

The Goal of Decent Work

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1 Beware of the employment elasticity

The importance of employment as a development goal is widely recognised. 'Employment-intensive' or 'employment-rich' growth paths can, in principle at least, be a means to ensure that income opportunities are widely distributed, contribute to the effective use of each society's human potential and provide avenues for participation in both social and economic life. Employment creation is a sustainable means for poverty reduction and a central concern throughout society. At election time, employment creation figures strongly in the political platforms of candidates of all persuasions. The UN Declaration of Human Rights states that 'Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment'.

But employment is diverse. Work takes many forms, dependent and independent, creative and dull, well-paid or badly paid, productive or unproductive, regulated or informal. Full employment economies might consist largely of low productivity survival activities; may involve forced labour; or may be the result of employment guarantees without a productive counterpart. The validity of a full employment goal clearly depends on the nature of the employment involved.

The process of employment creation is also equally diverse. Much employment creation is obviously driven by output growth and the consequent expanding demand for labour. But supply factors always play a role, ranging from the development – by individuals or societies – of the skills and capabilities needed to participate effectively in the production system, to the constant creation or capture of income earning activities by the actors of the low productivity informal economy. Employment growth also depends on access to complementary factors of production – land and natural resources,

knowledge and technology, capital – and on the varied ways in which these factors can be combined with labour. There are many routes to employment creation, not all equally desirable.

The employment goal is often summarised in aggregate terms, either as a high overall employment elasticity, or a low unemployment rate. But the foregoing suggests that this may well be misleading. A high employment elasticity, which is associated with the creation of good jobs through expanding production, means something quite different from one which results from a search for survival incomes.

There is also another fundamental problem. An employment elasticity which is too low to absorb a growing labour force must imply constantly growing unemployment. But while short-term changes in open unemployment do of course occur, structural factors set limits to the possible growth of unemployment in the longer term. The need for income forces the unemployed to seek alternative income sources, usually in informal work of one sort or another. Where such mechanisms fail, and unemployment reaches very high levels, ultimately the outcome is social and political crisis or economic breakdown. But in most developing economies, the adjustment occurs through underemployment in low productivity self-employment and casual work, and variations in unemployment are limited. It follows that at the aggregate level, and in the medium term, the observed aggregate employment elasticity mainly depends on the relative rates of growth of output and the labour force, rather than on a technical relationship between production and labour use.

The growth of the labour force may depend to some extent on output growth, if for instance high output growth induces increased labour force participation or in-migration. But in the medium term, the

Table 1 Patterns of employment: no jobs, poor jobs, good jobs (impressionistic, % distribution)

	No jobs	Poor jobs	Good jobs	Examples
1	5–25	70–90	5–10	Much of sub-Saharan Africa
2	±5	60–80	10–30	South Asia, parts of Central America
3	10–30	40–70	25–40	North Africa, South Africa, some Middle East
4	7–15	40–60	30–50	South America, Eastern Europe, Central Asia
5	3–10	40–60	35–55	Much of East/SE Asia
6	3–10	25–40	50–70	Much of W. Europe and N. America
7	3–10	<20	>75	Scandinavia

growth of the labour force depends much more on demographic factors than on output. As a result, countries with high rates of output growth tend to have low measured employment elasticities, as is the case for China, for example, with an estimated employment elasticity of 0.14–0.17 over the period 1991–2003 (ILO 2006a). Countries with low rates of economic growth, such as much of Latin America since the early 1980s, have high measured employment elasticities simply because labour force growth is mainly absorbed in the growing informal economy or in survival activities rather than in open unemployment (ILO 2006b).

To get past this difficulty with aggregate measures, employment goals have to be broken down in some way, if they are to be meaningful as a development objective. An employment goal which does not distinguish between different forms of work is clearly not sufficient.

2 Good jobs, poor jobs, no jobs

Perhaps the simplest possible breakdown would be to distinguish ‘good jobs’ from ‘poor jobs’, and to distinguish both from situations of ‘no jobs’. There are many simplifications here. First of all, the word ‘jobs’ needs to be interpreted as encompassing all forms of work, and not only the regular wage work to which the word ‘job’ often refers. Second, the phrase ‘no job’ is in fact a complex idea, which has a precise meaning only in specific economic and social contexts. It is used here in the general sense of unsatisfied search for or lack of opportunities for work, as reflected in conventional measures of open unemployment. Third, by ‘poor’ jobs is meant jobs which fail to meet desirable standards in several of the following respects: they may be irregular, insecure or temporary; lacking social protection; lacking representation, rights or legal regulation; of very low productivity or for inadequate remuneration; in poor

working conditions; for excessive or insufficient hours; excessively heavy or intensive work, or work which is inappropriate for those involved. Different societies will have different reference points, so this is not a precise or constant definition. But there is an underlying meaningful notion. Poor jobs are contrasted with good jobs, which are, broadly, secure and regular, with protection, representation and respect for rights and a decent income. Good and poor jobs may refer to both waged employment and self-employment, although the criteria may differ.

Setting on one side for the moment the obvious complexities which this three-way classification skin over, let us consider whether it helps to characterise the employment patterns observed in different development situations.

The first point is that formally, we cannot characterise development situations in terms of good and poor jobs because we have no reliable data which would permit us to do so. Data on open unemployment are quite widely available, so we can make a first estimate of those with ‘no jobs’.¹ Beyond that, there are many fragments of data on different aspects of the quality of work, sometimes with a degree of consistency within regions, but usually not across regions. For instance, a good deal of information exists on wages, but much of it is non-comparable between countries and even sectors. Measures of the coverage of social security in Latin America, of temporary work in Europe or of excessive hours in Asia exist, but cannot be readily compared with situations in other parts of the world. Efforts have been made at the ILO and elsewhere to remedy this situation.² But this is a difficult issue, because there are many dimensions to the quality of work, measurement is often complex (it is not easy to measure respect for rights at work or insecurity), and social reference points differ (what

is seen as a good job in one country may well be seen as a bad one in another).

Table 1 nevertheless offers an impressionistic assessment of the proportion of 'poor' jobs in different parts of the world, drawing on fragmentary and often subjective knowledge about the reach of social security and labour legislation, the extent of 'informality', the level of wages and productivity, and the extent of casual, insecure or irregular work. This is not statistically defensible; but it does provide a basis for reflection and helps to identify a number of key issues which need to be further addressed.

In categories 1 and 2 there is a high proportion of poor jobs, with the first differing from the second in the very small share of good jobs, and the corresponding higher levels of open unemployment. Category 3 also has high unemployment, but with a larger proportion of good jobs, connected with the presence of a substantial formal economy. Categories 4 and 5 correspond to a variety of middle income situations, with higher unemployment in South America than in Asia, and correspondingly more good jobs in the latter, but both with a substantial informal economy. Categories 6 and 7 correspond to most OECD countries, with the most advanced welfare economies (notably in Scandinavia) showing the most favourable pattern.

Table 1 produces some main points:

- 1 While there is some (positive) correlation between *per capita* income and the proportion of good jobs, country situations are disparate. Many middle-income countries have a high proportion of poor jobs. And there is no clear relationship between development level and unemployment.
- 2 The proportion of poor jobs is always higher, and usually much higher than the proportion of those without jobs. Of course, there can be hidden labour underutilisation in poor jobs, but it can reasonably be concluded that while new jobs are needed, both for the unemployed and for new labour market entrants, the larger employment challenge is to raise the quality of poor jobs.
- 3 In much of the developing world, the proportion of good jobs is low, and in many countries, very low. In order to substantially increase the share of good jobs in the economy, very high (indeed in many

places implausibly high) rates of growth of the 'good job' labour market segment would be required. This reinforces the argument that the key to success lies in improving the quality of poor jobs.

3 Why are there so many poor jobs?

If an employment-oriented development strategy needs to give primary attention to improving the quality of poor jobs, the next question to pose is why such a large proportion of jobs are poor. There is no shortage of explanations. Some of the possible factors include:

- Demand shortfalls – if overall demand growth is too slow to absorb labour force growth, a fraction of job-seekers will be forced to accept poor quality, low productivity jobs. Open unemployment, as noted above, is usually not a long-term option.
- Lack of good complementary inputs – quality jobs require adequate access to capital markets, skills, land and other natural resources.
- Weak frameworks for rights and representation, leading to exploitative labour relationships and segmented labour markets – representation and legal rights are often concentrated on a small fraction of the workforce, better able to defend its interests.
- Structural inequalities – many workers do not have access to formal labour markets and quality jobs because of processes of exclusion and discrimination which affect particular groups of the population (youth, women, migrants, etc.).
- Informality – because of lack of recognition and regulation, informality is clearly a factor in low job quality. However, while the proportion of poor jobs to some extent reflects the size of the informal economy, this is only part of the story because there are many poor jobs in the formal economy and some good jobs in the informal economy.

The quality of work is therefore embedded deeply in the development agenda as a whole. Low quality work is one dimension of underdevelopment, a view which is supported by the tendency for the proportion of low quality jobs to decline with rising income. Nevertheless, variation in the proportion of poor jobs between countries at comparable development levels suggests that there is scope for progress, regardless of development level. In particular, there is much evidence to suggest that

better quality jobs can be more productive.³ If the increased cost of a better job is less than the gain in productivity, in principle a virtuous circle can be established, driven by market forces, in which job improvement is a dynamic development factor.

This may be one way of characterising some successful growth paths which have been accompanied by good employment performance, such as those of the Republic of Korea or Chile since the early 1990s. However, the predominant pattern is the reverse – a vicious circle of informalisation as pressures on costs in global markets are reflected in pressures on wages and conditions of work at the national level.

The existence of both these patterns, and more generally the persistence of dualistic labour markets, suggests that there may well be multiple equilibria: on the one hand, a high productivity, high job quality equilibrium (a growth path rather than a stable equilibrium), which can be achieved if job quality passes a certain threshold; on the other, a low quality, low productivity trap, if initial moves towards higher job quality raise costs more than productivity.⁴ Many countries appear to be caught in the latter trap, with only a small part of their economy delivering high productivity and high quality jobs. What is required to escape from the trap is a package approach to employment policy, involving a non-marginal shift in social and economic policies and institutions built around quality jobs.

4 Decent work

There is an important rationale for paying more attention to ‘decent work’, the phrase the ILO now uses to sum up its central goal. The argument so far highlights the importance of the quality of work, broadly defined, in development thinking and economic policy. The argument that ‘what we need is more employment, and we can worry about the quality of the employment/rights at work/social security/ etc. later’, is a fallacy. But a policy agenda built around decent work involves many disparate elements. Broadly speaking, there are six sets of issues which need to be taken into account, in addition to the quantitative creation of jobs:

- 1 **Rights at work:** notably freedom of association, and freedom from forced labour and discrimination. Attention also needs to be paid to the rights of specific groups – the right of children not to work, and the particular rights of

groups of workers such as migrants or indigenous peoples.

- 2 **Security in work:** including the regularity of work and protection against dismissal; protection from occupational risks and hazards; and the security of income at different points in the life cycle and in the face of particular contingencies, including periods of ill-health, maternity and unemployment, as well as after retirement.
- 3 **Conditions of work:** including the duration and intensity of work, the adequacy of the working environment, the scope for creativity and self-fulfillment, and possibilities for the development and application of skills.
- 4 **Remuneration of work:** decent wages, above poverty thresholds, paid regularly; or a decent and reliable income from self-employment.
- 5 **Organisation, representation and voice,** including participation in decision making and collective bargaining.
- 6 **Pattern of equality and inclusion:** at the level of the society as a whole, notably inequalities in work and its remuneration, and exclusions from the labour market.

The first four of these concerns can be seen as ways to characterise the quality of particular jobs; the last two reflect collective or societal patterns.

The priority given to these different dimensions of ‘decent work’ will differ between societies and individuals. For instance, income security, and organisation and representation, appear to be given less weight in ‘Anglo-Saxon’ than in, e.g. Scandinavian economies, and among individuals, these differences are greater still, with some individuals more concerned with wage levels, others with security, others with basic rights at work. What is regarded as decent varies across societies and cultures, although there may be some elements common to all.

Decent work goals are also dependent on development level, which to a significant degree determines what is feasible. Progress in security, wages and conditions of work depends on progress in development more generally, and has to be

considered alongside other development objectives. Decent work goals (and the perception of what is a 'good' job) will therefore differ between high and low income countries. So a 'decent work' framework is not a single, universal model, but a way to incorporate different aspects of work quality into the policy agenda. There is no universal standard here.

In one respect, however, there is a certain claim to universality – and that is in the idea that these different dimensions of work are not independent. On the contrary, there is a great deal of complementarity and mutual reinforcement, so that progress is fastest and easiest when it occurs on a broad front. In other words, progress on, e.g. wages or working time not accompanied by progress on fundamental rights, will ultimately be held back – in this case because the fundamental rights to voice and organisation are needed to underpin bargaining over wages, or to ensure that priorities in working time reflect the demands of working people.

There are two problems here that need to be recognised. The first is that while there is complementarity in some respects, there are trade-offs in others. Beyond a certain level, higher wages and improved conditions of work may be at the cost of employment creation. A balance has to be found. Second, the complementarities may be concentrated in particular parts of the production system, for instance advanced manufacturing or services, leading to a classic dualistic development path, which only generates a small proportion of good jobs – as reflected in some of the categories in the table. There may be certain preconditions in terms of investment or productivity growth which need to be met in order to assure both expanding employment and improving job quality, and these do not reach the production system as a whole.

It nevertheless remains true that there is an important and positive development role to be played by decent work goals, and this tends to be underemphasised. Without progress in other dimensions of development, there are clearly limits to progress on decent work goals. But at the same time, a focus on decent work helps to ensure that the development path meets social and equity goals as well as economic ones. And a package approach which aims not only to create jobs through the more conventional means of investment and production, but at the same time to improve key dimensions of

the quality of work, can be an important means to escape a low productivity-low income-low quality of work trap.

5 Some implications

If this argument is accepted, it lays out a considerable challenge for measurement and research.

The measurement challenge involves moving away from undifferentiated measures of employment and the labour force, towards a more sophisticated understanding of work. The task should not be understated, for this requires an expansion of regular household and enterprise surveys into complex new territory. Since many low income countries do not even undertake simple labour force surveys on a regular basis, the investment required is large, so efforts should be concentrated on a few simple indicators that can capture important dimensions of the quality of work without attempting to be comprehensive.

The central research issue, once the basic data are available, is to establish the conditions under which decent work is most productive, and how it can be incorporated better into development paths. Economic structures are heterogeneous, and the answers will certainly be quite different between, e.g. peasant agriculture and high-tech services, or between formal and informal enterprises, and thus a differentiated approach is called for.

Beyond the decent work–productivity issue, a number of other research themes can be identified. A particularly important one concerns inequality in work. Inequalities in labour market access and in decent work outcomes condition the distribution of income and welfare, and are central to understanding wider societal inequalities, notably gender inequality and inequalities among ethnic or cultural groups. These inequalities in the world of work, and their implications for the overall distribution of the benefits of development, need to be reflected better in the policy and research agenda.

This article has argued that while employment is an important development goal, too simple an approach is likely to be misleading. The key differences between regions and development situations lie in the large proportion of workers engaged in low quality work. Dealing with these situations is a central development challenge. This is recognised in

the ILO's 'decent work' agenda, but to make progress, it is important to address a number of key measurement and research issues, and in particular

to increase the understanding of the ways in which improving the quality of work can contribute to productivity growth and to wider development goals.

Notes

* International Labour Office, Geneva. This article is written from the author's personal capacity, and the views expressed here are not necessarily shared by the ILO. Thanks to Eddy Lee, Ajit Ghose and Janine Rodgers for helpful comments.

1 See ILO (2007) for data sources.

2 See for instance, work by Guy Standing and colleagues on socioeconomic security (ILO 2004). For data sources, see www.ilo.org/dyn/sesame/

ifpses.home. Anker *et al.* (2002) propose indicators of decent work and suggest data sources for many of them.

3 There is a large but fragmented literature on this issue. See for instance, Berg *et al.* (2006); Novick (2007); Rodgers (2007); Sengenberger (2002); and various writings by Richard Freeman, starting with Freeman (1993).

4 The reasoning here is comparable with that underlying the efficiency wage theory.

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