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Chapter 3

Jobs and Earnings

Having a job that matches one's aspirations and competencies and that pays adequate earnings is a universal aspiration of people around the globe. In general, the economic growth of the past fifteen years has gone in hand with an increase in employment and earnings in most OECD and other major economies, but these accomplishments are being put to a serious test by the ongoing economic crisis. Further, earnings inequalities have increased in most OECD countries, some aspects of working conditions (e.g. involuntary part-time) have worsened, and having a job seems to provide less of a shield against the risk of poverty than in the past. Women, youth and older workers face relatively high job insecurity and weaker ties with the labour market. Even though employment statistics generally meet high statistical standards, there is scope for improvement in several domains, as in the case of data on hours worked, earnings disparities and measurement of the quality of employment. While many international organisations have been active in defining a measurement framework for assessing job quality, information gaps in this field are still very large, especially as far as official statistics are concerned.

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Why do jobs and earnings matter for well-being?

The availability of jobs and the earnings they pay are essential to individual well-being. Not only do good jobs increase people's command over resources, but they also provide people with a chance to fulfil their own ambitions, to develop skills and abilities, to feel useful in society and to build self-esteem. Jobs shape personal identity and create opportunities for social relationships.

Research has also shown that being unemployed has a large negative effect on physical and mental health (Wilson and Walker, 1993) and on subjective well-being (Clark and Oswald, 1994); this suggests that the negative effect of joblessness on well-being goes well beyond the income loss that unemployment brings. There is also evidence that this impact is persistent over time and that psychological resilience to unemployment is low (Dolan *et al.*, 2008).

Working conditions can be as important as job availability in terms of their consequences on people's lives, as people spend a considerable amount of time at work. Work represents many people's main recognised contribution to the community where they live, and it is a source of pride and dignity; the quality of their jobs is therefore fundamental for them.[1]

The quality of jobs, and how to measure this, has attracted increased interest among the international community (Economic and Social Council, 2010). The International Labour Organisation (ILO) developed the concept of "decent work" in the early 1990s (Box 3.1), and, more recently, other initiatives to measure the quality of jobs have been undertaken by the UNECE and Eurostat (UNECE, 2010). These initiatives highlight that job quality depends on certain critical factors such as job safety and the ethics in the work-place, the income and benefits from employment, job security and social protection, social dialogue, workplace relationships and job motivation. This chapter considers some indicators of job quality, in addition to standard indicators measuring the availability of jobs.

This chapter should be read in connection with Chapter 2 on "Income and Wealth" and Chapter 6 on "Work and Life Balance", as earnings represent the main component of household income and are shaped by, among other factors, hours worked and the balance between paid work and other activities.

Box 3.1. **The ILO's definition of decent work**

The concept of "decent work" was introduced in 1999 by the International Labour Organisation (ILO) and defined as :"opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity" (ILO, 2003).

This definition is based on a broad concept of work encompassing all forms of economic activity (Anker *et al.,* 2003; Ghai, 2003; and UNECE, 2010). It has six dimensions: the notion of "opportunities for work", which refers to the ability of every man and woman who wants to work to be able to find work; the notion of productive work, which refers to work that ensures sustainable development and provides acceptable livelihoods for workers and their families; the fact that work should be freely chosen and not forced; that workers should be free to join workers' organizations; that work should be characterised by the absence of discrimination and the equitable treatment of workers; that the health of workers and their families should be safeguarded, with adequate protection provided in the event of illness or other contingencies; and, finally, that workers should be treated with respect at work.

The ILO has made "decent work" the organising principle for its activities, and has set an agenda for incorporating the goal of decent work for all into national strategic planning objectives. The ILO decent work agenda is based on four strategic objectives: *i)* fundamental principles and rights at work; *ii)* employment creation; *iii)* social protection; and *iv)* social dialogue.

Source: ILO (2011a, 2011b).

Measuring jobs and earnings

An ideal set of indicators of jobs and earnings will inform on both quantity and quality of jobs, as well as the extent to which working conditions meet people's expectations and allow them to earn a good living.

Concerning the *quantity* of jobs, ideal indicators should measure the availability of jobs for those who want to work but also the actual intensity of labour market participation in relation to the desired number of working hours. Employment and unemployment indicators are conventional measures of labour market participation; yet employment ratios convey a relatively rough picture of actual work intensity, as they provide no indication of whether people are under-employed (*i.e.* work less than they would like to).[2]

Concerning the *quality* of jobs, the UNECE-ILO-Eurostat Taskforce on this subject recommends including:[3]

- Measures of job safety and employment, workplace injuries, unacceptable forms of labour (*e.g.* child labour) as well as unfair treatment, such as discriminatory work situations.
- Measures of earnings and benefits from employment, which indicate whether jobs are paid reasonably and fairly with respect to the labour inputs provided, but which also gauge whether financial rewards from work provide people with sufficient resources to enjoy good living standards.
- Measures of security of employment and social protection that inform about whether workers can count on stable and regular employment and whether, when they are out of work, they can rely on adequate social protection and avoid poverty.
- Measures of social dialogue, capturing the freedom of workers to organise and bargain with employers about their working conditions.
- Measures of workplace relationships and work motivation that inform about the social characteristics of work (*e.g.* whether there is a productive, friendly and cooperative working atmosphere) and about people's work satisfaction in a broader sense (*e.g.* fulfilling one's own expectations, allowing the development of skills and abilities, etc.)

In practice, many of these aspects of the quality of employment are not adequately covered by existing indicators available at the international level, and the above concepts only provide broad guidance for measurement. Indeed, while indicators on jobs are robust and based on harmonised international definitions (*e.g.* ILO and SNA), many indicators of job quality are affected by the small scale of existing surveys on the subject, and often rely either on official surveys that are not harmonised across countries or on surveys conducted outside the boundaries of the official statistical system.

Moreover, some traditional labour-market indicators, such as earnings and hours worked, suffer from a serious lack of harmonisation at the cross-national level (for instance, in terms of concepts, universe, timing, etc.), which severely limits cross-country comparative analysis in this area.

Therefore, the evidence discussed in this chapter provides a relatively good picture of the quantity of jobs, assessed through standard employment and unemployment indicators, but only an imperfect one of job quality, as apprehended through indicators of earnings, occupational injuries, as well as temporary and part-time jobs.

Table 3.1 **The quality of job and earnings indicators**

		Target concept	INDICATORS							
			Relevance to measure and monitor well-being				Statistical quality			
			Face validity	Unambiguous interpretation (good/bad)	Amenable to policy changes	Can be disaggregated	Collected through a well-established instrument	Comparable definition	Country coverage	Recurrent data collection
Jobs and Earnings										
JE I	Employment rate	Quantity of jobs	√	√	√	√	√	√	√	√
JE II	Long-term unemployment		√	√	√	√	√	√	√	√
je 1	Involuntary part-time employment		√	√	√	√	√	~	√	√
JE III	Average annual earnings per employee	Quality of jobs	~	√	√	x	~	~	√	√
je 2	Employees working on temporary contracts		√	√	√	√	√	~	√	√
je 3	Work accidents: fatal and non fatal injuries		√	√	√	~	~	~	~	√

Note: The symbol √ shows that the indicator selected largely meets the criteria shown in the table; the symbol ~ that the indicator meets the criteria to a large extent; the symbol x that the indicator does not meet the criterion or it meets it only to a limited extent.

Selected indicators

Employment rate (JE I)

This indicator refers to the share of the working-age population (aged 15 to 64 in most OECD countries) that declare having worked in gainful employment for at least one hour in the previous week. According to the ILO definition, this also comprises persons who, having already worked in their present job, were temporarily not at work during the reference period and had a formal attachment to their job (*e.g.* due to parental leave, sickness, annual leave, strike or lock-out).

Data on employment rates come from the national Labour Force Surveys (LFSs), and are consistent with ILO recommendations. LFSs are regularly compiled and revised, which allows monitoring changes in labour market conditions. However, differences across countries in questionnaire wording and design, survey timing, and the age groups covered mean that some care is required in interpreting cross-country differences in indicator levels.

One obvious shortcoming of the employment rate indicator as a measure of well-being is the fact that some people may be out of paid work by choice (*e.g.* to stay with their children, to study or to perform other valued activities). A second shortcoming is that the employment rate is affected by the structure of the population (e.g. a higher share

of the school-age population will lower the employment rate). In these circumstances, a lower employment rate in one country will not imply lower well-being than in a country where the employment rate is higher. Conversely, people may be employed but working less than they would wish, a limitation that is partly addressed by the underemployment indicator discussed below. Finally, it should be noted that country comparisons of changes in employment rates (as well as changes in other labour market indicators shown in this chapter) are affected by differences in the cyclical positions of various countries (EC, 2010).

Long-term unemployment rate (JE II)

Long-term unemployment places people at risk of social exclusion, poverty and deprivation. This indicator refers to the number of persons who have been unemployed for one year or more as a percentage of the active labour force (the sum of employed and unemployed persons). According to the ILO definition, the unemployed comprise all persons of working age who, during the reference period of the survey, were: *i)* without work, i.e. not in paid employment or self-employment during the reference period, *ii)* available for work, and *iii)* actively seeking work, i.e. had taken specific steps in the previous four weeks to seek paid employment or self-employment, where the specific steps may include registration at a public or private employment office, application to employers, checking at worksites or farms, placing or answering newspaper advertisements, seeking assistance from friends or relatives, looking for land, building, machinery or equipment to establish their own enterprise, arranging for financial resources, applying for permits and licences, *etc.*

Data are drawn from LFSs, and the methodoligical caveats mentioned above apply. In addition, one limitation of the unemployment indicator from the perspective of assessing well-being is that it excludes people who wish to work but feel discouraged about actively seeking a job, because they deem their probability of finding one to be very low. The international definition of unemployment used here is not linked to any institutional or legal provisions (such as the receipt of unemployment benefits or registration as a job seeker with a public employment office) and is intended to refer exclusively to a person's particular activities during a specified reference period. As a result, unemployment statistics based on the international definition used here may differ from the national statistics on registered unemployment that are used in some countries.

Involuntary part-time employment (je 1)

Part-time workers may be disadvantaged as compared to full-time workers in terms of pay, job security, training, promotion, risk of poverty (Box 3.2) and access to unemployment benefits or re-employment assistance when becoming unemployed. However, people may also choose to work part-time because they prefer to spend more time with their family or to have a lower professional responsibility (OECD, 2010b). What counts the most for people's well-being is whether part-time work is voluntary or involuntary.

Box 3.2. **Is work the best antidote to poverty?**

Employment considerably reduces the risk of poverty, but does not necessarily eliminate it:

- Having a job is a major factor limiting the risk of poverty faced by households with a head of working age. In virtually all countries, the (income) poverty rate among jobless households (i.e. those where no member is gainfully employed) is more than double the rate observed among working households.
- In-work poverty is significant almost everywhere. On average 7% of individuals living in households with at least one worker are poor in the OECD area. Consequently, this group accounts for more than 60% of all the poor of working age.
- For most of the working poor, underemployment is a major problem. The average intensity of work among the working poor differs sharply from that observed among the rest of the employed population. On average over 21 European countries, only slightly more than 20% of the working poor work full-time for a full year, and almost 70% of this group work six months or less during the year (in full-time equivalent months). By contrast, more than half of individuals living in a non-poor household work full-time over the full year.
- For families with children and low earnings potential, even full-time employment may not completely secure economic self-sufficiency. On average, working full-time at the bottom of the wage ladder (i.e. at around 40% of the average wage) brings the disposable incomes of two-earner couples with children to only 65% of the median income, while the incomes of lone parents in low-paid work remain at the poverty threshold (or even below it) in most countries.

Source: OECD (2008b).

Involuntary part-time workers are defined here as those who usually work less than 30 hours per week either because they were unable to find a full-time job or declaring they would prefer to work more hours. The indicator used here shows the prevalence of involuntary part-time workers on total employment. Data come from the OECD Employment Database, and cover all OECD countries. However, definitions of involuntary part-time workers are not fully harmonised, which may hamper cross-country comparisons. For these reasons, this indicator is considered as secondary.

Average gross annual earnings of full-time employee (JE III)

An important aspect of job quality is the wage and other monetary benefits that originate from employment. Earnings represent the main source of most households' income. In addition, an indicator on earnings may also inform on the extent to which work is remunerated fairly and is treated with respect and dignity.

The earnings indicator used here shows the average annual earnings per full-time employee, covering all sectors of the economy and all types of dependent employment. The indicator is given by the total wage bill divided by the number of full-time equivalent employees in the total economy and expressed in PPP rates. The number of full-time equivalent employees is obtained by multiplying data on the number of employees by the ratio of hours worked by all employees and by those working full-time,[4] in order to correct for the prevalence of part-time work, which varies considerably across countries.

Data come from the OECD National Accounts, and cover all sectors of the economy and all types of dependent employment. This enables international comparisons of the

levels and trends of average annual earnings. Compared to alternative earnings series, the OECD National Accounts series have the advantage of covering both full-time and part-time workers. National Accounts data also include undeclared earnings (as part of the so-called "non-observed" economy), although differences in methodologies may affect international comparability.[5]

An additional limitation of this indicator is that it does not measure the earnings gained per hour worked and thus the opportunity cost of spending time out of work. Another weakness is that it refers to an average concept and thus does not inform about earnings inequality within the population; the survey data on earnings inequality presented later in this chapter are hence not directly comparable to the national accounts data on average earnings described above.

Employees working on temporary contracts (je 2)

Another essential factor in the quality of employment is job security. Employees working on temporary contracts often face a higher risk of job losses than do permanent workers, and are therefore more vulnerable than workers with an open-ended contract, especially in countries with smaller social safety nets (OECD, 2010b).

This indicator refers to temporary workers as a share of total employees. Temporary employment includes "fixed-term contracts", employment by "temporary employment agencies" and "seasonal workers". Data come from the OECD Employment Database. Although the quality of the data is good, cross-country comparisons should be made with caution, due to some differences in the definition of temporary workers. Moreover, as temporary employment includes all types of temporary employment, this indicator does not provide information on individuals' reasons for choosing or accepting this type of work arrangement. For these reasons, this indicator is presented as a secondary indicator.

Work accidents (je 3)

This indicator is a standard measure of safety at work, and shows the frequency of fatal and non-fatal injuries, which is expressed as the number of work accidents during 12 consecutive months per 100 000 workers. Data come from the ILO LABORSTA database, the Eurostat New Cronos database and the Injuries, Illnesses and Fatalities (IIF) database of the US Bureau of Labor Statistics (BLS).

International comparisons of work accidents are difficult because of differences in both record-keeping (*e.g.* statistics sometimes only record compensated accidents in workplaces of a sufficient size and exclude minor injuries) and data sources (*e.g.* insurance companies, social security registers, labour inspectorates, establishment censuses and special surveys). Moreover, employers may underreport work accidents in countries where the social security contributions that they pay depend on the frequency of accidents (*i.e.* experience-rating). Comparability is generally higher in the case of fatal injuries, as country definitions differ in terms of the length of absences from work considered (OECD, 2007). Data for some countries may exclude accidents affecting the self-employed or those working in small firms, may refer to compensated rather than reported injuries, and may express accidents relative to the insured rather than to all workers. However, comparability has improved since the adoption in 1998 of an ILO Resolution that sets out standards for data collection and presentation. Since the quality of this indicator does not meet high statistical standards, it is presented here as a secondary indicator.

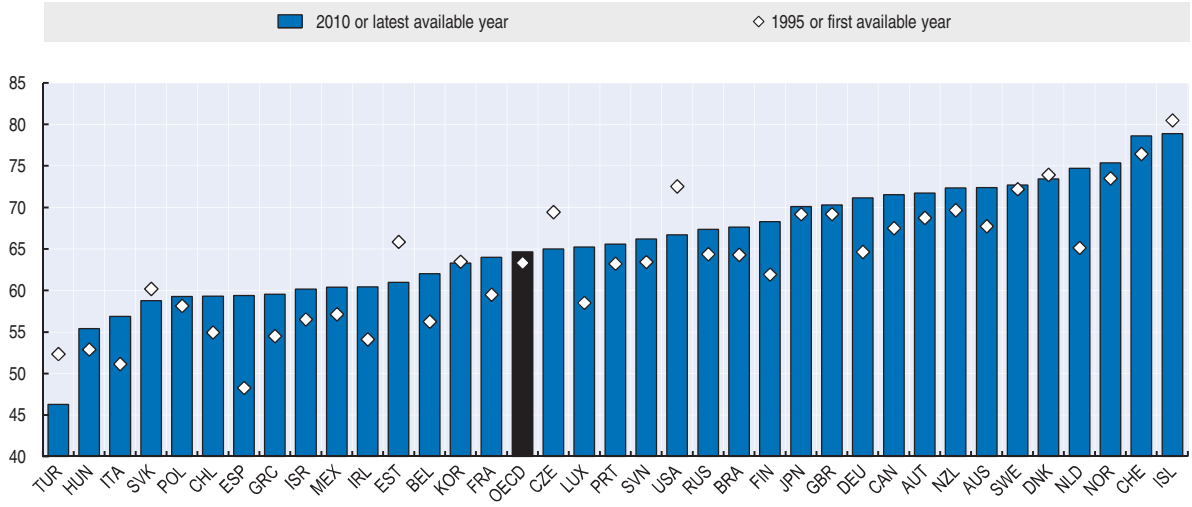
Average patterns

Employment rates have increased but large differences across OECD countries remain

Compared with other OECD countries, employment rates in 2010 were low in Turkey, where less than one in two persons aged 15-64 is employed (Figure 3.1). Broadly speaking, employment is relatively low in Southern European countries and high in Switzerland and in the Nordic countries. Since the mid-1990s, there is evidence of a general increase in employment, although there is large variation across OECD countries. Employment has also considerably increased in the Russian Federation, the only emerging country with available information. Countries where the employment rate has increased the most in the past fifteen years or so are Spain and the Netherlands. Conversely, employment rates have declined considerably in Turkey and, to a lesser extent, in the United States, Estonia and the Czech Republic (Figure 3.1). Cross-country differences in employment as well as the trends over time are affected by the economic cycle and the resilience of labour markets to macroeconomic shocks, which may differ considerably across countries.

Figure 3.1. **Employment rate**

Percentage of employed 15-64 aged over the population of the same age



Note: The first available year is 2001 for Brazil and 2002 for Slovenia. The latest available year is 2009 for Brazil.
Source: OECD, Labour Force Statistics database.

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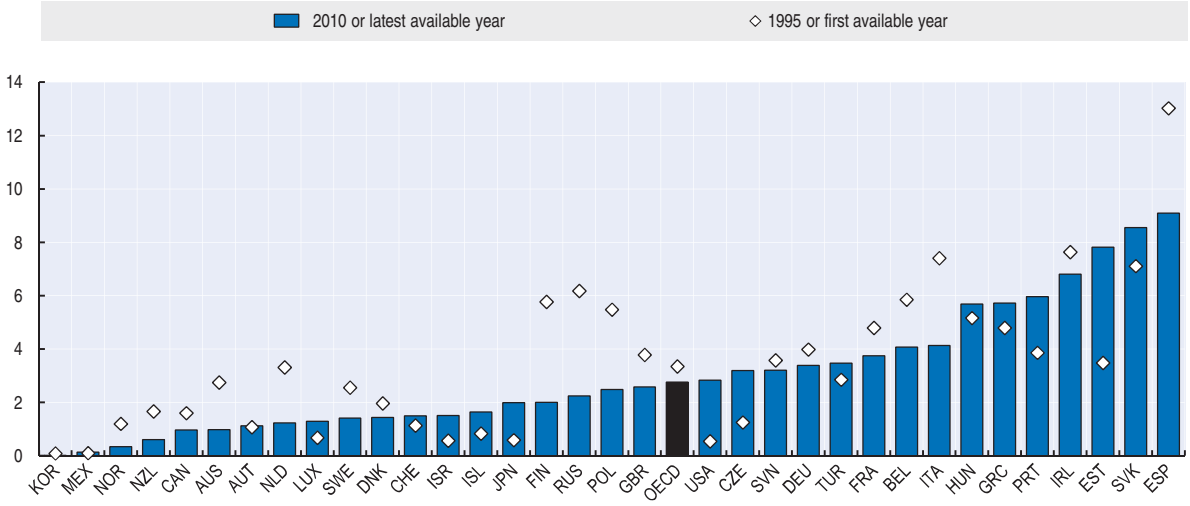
In most OECD countries long-term unemployment rates are low

In 2010, long-term unemployment rates were below 4% in most OECD countries. They are virtually nil in Korea, Mexico and Norway, while they are almost three times as high as the OECD average (3%) in Estonia, the Slovak Republic and Spain. Since the mid-1990s, long-term unemployment rates have declined in many OECD countries, particularly in Spain, the Russian Federation, Italy and Finland. Exceptions to this trend are the United States, Portugal and Estonia (Figure 3.2). These contrasting trends may partly reflect the different timing and impacts of the recent financial crisis.

Figure 3.2. **Long-term unemployment rate**

Percentage of people aged 15-64 who have been unemployed for one year or more over the labour force of the same age



Note: The first available year is 1999 for the Russian Federation and 2002 for Slovenia. The latest available year is 2008 for the Russian Federation.

Source: OECD, Labour Force Statistics database.

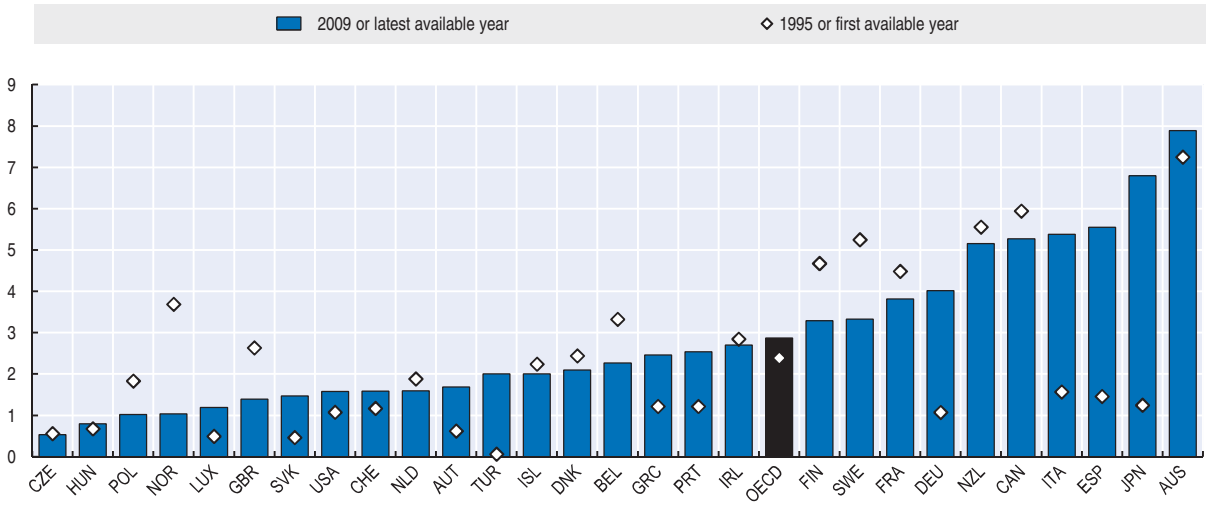
StatLink *http://dx.doi.org/10.1787/888932492150*

The incidence of involuntary part-time work has increased in many countries

Involuntary part-time employment represents less than 3% of total employment in many OECD countries, although this share is much higher in Japan and Australia (Figure 3.3). In the past fifteen years, involuntary part-time work has increased considerably in Japan, Spain, Italy and Germany. Conversely, other countries, such as Norway, Finland and Sweden, show a strong decrease in the percentage of involuntary part-time workers. In the Czech Republic, Hungary, Ireland and the Netherlands, involuntary part-time employment has remained fairly stable.

Figure 3.3. **Incidence of involuntary part-time employment**

Percentage of total employment



Note: The first available year is 1996 for Finland; 1998 for the Czech Republic and the United States; and 2001 for Australia and Poland. The latest available year is 2002 for Iceland; and 2004 for Turkey. In 1995, the incidence of part-time employment was virtually nil (0.06) in Turkey.

Source: OECD, Labour Force Statistics database.

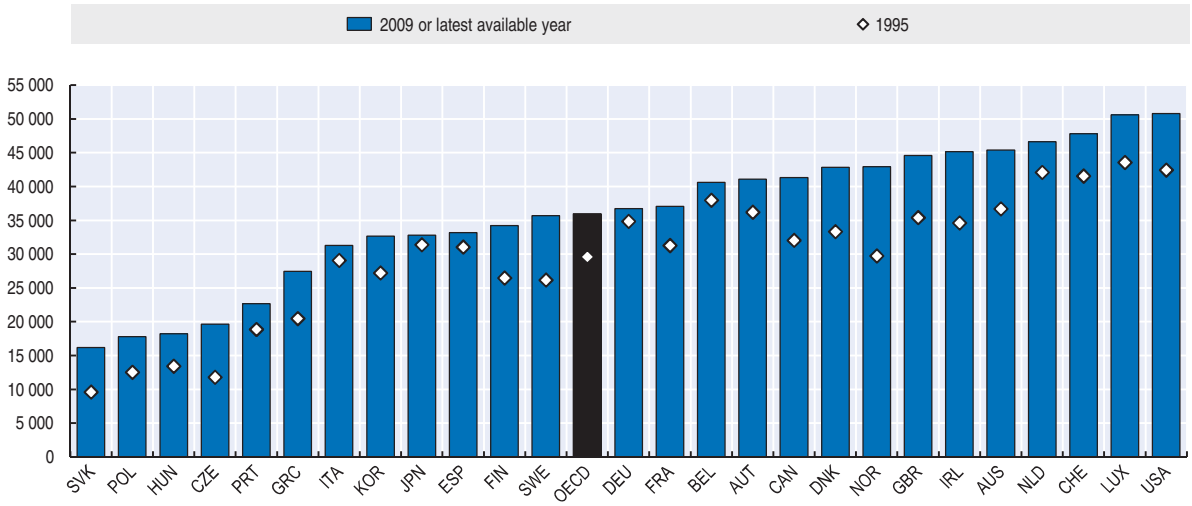
StatLink http://dx.doi.org/10.1787/888932492169

Average gross annual earnings have increased in all OECD countries

Average gross annual earnings per employee in the OECD area differ significantly across OECD countries. In the United States and Luxembourg, average gross annual earnings are more than three times higher than in the Eastern European countries. Between 1995 and 2009, annual gross wages per employee have increased in all OECD countries (Figure 3.4), though their growth has slowed in more recent years due to the financial crisis. Earnings increases have been particularly strong in Eastern European countries but also in Norway and Ireland. Gross annual earnings have been fairly stable over the past fifteen years in Spain, Japan, Italy and Germany.

Figure 3.4. **Average gross annual earnings of full-time employees in the total economy**

US dollars at 2008 PPPs



Note: The average annual earnings of per full-time employees are obtained by dividing the National Accounts based total wage bill by the number of employees in the total economy, multiplied by the ratio of weekly usual hours worked per full-time employee related to those worked by all employees. Average annual earnings are calculated with a deflator for private final consumption expenditures in 2008 prices. The latest data refer to 2007-08 for Greece.

Source: OECD estimates based on OECD National Accounts Database and OECD (2010), OECD Economic Outlook, No. 87

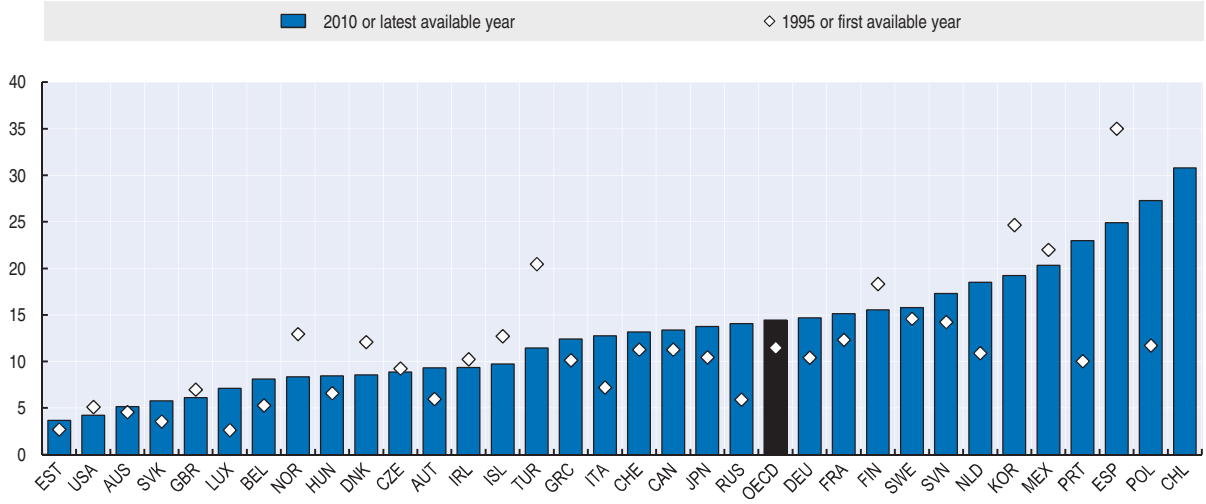
StatLink http://dx.doi.org/10.1787/888932492188

More than one-fifth of all employees work on temporary contracts in some OECD countries

In most OECD countries, fewer than 15% of total employees work on temporary contracts. In Spain and Poland, however, one employee out of four works on a temporary contract (Figure 3.5). Over time, the percentage of temporary workers has decreased in Spain and Turkey, while it has increased substantially in Poland, Portugal and the Russian Federation. Some subjective measures of job insecurity as perceived by workers are presented in Box 3.3.

Figure 3.5 **Employees working on temporary contracts**

Percentage of total employees



Note: The first available year is 1996 for Luxembourg and Norway; 1997 for Canada, Finland, Hungary and Sweden; 1998 for Australia and Switzerland; 1999 for the Russian Federation; 2001 for Poland; 2002 for Estonia and Slovenia; and 2004 for Korea. The latest available year is 2004 for Mexico; 2005 for the United States; 2006 for Australia; 2008 for the Russian Federation; and 2009 for Hungary and Iceland.

Source: OECD, Labour Force Statistics database.

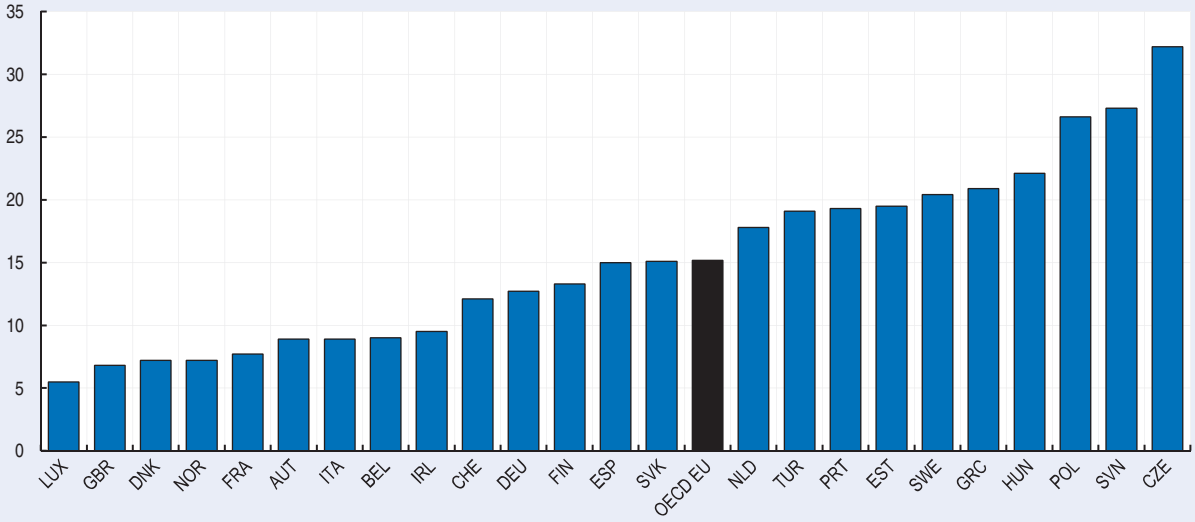
StatLink http://dx.doi.org/10.1787/888932492207

Box 3.3. **Perceived job insecurity in European countries**

Information on job insecurity as perceived by workers is provided by the European Working Conditions Survey (EWCS), which is conducted every five years by the European Foundation for Improvement of Living and Working Conditions, based on a representative sample of European employees and self-employed people on different work-related dimensions (EFILWC, 2006). In 2005, in OECD Europe about 15% of workers declared that they might lose their job in the next six months (Figure 3.6). Although differences in perceived job security may reflect differences in labour market policies and institutions among countries, there is evidence that employees on temporary contracts feel less secure than do permanent workers. Similarly, lower-skilled manual workers feel less secure in their job than clerical workers (EWCS, 2006).

Figure 3.6. **Perceptions of job insecurity**

Percentage of employees and self-employed over age 15 declaring they might lose their job in the next six months, 2005



Source: The European Foundation for the Improvement of Living and Working Conditions, 2006.

StatLink http://dx.doi.org/10.1787/888932492226

Work accidents in some OECD countries still are not insignificant, in particular fatal injuries.

In 2003, there were fewer than six fatal accidents per 100 000 workers in most OECD countries. This figure was higher in Mexico and Turkey (Table 3.2). While strict national legislation and strong safety cultures and partnerships can lower injuries at work, some occupational sectors remain more dangerous than others (OECD, 2007). In most OECD countries, non-fatal injuries were more frequent in the agricultural and/or the construction sector, while they were also particularly high in the manufacturing sector in countries such as Spain, Portugal, Norway, Canada and Hungary. Comparability is, however, especially limited in the case of non-fatal injuries.

Table 3.2. **Work accidents in selected OECD countries.**

Fatal and non-fatal accidents in 2003 per 100 000 workers, and lost workdays per worker involved in 2001

	Work accidents			Non-fatal work accidents by industry			
	Fatal	Non-fatal	Days lost per worker involved	Agriculture	Manufacturing	Construction	Transport
Compensated injuries							
Australia	2.0	1,230	6.0	2,561	2,070	2,201	2,056
Finland	2.7	2,847	5.7	5,226	3,339	5,908	3,534
Germany	3.5	3,674	4.3	12,160	3,432	7,029	3,702
Luxembourg	3.6	5,033	..	9,795	4,887	10,812	4,415
Belgium	3.9	3,456	5.7	5,387	3,572	6,398	3,898
Greece	3.9	2,090	..	1,265	3,226	4,519	1,820
New Zealand	5.2	1,605	..	4,992	2,456	3,781	2,104
France	5.4	4,689	5.9	4,778	4,232	10,066	6,123
Canada	6.1	2,227	5.7	2,212	3,914	3,428	2,650
Reported injuries							
United Kingdom	1.0	1,614	..	2,139	1,519	2,493	1,868
Sweden	1.6	1,252	5.3	1,355	1,717	2,090	1,583
Netherlands	1.8	1,188	..	..	..	..	..
Denmark	2.4	2,443	..	1,284	4,141	3,773	2,991
Japan	3.1	233	..	1,028	287	584	440
Norway	3.1	3,325	..	3,161	5,563	5,835	4,448
Hungary	3.4	656	..	748	1,235	469	960
Ireland	3.9	1,262	..	..	..	..	..
Czech Republic	4.5	1,872	6.4	3,947	3,256	3,429	1,966
Slovak Republic	4.7	801	5.1	2,720	1,601	2,049	882
Poland	4.9		5.0	..	..	..	..
Italy	5.6	3,267	..	..	..	..	..
Spain	6.0	6,520	7.7	2,401	8,820	13,651	6,526
Austria	6.6	2,629	..	..	..	..	..
United States	8.0	1,626	6.0	..	..	..	..
Portugal	8.4	4,054	..	880	5,773	6,851	3,624
Mexico	12.0	2,968	..	..	..	..	..
Turkey (2001)	20.6	..	..	..	..	..	..

Note: Countries in each panel are ranked in increasing order of fatal accidents. Data on the frequencies of fatal and non-fatal injuries for the EU-15 and Norway are weighted based on the EU-15 employment structure (by industry).

Source: ILO Laborsta database; Eurostat New Cronos database; and US Bureau of Labour Statistics website on fatal work accidents and occupational injuries (www.bls.gov/iif).

StatLink http://dx.doi.org/10.1787/888932493841

The various indicators capture different dimensions of the quantity and quality of jobs and earnings

The set of indicators presented in this chapter summarises information about selected characteristics of jobs, working conditions and earnings. It is important to assess whether these indicators are interlinked (Table 3.3). In general:

- The ratio of employment to the working-age population is strongly and negatively correlated with both long-term unemployment and fatal work accidents. By contrast, it is strongly and positively correlated with annual earnings per employee.
- Long-term unemployment is strongly and negatively correlated with annual earnings per employee.
- The share of employees working on temporary contracts correlates positively with the number of non-fatal work accidents.

The absence of strong correlations between the other indicators underscores the importance of looking at a range of measures to obtain a good appreciation of jobs and earnings.

Table 3.3. **Correlation between different indicators of jobs and earnings**

		JE I Employment rate	je 1 Involuntary part-time employment	JE II Long-term unemployment rate	je 2 Employees working on temporary contracts	JE III Annual earnings per employees	je 3 Fatal work accidents	je 3 Non-fatal work accidents
JE I	Employment rate	1 (36)	0.10 (29)	-0.55*** (35)	-0.08 (33)	0.61*** (26)	-0.66*** (18)	-0.16 (16)
je 1	Involuntary part-time employment		1 (29)	-0.03 (29)	0.17 (28)	0.12 (25)	-0.02 (17)	0.27 (15)
JE II	Long-term unemployment rate			1 (35)	-0.08 (33)	-0.49** (26)	0.02 (18)	0.24 (16)
je 2	Employees working on temporary contracts				1 (33)	-0.33 (26)	0.12 (18)	0.62** (16)
JE III	Annual wages per employees					1 (26)	-0.21 (16)	0.01 (15)
je 3	Fatal work accidents						1 (18)	0.43 (16)
je 3	Non-fatal work accidents							1 (16)

Note: Values in parenthesis refer to the number of observations. ** Indicates that correlations are significant at the 5% level; while *** indicates that they are significant at the 1% level.

Source: OECD's calculations.

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Inequalities

Employment rates are lower for women, the youth and the elderly

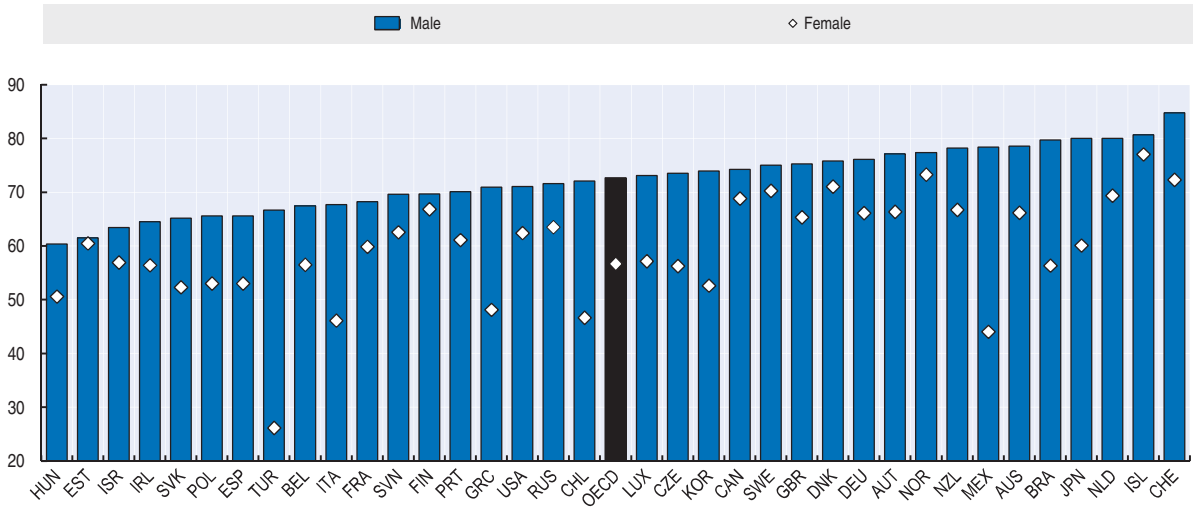
Employment rates for women are lower than for men in all OECD countries except Estonia (Figure 3.7, Panel a). The gender difference is particularly high in Turkey and Mexico, and relatively small in Canada, Estonia and the Nordic countries. Over the past 15 years, female employment rates have increased in most OECD countries, although there are large variations across countries (OECD, 2010b). In Spain, Ireland and the Netherlands, the female employment rate has increased by more than 15 percentage points, while in the Slovak Republic, Poland, Sweden and Iceland, it has remained fairly stable, and it has decreased in Turkey and the Czech Republic. The increase in employment rates for women may be explained by cyclical factors but also by improvements in the provision of childcare facilities, which have made it easier for mothers with young children to return to work.

The experience of workers when entering the labour market has a profound influence on their later working life. Getting off to a good start facilitates the integration of youth into the world of work and lays the foundation for a good career, while it can be difficult to catch up after an initial failure (OECD, 2010c). Youth have the lowest employment rate of all age groups, and the employment gap with prime-age workers is very large, especially in Hungary, the Slovak Republic, Greece and Italy (Figure 3.7, Panel b). In addition, the average employment rate for 15 to 24 year-olds in the OECD area has tended to decline between 1995 and 2009, with marked falls in Eastern European countries and the United States. In other countries, such as France, Iceland and the Netherlands, youth employment has increased, while it has remained steady in Australia and Estonia (OECD, 2010b). Alongside the decline in youth employment rates, there has been an increase in share of youth who are not in employment, education or training.

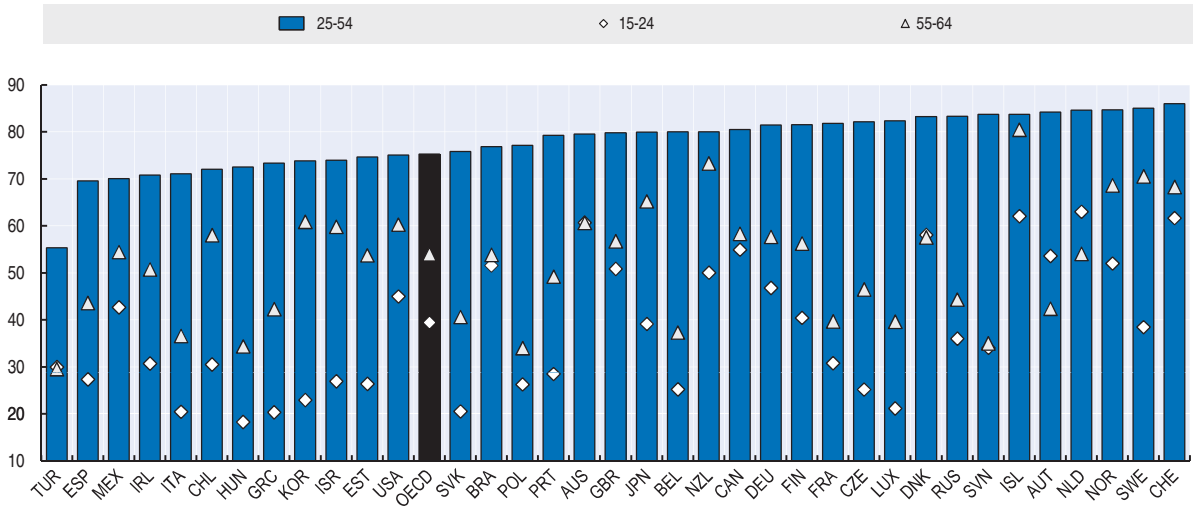
Employment rates are also lower among older people (55 to 64 years old) than among the prime-age population, though these differences vary greatly across countries. For instance, employment rates of people aged 55-64 are very low in Turkey, Hungary and Poland and very high in Iceland, New Zealand and Sweden (Figure 3.7, Panel b). Employment rates for older people have increased sharply in the Netherlands, New Zealand, Germany, the Slovak Republic and Finland, while they have remained fairly stable in Poland, Japan and Greece, and decreased by more than 13 percentage points in Turkey (OECD, 2010b)

Figure 3.7. **Inequalities in employment rates by gender and age, 2010**

Panel a: Employment rates by gender



Panel b: Employment rates by age



Note: The latest available year is 2009 for Brazil.
Source: OECD, Labour Force Statistics database.

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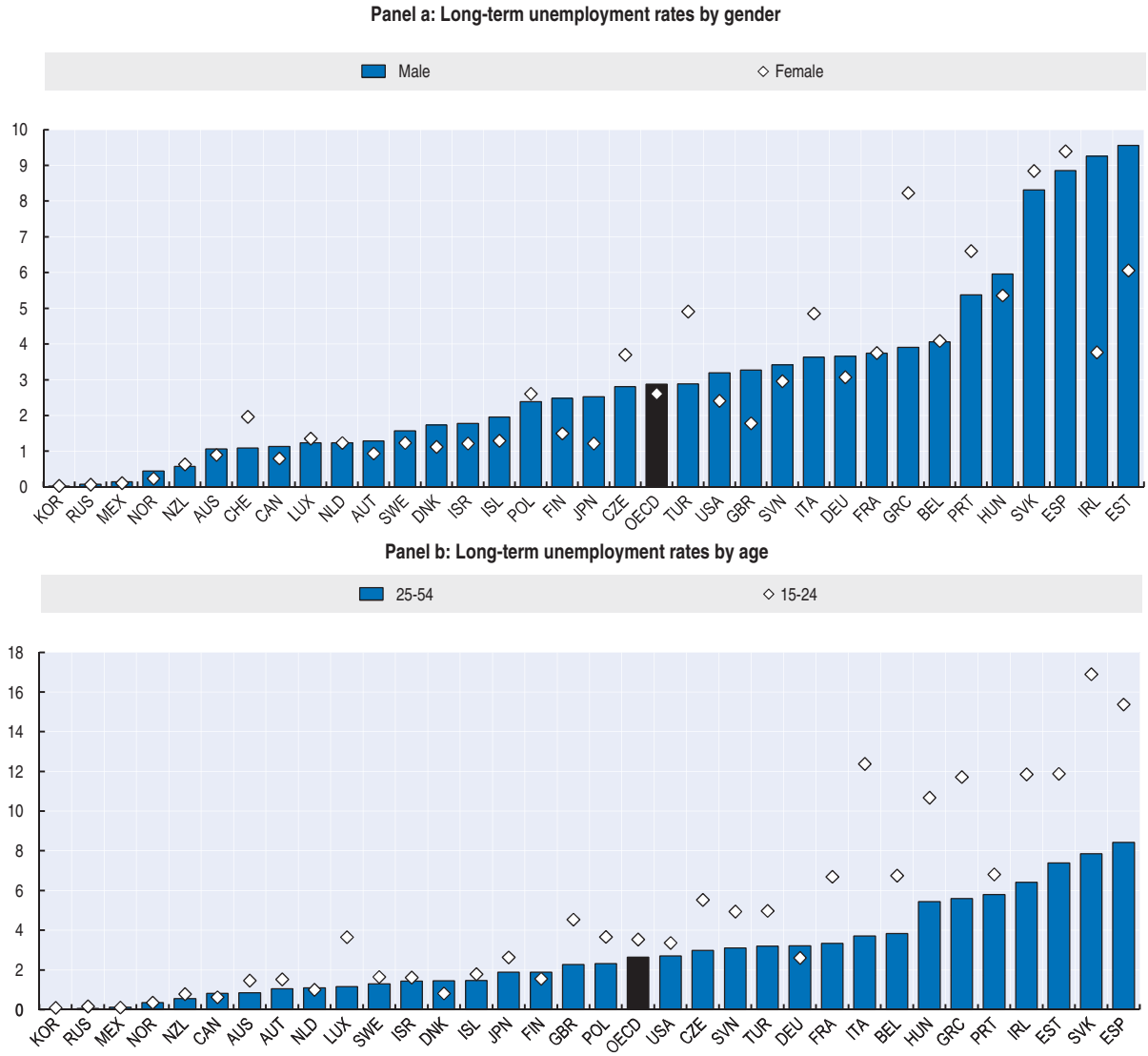
Employment increases with educational attainment

In all OECD countries, a higher proportion of 25 to 64 year-olds with a tertiary level of education are employed than those with only an upper secondary degree. Likewise, those with an upper secondary qualification are generally more likely to have a job than those with a lower educational level. The gender gap diminishes as the level of education rises (OECD, 2011b).

Long-term unemployment rates are high for women and youth

Average long-term unemployment in the OECD area is higher among women than men, though the difference is small on average (Figure 3.8, Panel a). This gender gap is particularly high in Greece, while in Ireland long-term unemployment is much greater among men. Over the past 15 years, long-term unemployment rates for women have decreased in almost all OECD countries (OECD 2010b). A sharp decrease has been observed in Spain, Italy and Ireland. By contrast, Turkey and the Czech Republic have experienced a moderate increase in women's long-term unemployment rates.

Figure 3.8. **Inequalities in long-term unemployment rate, by gender and age, 2010**



Source: OECD, Labour Force Statistics database.

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In 2010, the youth long-term unemployment rate was 3.5% on average for the OECD, i.e. about 1 percentage point higher than for prime-age workers. Youth long-term unemployment rates are particularly high in the Slovak Republic, Spain and Italy (Figure 3.8, Panel b).

For low-educated people (those below upper secondary education), long-term unemployment rates remained fairly stable at around 10% in 2010 (down from 11% in 1995), with two notable exceptions: Estonia, where the rate has decreased sharply, and the Slovak Republic, where the rate has reached high levels (OECD, 2011b). Available data (not shown here) also show that, for middle and high-educated people, long-term unemployment rates declined slightly between 1995 and 2009.

Earnings disparities have grown sharply in many OECD countries

The measures of earnings inequalities presented in this section are based on the OECD Earnings Database, which draws from different sources such as surveys of individuals and firms, administrative registers and tax records.[6] The data refer to working-age individuals holding a full-time job. While full-time jobs account for the largest share of total employment in all OECD countries, the exact definition used in the different sources of earnings data may differ from that used in Labour Force Surveys. The data also refer to different earnings concepts (hourly and weekly earnings in most cases, annual and monthly earnings for some countries) and may include different elements of the employee remuneration packages. Because of these differences, this indicator is better suited for assessing changes in earning distributions over time than for comparing levels of earnings inequality across countries (Atkinson, 2007; OECD, 2008a).

Evidence based on these measures for selected OECD countries show an increase in earnings disparities in the OECD area (Figure 3.9), though large differences exist across the analysed countries. The incidence of low-paid work has also risen substantially in Australia and Germany and to a lesser extent in Korea. The number of low-paid workers has remained broadly stable in Japan, New Zealand, the United States and the United Kingdom. Earnings disparities between the extremes of the distribution (9th decile and 1st decile) have increased in New Zealand, Korea, Australia and Hungary, but declined in France. Similar trends are observed when comparing the highest earnings to the median ones (OECD, 2011a).

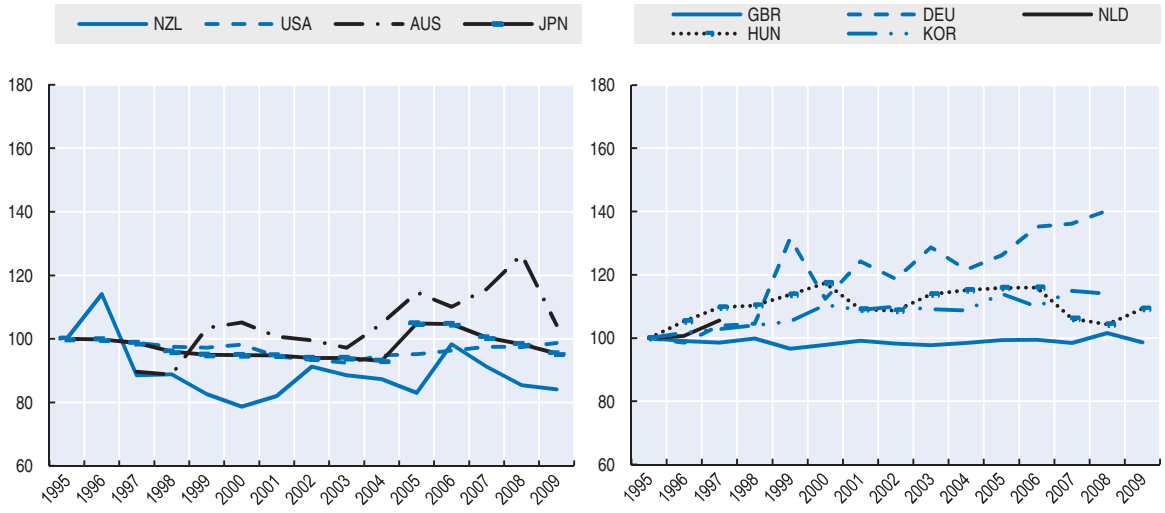
Earning disparities are much wider when looking at the personal earnings of all workers (i.e. both full-time and part-time workers, OECD, 2008). This reflects differences in working hours and in the wage rates of various types of workers, as workers in non-standard jobs (e.g. temporary contracts) are typically paid less per hour than other workers (OECD, 2008).[7] This suggests that people working a low number of hours and in non-standard jobs are typically at the bottom of the distribution of annual earnings (Burniaux, 2007; OECD, 2008).

While there are large gender gaps in earnings (Strauss and de la Maisonneuve, 2007; OECD, 2011a), within-gender disparities are significantly different (OECD, 2008). Earnings vary substantially also across groups defined by occupation, education, experience and other individual traits (Strauss and de la Maisonneuve, 2007; OECD, 2008b).

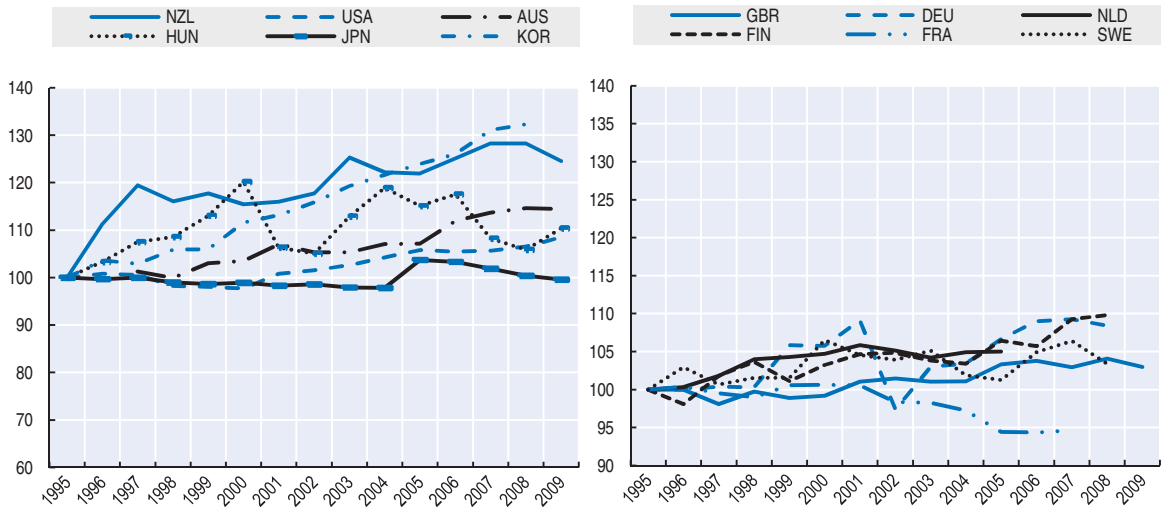
Figure 3.9. **Trends in earnings inequality for full-time employees**

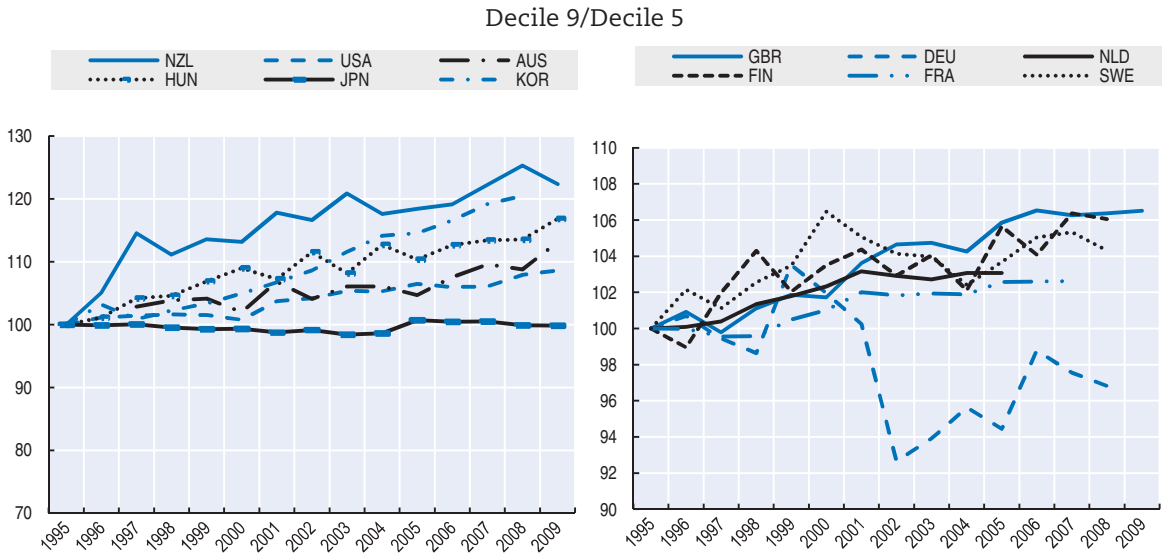
Index 1995=100

Low Pay Incidence



Decile9/Decile 1





Note: Low pay is defined as earning less than 40% of median earnings.
Source: OECD Earnings database.

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The statistical agenda ahead

Even though employment statistics generally meet high statistical standards, this chapter has stressed the need of improving labour market indicators, as in the case of data on hours worked and earnings. The ongoing Eurostat initiative represents an important step forward for developing new indicators for under-employment and for the potential unused labour supply in European countries.[8] Concerning hours worked, a greater effort should be made to harmonise existing surveys and collection methodologies, in particular with respect to the categories of workers, types of contracts and types of jobs. Likewise, more systematic and comprehensive collections of earnings data at the micro-level, based on comparable definitions, are needed.

Another important area for future statistical work is the measurement of the quality of employment. While many international organisations have been active in defining a measurement framework for assessing decent work and the quality of work, the information gap in this field is still very large, especially as far as official statistics are concerned. It would be desirable that National Statistical Offices increase their efforts to produce more comprehensive and comparable objective and subjective indicators on:

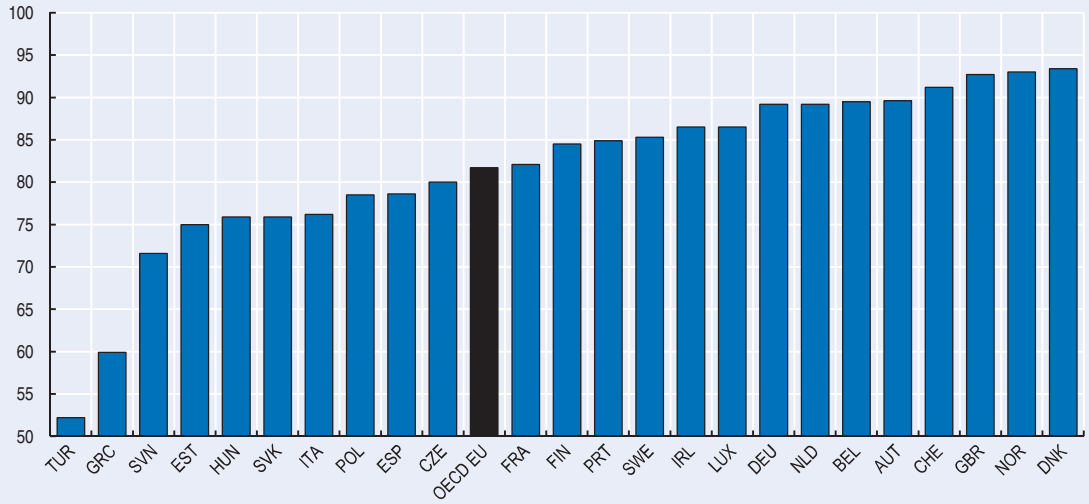
- *Job security and ethical behaviour at work*, *e.g.* indicators on the number of employees declaring that they are exposed to dangers and physical risks in their workplace or reporting being exposed to psychological risks (harassment, discrimination, etc.), as well as work accidents.
- *Social dialogue*, for example by including information on the share of workers covered by national contracts or who are unionised, but also broader information on workers' capacity to influence their working conditions.
- *Additional indicators of job quality*: for instance, information on the quality of the working environment and on individual satisfaction with the job. An indicator of job satisfaction from a non-official survey is discussed in Box 3.4 to convey the potential interest of including similar types of questions in surveys conducted by National Statistical Offices.

Box 3.4. **Satisfaction with working conditions in selected European countries**

Subjective measures of satisfaction with working conditions are useful to shed light on how jobs are perceived to meet workers' professional, social and individual needs. According to the European Working Conditions Observatory (EFILWC, 2006), workers generally report high levels of satisfaction with their working conditions (Figure 3.10). In 2005, around 83% of workers in OECD-Europe declared being satisfied or very satisfied with their working conditions. In Denmark, Norway, the United Kingdom, Switzerland, Austria, Belgium, the Netherlands and Germany, over nine persons in ten expressed contentment with their work. By contrast, only one person out of two in Turkey, and two out of three in Greece was satisfied with his/her working conditions. While this survey provides interesting insights on workers' satisfaction with their work, the results should be taken with care, as they are based on surveys conducted on small samples.

Figure 3.10. **Satisfaction with working conditions in European countries**

Percentage of workers aged 15-64 satisfied or very satisfied with their working conditions, 2005



Source: The European Foundation for the Improvement of Living and Working Conditions

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Conclusion

The economic growth of the past fifteen years has gone hand-in-hand with a general increase in employment and in average earnings. Nevertheless, large differences remain across OECD countries in both employment rates and annual earnings levels. Average annual hours worked per person in employment have also fallen slightly in most OECD countries over the past twenty years (OECD, 2010). At the same time, earnings inequalities have increased, some aspects of working conditions (*e.g.* involuntary part-time, temporary jobs) have worsened, and having a job is not always an adequate protection from the risk of poverty. In addition, women, youths and older workers face relatively high job insecurity and weaker ties with the labour market. Lastly, the economic crisis that is still affecting OECD countries has weighed heavily on jobs and earnings, lowering the material living standards of millions of workers around the globe.

Notes

1. People care about "jobs and justice, bread and dignity, freedom to voice people's needs, their hopes and their dreams" (Somavia, 2011).

2. To address this issue, Eurostat is currently leading a project aimed at developing a "volume" indicator of the potential or unused labour supply, expressed as the number of hours that workers are willing to offer on the labour market. Similar work is ongoing in other OECD countries (e.g. Australia). For a discussion of these issues see Elliot and Dockery (2006).

3. The UNECE-ILO-Eurostat framework also includes two additional components: "skills development and training" and "working hours and balancing work and non-working life". These two aspects are dealt with in the chapters on "Education and Skills" and "Work and Life Balance" respectively and are thus not considered in this chapter.

4. This ratio is computed based on data on usual weekly hours worked by full-time employees and by all employees in their main jobs.

5. The National Accounts aggregate for wages and salaries include the social security contributions paid by workers while excluding those paid by firms. This implies that differences across countries in the financing of social security affect the earnings comparisons shown here.

6. Measures refer to the distribution of personal earnings among workers, differently from measures of income inequalities (described in the chapter on Income and Wealth), which refer to the household as the basic unit within which income is pooled and shared among its members.

7. Since part-time jobs and temporary workers have increased recently and these types of workers work fewer hours than full-time and permanent workers, the inclusion of non-standard workers significantly widens the distribution of annual earnings among all employees.

8. It would also be important to understand better the links between labour market participation decisions (in particular the fact of being active, partly active or inactive) and well-being, as inactive people may derive considerable well-being from the non-work activities they perform, when they have voluntarily chosen to be out of the labour market.

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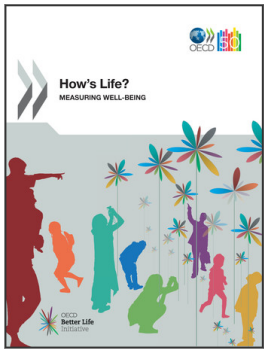

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