </ol>

Source: Loewenson 1997.

We propose using questions from a survey implemented in Zimbabwe to measure occupational risks and health impacts in the informal sector. The survey was specific to the urban manufacturing and rural

agricultural sectors.<sup>20</sup> The questionnaire included 20 questions or more assessing workplace exposures (mechanical, physical, ergonomic/psycho-social, chemical/biological, personal protective equipment and control), injuries and illnesses. Given limitations to the questionnaire's length that we are able to propose, we select a smaller set of questions which proved to be particularly useful and worked well in this survey (Loewenson 1997) (see Table 4).

#### **4 Time: Under- and over-employment and multiple activities**

Under-employment reflects underutilization of the productive capacity of the labour force. Time-related under-employment represents only one component of under-employment, but is, to date, the only one that has been agreed to and properly defined within the international community of labour statisticians (ILO: KILM webpage). It is, therefore, the best available proxy of the under-utilization of the labour force. Formally, a person is considered underemployed if she or he works insufficient hours in relation to an alternative employment situation in which the person is willing and available to engage. Other possible indicators of labour force underutilization include inadequate employment due to low income, inadequate use of skills and low productivity, all of which might be argued to be as or more relevant to developing countries than time-related under-employment. It is thus crucial that the time-related underemployment indicator is analyzed together with the other indicators proposed here, included already in the report (such as income) or normally available in household surveys (such as level of education and experience). Thus we raise again the need to incorporate pertinent questions in a comprehensive questionnaire.

A second type of labour force mis-utilization is reflected in over-employment, understood as inadequate employment related to excessive hours. In the context of developing countries, over-employment often goes hand in hand with multiple activities and low earnings from employment. Formally, time over-employment is defined as a situation where persons in employment wanted or sought to work fewer hours than they did during the reference period, either in the same job or in another job, accepting a corresponding reduction of income. The challenge here is to obtain accurate data on working time when self-employment is common and the separation between family and enterprise activities either in space or time is not clear-cut. Most often than not, time over-employment is measured by the number of hours worked (more than 45 hours per week) without asking about the worker's willingness to work fewer hours with a corresponding reduction of income.

A final indicator related to the distribution of time in employment is the number of income generating jobs in which a person is engaged. This indicator has to be interpreted in the light of the number of hours worked, earnings for each activity and, quite significantly, the variability of these earnings. Taking on more than one activity can be an optimal strategy to deal with fluctuations in family income.

Questions to determine under- and over-employment are drawn from the Nicaragua EMNV 2001 survey. Following a question on how many hours the person worked in the past week (in all activities), the respondent is asked the questions in Table 5. The questions in Table 6, from GLSS 4, are used to determine number of jobs:

---

<sup>20</sup> The UK Labour Force Survey includes a module on illnesses and injuries at work. These questions are particularly well-suited for formal employment activities.

Table 5 – Questions to determine under- and over-employment

<p>Q1. What is the main reason for which you worked less than 40 hours?</p> <ol style="list-style-type: none"> <li>1. It is your normal schedule</li> <li>2. The work schedule was reduced due to low production or sales</li> <li>3. Lack of credit or financing</li> <li>4. Household work, caring for children</li> <li>5. Family or personal reasons, sickness or accident</li> <li>6. There is no more work</li> <li>7. Other (specify)</li> </ol> <p>Q2. Considering the total number of hours worked last week, would you like to work more hours to obtain additional income?</p> <ol style="list-style-type: none"> <li>1. Yes</li> <li>2. No</li> </ol>
<p>Q3. (if the person is working more than 45 hours per week) Considering the total number of hours worked last week, would you like to work fewer hours at the expense of a reduction in income?</p> <ol style="list-style-type: none"> <li>1. Yes</li> <li>2. No</li> </ol>

Source: Nicaragua EMNV 2001.

Table 6 – Questions to determine multiple activities

<p>Q4. During the past 12 months did you do any other work besides 'main occupation'?</p> <ol style="list-style-type: none"> <li>1. Yes</li> <li>2. No</li> </ol> <p>(if 'yes') Q5. What kind of work? (from code list) ... up to four occupations</p>
--

Source: GLSS 4.

## 5 Discouraged unemployed

This indicator measures the quantity of employment. In the context of a scarcity of well-paid jobs, a person would prefer to work but is discouraged and has given up hope of finding work, either from personal or others' experience. Hence, he or she does not 'actively search' for employment and is normally counted as inactive.<sup>21</sup> Most LFS already include a (set of) question(s) to identify these individuals; here we underscore here the importance of incorporating such questions in household questionnaires.

The question in Table 7 is taken from the Nicaragua EMNV survey 2001. It comes following a 'No' answer to the question 'Have you made any effort within the past ... months to find work, established a business or an enterprise?'

<sup>21</sup> Some countries in fact now produce two unemployment rates, one based on the strict definition and the other on the relaxed definition which does not require the person to seek work.

If the respondent answers ‘5’ or ‘6’ then she or he will be considered discouraged unemployed. An additional response is sometimes proposed to identify persons with marginal attachment to the labour force who would join the labour force if child care facilities were available.

Table 7 – Questions to determine discouraged unemployment

- |   |
|---|
| <p>Q1. Which is the main reason why you did not look for work?</p> <ol style="list-style-type: none"> <li>1. Awaiting reply to earlier enquiries</li> <li>2. Waiting to start arranged job, business or agricultural</li> <li>3. Off season in agriculture</li> <li>4. Have a temporary / occasional work</li> <li>5. Got tired of searching</li> <li>6. Thought no work available</li> <li>7. Other (specify)</li> </ol> |
|---|

Source: Nicaragua EMNV 2001.

## Conclusions

This paper proposes seven indicators of employment conditions and suggests questions to be added to multi-purpose household surveys. The list of indicators – mainly aiming at capturing the quality of employment – includes informal employment, income from employment (including self-employed earnings), occupational hazard; under/over employment; multiple activities; and discouraged unemployment.

The information gathered through the use of the questions proposed and others included in the conventional questionnaire, can be used to answer a number interesting research hypotheses related to individuals’ well-being and their deprivations. Some examples include the study of gender disparities at work,<sup>22</sup> household decisions regarding demand for education, family strategies to diversify earnings-related risk (e.g., ensuring that household members obtain their income from more than one economic activity, or exerting efforts to obtain stable public employment), life-satisfaction and employment characteristics, etc. In addition, data collected at the individual level can be aggregated across persons to obtain indicators for different units of analysis (i.e., country or region) to describe general labour market conditions. For instance, an accurate overview of the whole labour force could be obtained by presenting the “structure of employment” using the categories previously defined. More generally, these data could inform a richer portrait of poverty – both by permitting ‘employment poverty’ to be incorporated as a key facet of multidimensional poverty measures and by enabling more nuanced consideration of the relationship between ‘employment poverty’ and the many other dimensions of poverty.

---

<sup>22</sup> Chen et al. (2004) provide an excellent example of how these indicators help describe, analyse and propose policies to promote decent employment in poor economies. Their work focuses on informal employment, gender disparities and poverty reduction strategies. They make use of case studies for a selection of countries (India, Chile, Colombia and South Africa, among others) and present aggregate statistics for 14 countries, the subset of those for which the information was available and internationally comparable.

## References

- Aslam, M., G. Kingdon, J. Sandefur, F. Teal and A. Zeitlin. 2006. 'RECOUP Household Survey on Outcomes of Education', Oxford: Centre for the Study of African Economies, Department of Economics.
- Chen, M., J. Vanek and M. Carr. 2004. *Mainstreaming Informal Employment and Gender in Poverty Reduction. A Handbook for Policy-makers and other Stakeholders*. London: Commonwealth Secretariat.
- Chen, M., J. Vanek, F. Lund, J. Heintz, R. Jhabvala and C. Bonner. 2005. *Progress of the World's Women 2005: Women, Work, and Poverty*. New York: United Nations Publications.
- EMNV 2001. Encuesta Nacional de Hogares sobre Medicion de Nivel Vida, Instituto Nacional de Estadisticas y Censos – Proyecto MECOVI, Nicaragua.
- Forastieri, V. 1999. *Improvement of Working Conditions and Environment in the Informal Sector through Safety and Health Measures*, Geneva: ILO.
- Ghana Statistical Office 1998-99. *Ghana Living Standards Survey (GLSS)*. Accra: Ghana Statistical Office.
- Hussmanns, R. 2004. 'Measuring the Informal Economy: From Employment in the Informal Sector to Informal Employment'. Working Paper 53, Policy Integration Department, Bureau of Statistics, ILO.
- ILO 2002. 'Decent Work and Informal Economy, Report VI(1)', International Labour Conference, 90th Session.
- ILO 2004a. *Economic Security for a Better World*, Programme on Socio-economic Security, ILO, September.
- ILO 2004b *Report of the Conference Seventeenth International Conference of Labour Statisticians*, Geneva, 24 November-3 December 2003.
- ILO 2005a. 'Promotional Framework for Occupational Safety and Health, Report IV(1)', International Labour Conference, 93rd Session.
- ILO 2005b. *World Employment Report 2004-05: Employment, productivity and poverty reduction*. Geneva: ILO.
- ILO 2007. 'Global Employment Trends' – *Brief*, January.
- ILO/AIDS 2002. *Implementing the ILO Code of Practice on HIV/AIDS and the World of Work: An Education and Training Manual*. Module 8.
- Loewenson, R. 1997. 'Health Impact of Occupational Risks in the Informal Sector in Zimbabwe', *Journal Occupational Environment Health*, 4: 264-74.
- National Labour and Economic Development Institute (NALEDI) 2003. *Global Poverty Network, Workforce Development Study*. A report to the Global Policy Network, Johannesburg.
- Sastry, N. S. 2002. *Analysis Linking Data on Work in Informal Sector and Poverty: Case Study of India*. WIEGO.
- Sen, A. K. and ILO 1975. *Employment, Technology and Development: A Study Prepared for the International Labour Office within the framework of the World Employment Programme*. Oxford: Clarendon Press.
- World Bank 2007. 'Labor Diagnostics for Sub-Saharan Africa. Assessing Indicators and Data Available', Technical Note, Poverty Reduction and Economic Management Unit: World Bank.





<b>ASSETS OF ENTERPRISE</b>															
1			2			3			4			5	6	7	8
Does this enterprise own ...?			For how much would you be able to sell ... today?			How long ago did you obtain this ... ?			What was the price when ... was purchased?			Did the enterprise obtain any ... during the last 12 months?	Did the enterprise sell any ... during the last 12 months?	How much did the enterprise receive from the sale of ... during the past 12 months?	Why was ... sold? 1. Business slump 2. Debt repayment 3. Taxes too high 4. Moving business 5. Upgrading assets 6. Other (specify)
1	2	3	1	2	3	1	2	3	1	2	3				
			value			years			value					amount	
Buildings															
Land															
Machinery / equipment / tools															
Bicycles															
Carts															
Cars															
Boats															
Other vehicles															
Others															

<b>REVENUE OF ENTERPRISE</b>								
	1	2	3	4	5	6	7	8
	Since the last 2 weeks how much money has been received from the sale of goods and services by this enterprise?	Since the last 2 weeks, had this enterprise received payments in the form of goods and services?	What was the estimated amount of these payments?	Since the last 2 weeks, have any of the goods and services produced by this enterprise been consumed by household members instead of being sold?	What was the value of the products consumed by the household since the last 2 week period?	Did you rent out any land, building, machinery owned by the enterprise during the past 12 months?	How much did you receive?	How do the gross receipts of this enterprise over the past 12 months compare with the gross receipts for preceding year?
enterprise	amount	1. Yes 2. No >>> 4	amount	1. Yes 2. No >>>6	amount	1. Yes 2. No >>> 8	value	1. Higher, 2. Lower, 3. No difference, 4. N/A
1								
2								