

HOW GOOD IS YOUR JOB? MEASURING AND ASSESSING JOB QUALITY



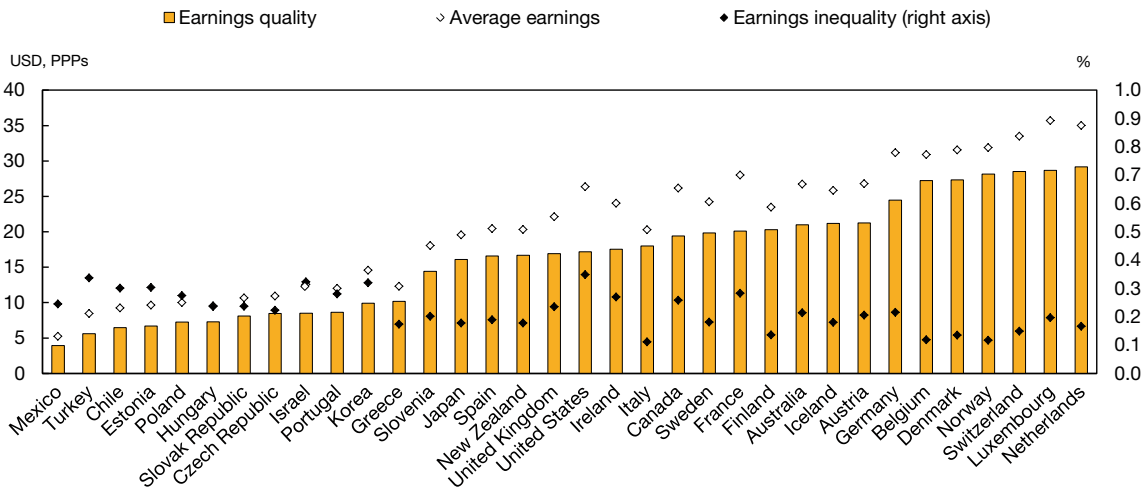
What makes a good job?

Most people spend a substantial amount of time at work, and work for a significant part of their life. The jobs people hold are therefore one of the most important determinants of their well-being. But what are the features of job quality that affect well-being? The OECD framework for measuring and assessing job quality considers three objective and measurable dimensions of job quality that are both important for worker well-being and relevant for policy. Together, they provide a comprehensive assessment of job quality.

- ✓ **Earnings quality** refers to the extent to which the earnings received by workers in their jobs contribute to their well-being. While the level of earnings provides a key benchmark for assessing their contribution to material living standards, the way earnings are distributed across the workforce also matters for well-being. Therefore, the OECD measures earnings quality by an index that accounts for both the *level* of earnings and their *distribution* across the workforce (Figure 1).
- ✓ **Labour market security** captures those aspects of economic security that are related to the probability of job loss and its economic cost for workers. This is measured by the risk of unemployment which encompasses both the risk of becoming unemployed and the expected duration of unemployment. It is measured by the degree of public unemployment insurance, which takes into account both the coverage of the benefits and their generosity (Figure 2).
- ✓ **Quality of the working environment** captures non-economic aspects of job quality and includes factors that relate to the nature and content of work performed, working-time arrangements and workplace relationships. Jobs that are characterised by a high level of job demands such as time pressure or physical health risk factors, combined with insufficient job resources to accomplish the required job duties, such as work autonomy and social support at work, constitute a major health risk factor for workers. Therefore, the quality of the working environment is measured by the incidence of *job strain*, which is a combination of high *job demands* and limited *job resources* (Figure 3).

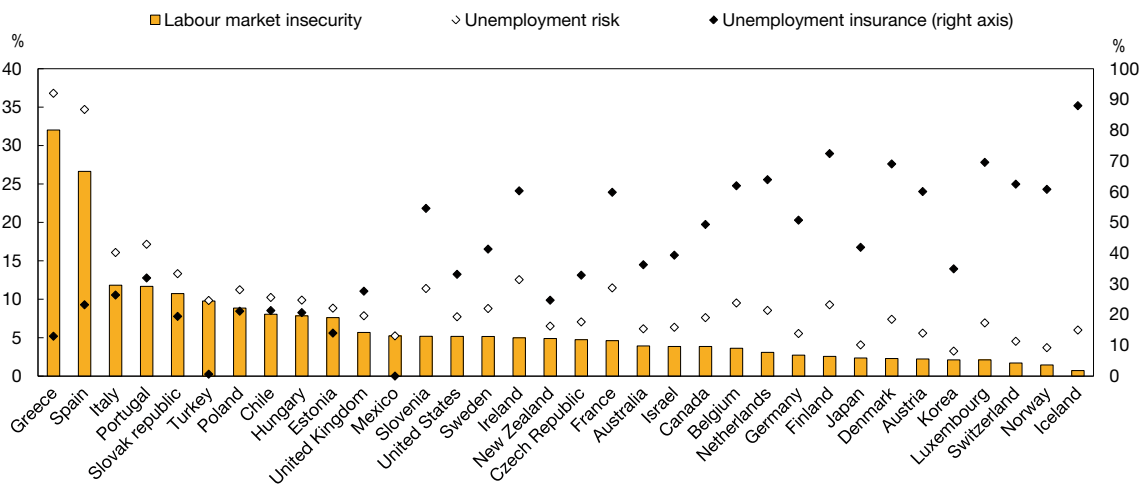
Job quality across OECD countries

Figure 1. Earnings quality
PPP-adjusted gross hourly earnings in USD, 2013 or the latest year available



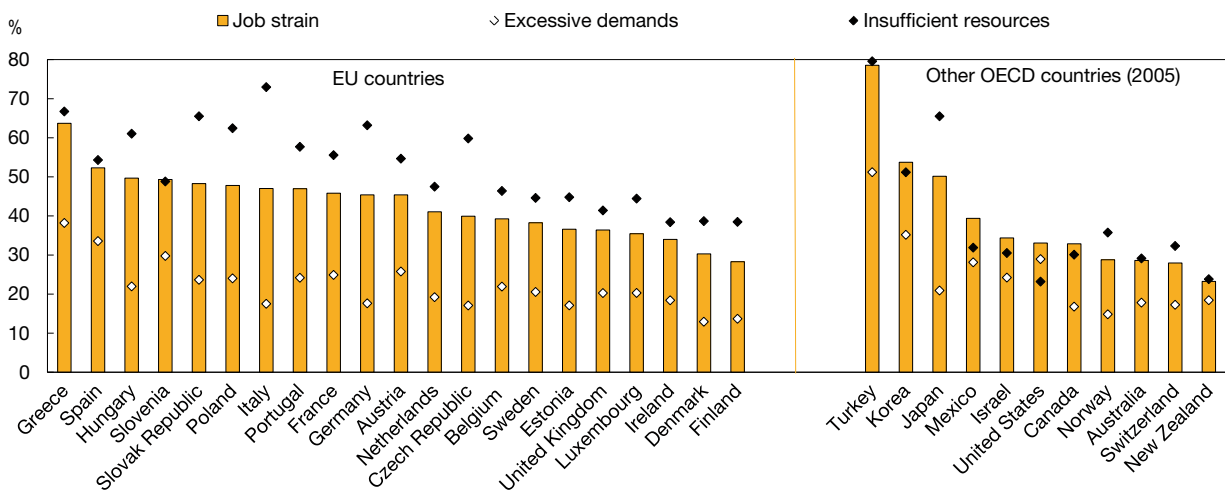
Note: The data refer to 2012 for France, Italy, Poland, Spain, Sweden and Switzerland; 2011 for Israel and 2010 for Estonia, Luxembourg, Netherlands, Slovenia and Turkey. Generalized means approach is used as an aggregation tool to compute earnings quality measures, assuming a high inequality aversion. Source: OECD Job Quality database (2016).

Figure 2. Labour market insecurity
Risk of becoming unemployed and its expected cost as a share of previous earnings, 2013



Note: The data for Chile refer to 2011 instead of 2013. Source: OECD Job Quality database (2016).

Figure 3. Job strain
Incidence of job strain, 2015



Note: The data on Turkey are based on results of the 2005 European Working Conditions Surveys (EWCS). Source: OECD Job Quality database (2016) based on the 6th European Working Conditions Survey (www.eurofound.europa.eu/surveys/2015/sixth-european-working-conditions-survey-2015) for 2015 and International Social Survey Program Work Orientations Module III for 2005.

How do OECD countries compare?

Overall, job quality outcomes vary substantially across OECD countries along each of the three dimensions:

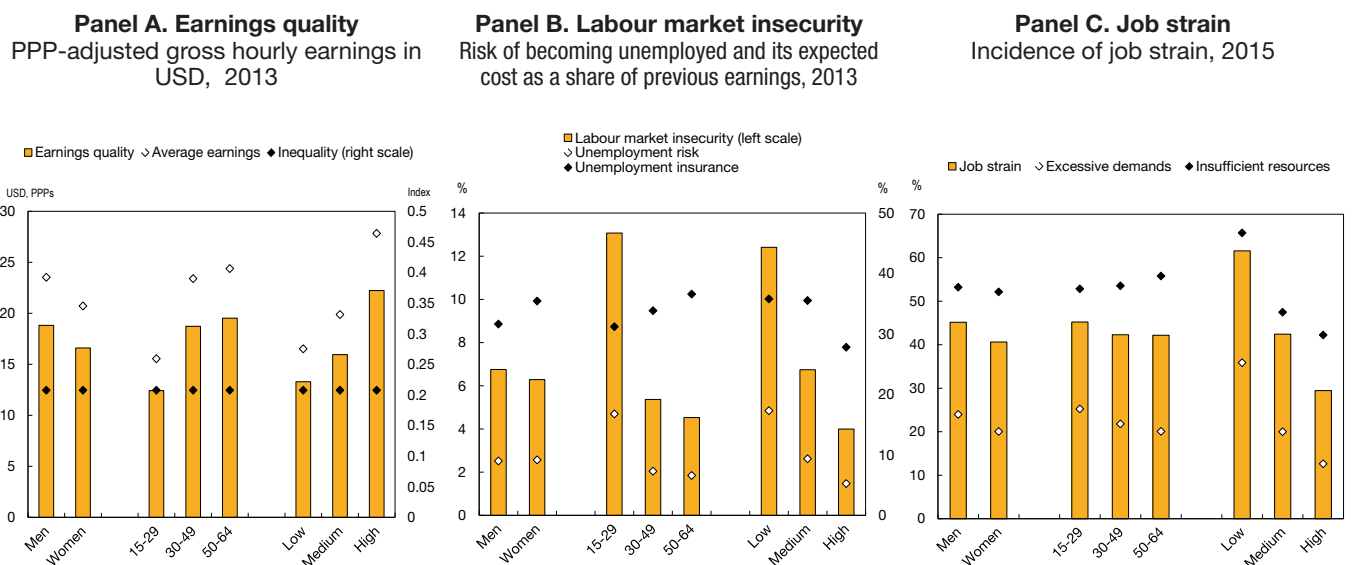
- Australia, Austria, Denmark, Finland, Germany, Luxembourg, Norway, and Switzerland are among the best performers. These countries do relatively well in at least two of the three dimensions of job quality, without any outcomes in the bottom-10 of the ranking.
- Belgium, Canada, the Czech Republic, France, Ireland, Israel, Japan, Korea, Mexico, the Netherlands, New Zealand, Slovenia, Sweden, the United Kingdom, and the United States display average performance. Over the three dimensions of job quality, most of these countries display no more than one outcome in the top-10 or the bottom-10 of the ranking.
- Estonia, Greece, Hungary, Italy, Poland, Portugal, the Slovak Republic, Spain and Turkey do relatively badly in two or all of the three dimensions of job quality. In addition, none of these countries performs very well in at least one of these dimensions.

How do workers compare?

Looking at job quality outcomes across socio-economic groups provides new insights into labour market inequalities by shedding further light on the nature and depth of the disadvantages faced by some population groups.

- The worst off are youth and low-skilled workers. Not only do they have the poorest performance in terms of employment and unemployment rates but they also have the worst outcomes with respect to job quality: lower earnings quality, considerably higher labour market insecurity and higher job strain (especially for low skilled).
- By contrast, high-skilled workers perform well on all dimensions. Returns to skills not only show up in the form of higher employment but also of better jobs in terms of higher earnings quality, lower job insecurity and lower job strain.
- For women, the picture is mixed: their employment rates are still substantially lower than those for men, and women suffer from a large gap in earnings quality. However, women do not differ much from men with respect to labour market security and are less likely than men to experience job strain.

Figure 4. Job quality outcomes by socio-demographic group
Cross-country averages



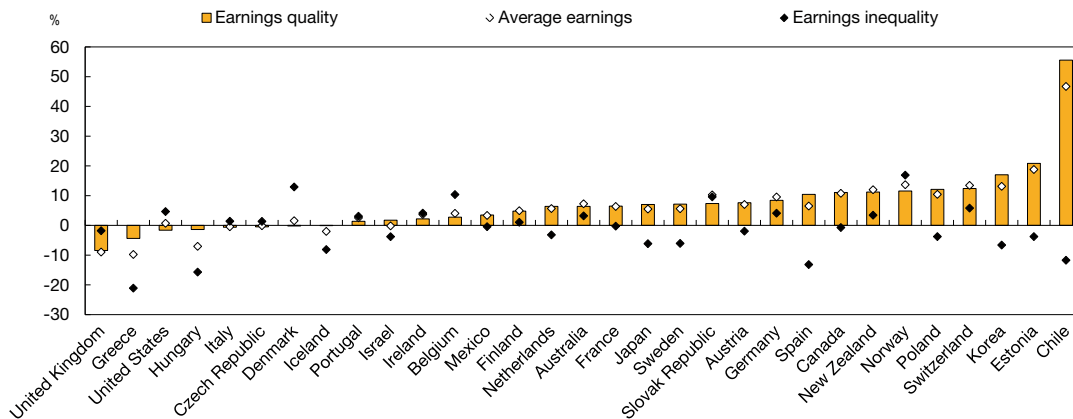
Note: In Panel A, earnings quality is based on national-level average inequality.
Source: OECD Job Quality database (2016).

Job quality over the recent crisis and recovery

The deep and often prolonged economic crisis has taken a toll on the labour markets of most OECD countries, with often dramatic increases in unemployment and its duration. The crisis has also affected those who remained in employment, changing remarkably the quality of existing jobs. Overall, the evidence suggests:

- **Earnings quality** was heavily affected by the fact that the jobs lost during the crisis were predominantly low-paid. This led to an apparent increase in earnings quality on average (Figure 5). However, if one keeps the employment structure constant, two thirds of the countries experienced a deterioration of the earning quality.

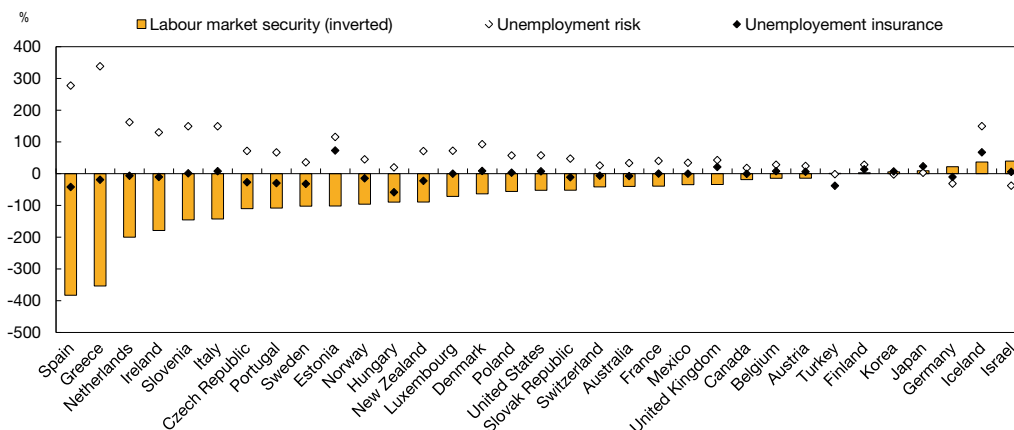
Figure 5. Changes in earnings quality
Percentage change, 2007-2013



Note. The data refer to changes between: 2006 and 2012 for Italy and Switzerland; 2006 and 2013 for Chile; 2008 and 2013 for Denmark; 2007 and 2012 for France, Poland, Spain and Sweden; 2006 and 2010 for Estonia and the Netherlands; and 2008 and 2011 for Israel. Earnings quality and average earnings in real USD; Source: OECD Job Quality database (2016).

- **Labour market security** worsened in most OECD, reflecting the combination of a substantially higher risk of unemployment with lower unemployment insurance. The fall was most noticeable in Spain and Greece.

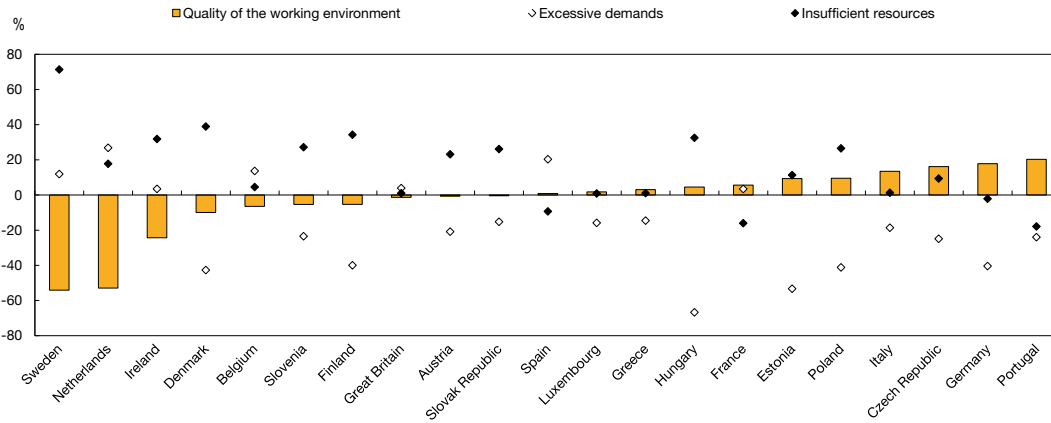
Figure 6. Changes in labour market security
Percentage change, 2007-2013



Source: OECD Job Quality database (2016).

- **Quality of the working environment** changed differently across the OECD. While some countries experienced a worsening in working conditions as a result of the crisis, in some other countries workers who managed to keep their job saw their working conditions improve. Overall, changes were limited.

Figure 7. Changes in the quality of the working environment
Percentage change, 2005-2015



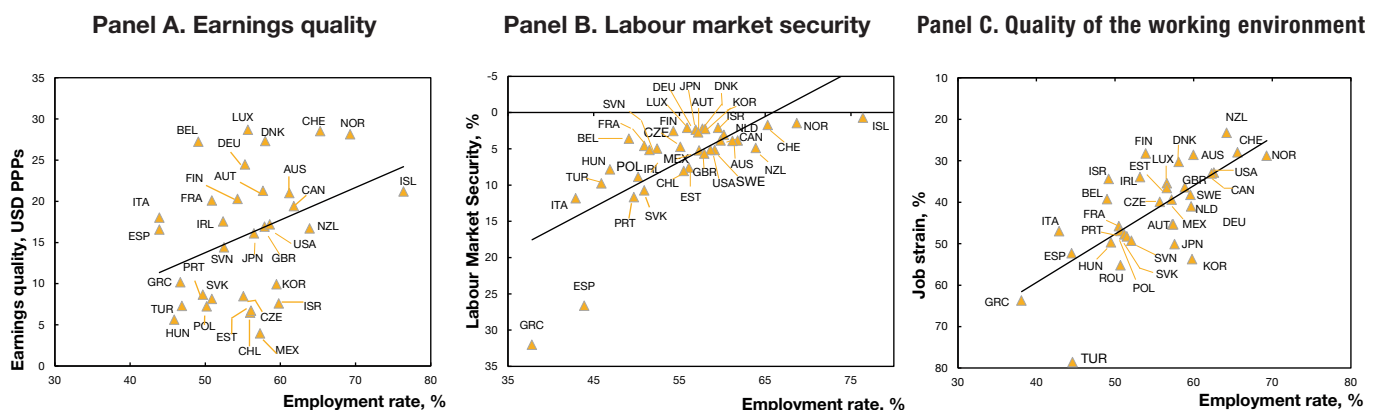
Source: OECD Job Quality database (2016), based on the 4th European Working Conditions Survey for 2005 and the 6th European Working Conditions Survey (Forthcoming) for 2015.

For a comprehensive assessment of how the crisis affected job quality, all three dimensions need to be considered jointly. Germany, for instance, not only experienced an increase in the employment rates, but also an improvement in all aspects of job quality. On the contrary, Greece experienced both a sharp rise in unemployment and a fall in earnings quality and labour market security (while the incidence of job strain remained stable). In the United Kingdom, where employment after the initial dip in the early years of the crisis is now almost back to pre-crisis levels, earnings quality decreased over the period but labour market security fell only slightly, while the quality of the working environment was unaffected. In other OECD countries, the effects of the crisis were much more mixed. In Portugal, for example, earnings quality stagnated and labour market security fell considerably because of the upsurge in unemployment that is still far from being reabsorbed, while quality of the working environment improved for those people still employed. Conversely, in Sweden earnings quality improved but labour market security decreased and the quality of the working environment worsened (albeit from a relatively high level).

Is there a trade-off between job quantity and job quality?

Does improving job quality go at the expense of higher employment rates? If one analyses the relationship between job quantity and quality across the OECD countries, there appears to be no major trade-offs between the two but rather, potential synergies (see the positive correlation in Figure 8): countries that do relatively poorly with respect to job quality tend to have relatively low employment rates and vice versa. The relationship between quantity and quality is more complex in the short-term as shown above in the context of the global financial and economic crisis. While a number of countries have managed to keep or even improving both the number of job and their quality, others hard hit by the crisis with major job losses among the low skilled and low paid, have seen some dimensions of job quality also deteriorate (labour market security) but others remaining stable or even improving, resulting at least in part from the fact that the surviving jobs were of better quality in the first place.

Figure 8. Job quantity versus job quality



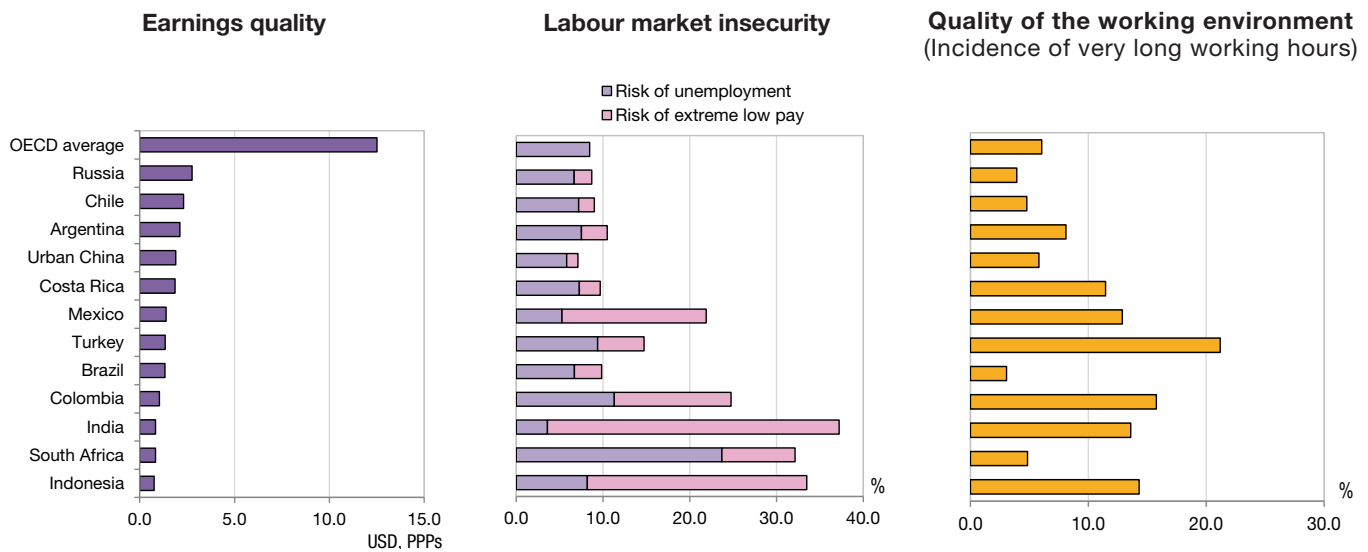
Source: OECD Job Quality database (2016). Same years used as in Figures 1, 2 and 3.

Job quality in emerging economies

In most emerging economies, the main challenge is not a lack of jobs, since open unemployment tends to be relatively low. Rather, it is the lack of quality jobs that raises greatest concerns.

Compared to OECD countries, job quality is significantly lower in every dimension, especially for low-skilled workers (Figure 9). Earnings quality is generally lower due to a considerable gap in average earnings, but also as a result of substantially higher levels of earnings inequality. Labour market insecurity due to unemployment is similar to the OECD average for most emerging economies. However, the risk of falling into extreme low pay while employed represents a second significant source of insecurity. As a result, overall labour market insecurity tends to be higher in emerging economies than in more advanced ones. The quality of the working environment is generally lower, which is reflected in a much higher incidence of very long working hours in many of the economies considered.

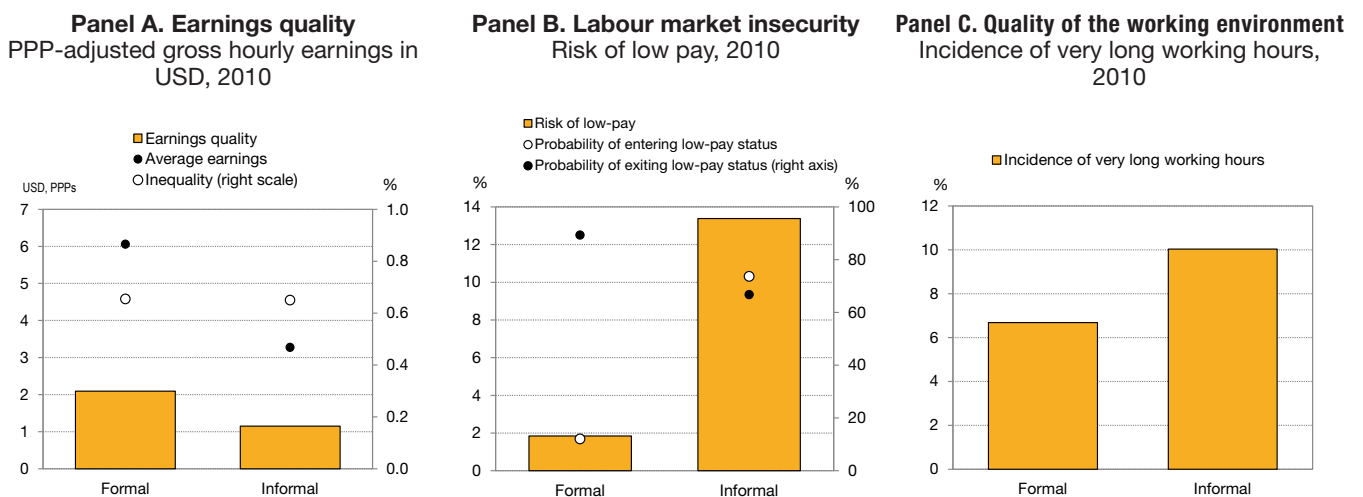
Figure 9. Job quality in emerging economies



Source: Chapter 5, OECD Employment Outlook 2015.

Youth and low-skilled workers are the worst off in terms of job quality in emerging economies, as in OECD countries. These two groups cumulate poor outcomes along the three dimensions of job quality together with low employment rates. Job quality is also substantially lower for workers with informal jobs compared to those in formal employment (Figure 10). Moreover, informality is hard to escape and starting a career with an informal job may have negative consequences for future labour market prospects.

Figure 10. Job quality among formal and informal workers in emerging economies



Source: Chapter 5, OECD Employment Outlook 2015.

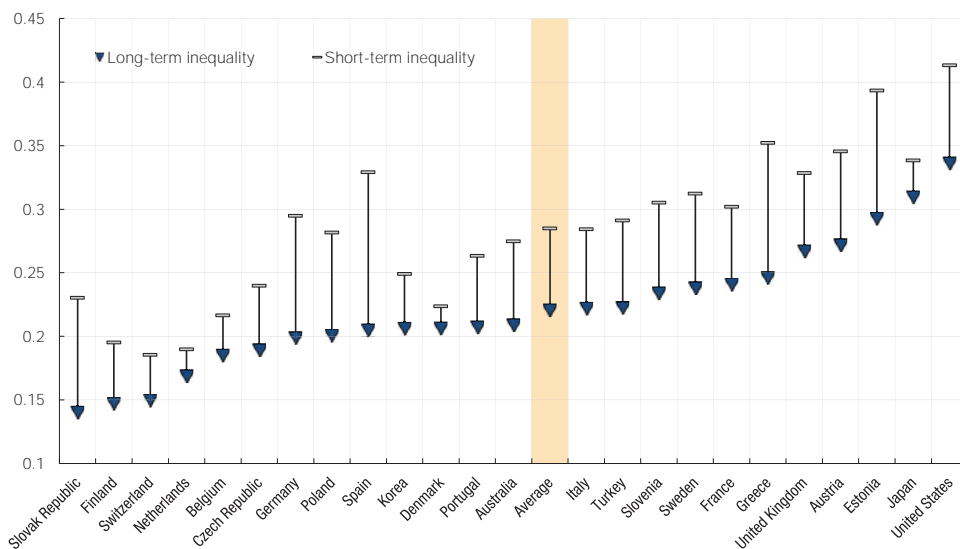
Assessing the quality of working lives

Job quality relates not only to the features of the current job but also, and often more importantly, to career prospects. Therefore, it is important to measure not only job quality at one point in time, but also over entire working lives, which depends to a large extent on the prospects for career advancement, as well as on earnings fluctuations and the risk of unemployment.

Analysing the quality of working lives requires taking a dynamic perspective to account for mobility between jobs as well as in and out of employment. Earnings mobility matters from the perspective of individual workers because it may reflect career advancement, but it can also be a source of earnings insecurity. Mobility matters for society at large because it can smooth out earnings differences between workers over time, possibly making earnings inequality at any point in time of less concern.

On average, mobility reduces inequality by about a quarter over the working life (as simulated over a period of 20 years) (Figure 11). This means that about three-quarters of earnings inequality at a point in time is permanent.

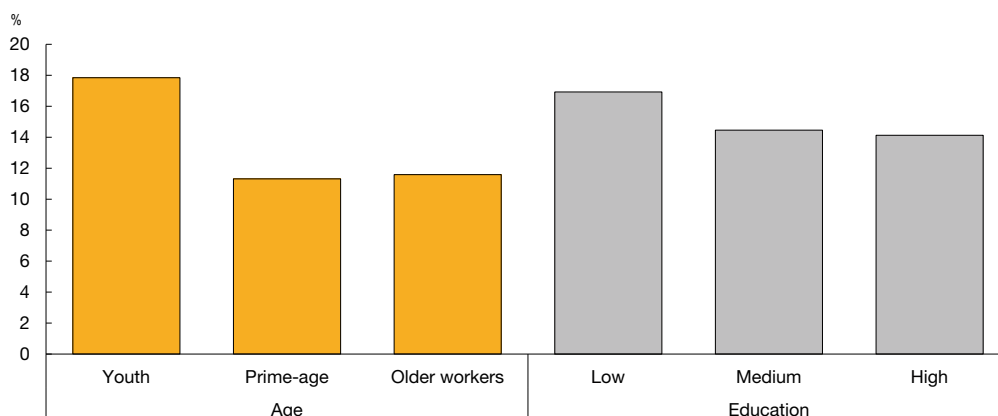
Figure 11. The earnings equalising effect of mobility
Gini coefficient among active persons (monthly earnings, index) based on simulations over 20 years



Source: Chapter 4, OECD Employment Outlook 2015.

Life-time earnings differentials are largely determined in the first ten years of workers' careers. Earnings mobility is more than 50% higher for young people than for prime-age and older workers. Mobility is also higher for low-skilled workers. This is due to their higher risk of becoming unemployed, rather than a higher rate of wage mobility while in employment.

Figure 12. Earnings mobility by age and education group



Source: Chapter 4, OECD Employment Outlook 2015.

Overall, there is no clear correlation between mobility and inequality, and the belief that higher inequality is the price to pay for higher mobility is not supported by the available evidence.

Statistical Tools

OECD Job Quality Database

This database is structured around the three main dimensions of the OECD Job Quality framework. It displays country level information on Earnings Quality, Labour Market Security and the Quality of the Working Environment as well as their sub-dimensions. Data are available between 2005 and 2015 for OECD countries. The figures can be disaggregated by gender, by age (15-29, 30-49 and 50-64), or by education groups (low, medium and high).

<http://stats.oecd.org/Index.aspx?DataSetCode=JOBQ>

OECD Inventory of Survey Questions on the Quality of the Working Environment

This inventory maps existing surveys that provide information on the characteristics of people's jobs. It reviews international surveys conducted since the early 1990s that are based on individuals' self-reported assessment of their current job, and covers around 160 countries over 25 years. It also provides users with detailed documentation on the questions used in the various surveys for measuring different aspects of work.

http://stats.oecd.org/Index.aspx?DataSetCode=JOBQ_I

Further reading

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- Cazes, S., A. Hijzen and A. Saint-Martin (2015), "Measuring and assessing job quality: The OECD job quality framework", OECD Social, Employment and Migration Working Papers No. 174. OECD Publishing, Paris. <http://dx.doi.org/10.1787/5jrp02kpw1mr-en>
- Hijzen, A. and B. Menyhert (2016), "Measuring labour market security and its implications for individual well-being", *OECD Social, Employment and Migration Working Papers* No. 175. OECD Publishing, Paris. <http://dx.doi.org/10.1787/5jm58qvzd6s4-en>
- Garner, A., A. Hijzen and S. Martin (2016), "More unequal, but more mobile? Earnings inequality and mobility in OECD countries", *OECD Social, Employment and Migration Working Papers*, No. 177. OECD Publishing, <http://dx.doi.org/10.1787/5jm3p5m7ccr2-en>

The project is a joint undertaking between the OECD Directorate for Employment, Labour and Social Affairs and the OECD Statistics Directorate. For more information, please visit www.oecd.org/statistics/job-quality.htm or contact JobQuality@oecd.org.

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