

Kirsten Sehnbruch  
Jesus College  
Cambridge CB5 8BL  
[ks126@cam.ac.uk](mailto:ks126@cam.ac.uk)

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## **FROM UNEMPLOYMENT TO THE QUALITY OF EMPLOYMENT**

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### **Abstract**

This paper applies the capability approach to the case of the Chilean labour market. It highlights the fact that the only information related to the labour market that the development literature usually considers is the unemployment rate, and sometimes wage levels. Applying the capability approach to the labour market, however, obliges us to take a broader view of the functionings that work provides. Although having a job is clearly the most important factor for the individual, other issues related to the characteristics of this job should also be taken into account as they are equally capable of generating functionings and capabilities for the individual, especially if one takes a longer term view.

The paper presents a methodology for measuring the *quality of employment*, a concept which so far has lacked definition and application in the literature. It takes the view that the usual consideration of the labour markets by means of the unemployment statistics is as simplistic an analysis as looking at the level of a country's development by only considering its GNP per capita ratio. Inspired by the UNDP's work on the Human Development Index, the paper therefore proposes a methodology for creating a composite index of various labour market indicators, which together, it is hoped, will provide a more broad based view of the labour market.

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# FROM UNEMPLOYMENT TO THE QUALITY OF EMPLOYMENT

*“Theoretical flesh needs to be put on the skeleton of their policy-making – not just to endorse what they are doing, but to provide politics with a greater sense of direction and purpose.”*

*The Third Way  
Anthony Giddens (1998)*

## I Introduction and Purpose of the Paper

One of the repeated criticisms of Sen’s capability approach is related to the practical problem of its applicability. The capability approach is considered to be too broad and too complex by its critics for any practical purpose. Given Sen’s definition of capabilities as “notions of freedom, in the positive sense: what real opportunities you may have regarding the life you may lead.” (Sen 1987: 36), this does make capabilities a highly complex concept that depends on a large number of factors. Measuring welfare in a single number, or in units of capabilities would therefore be impossible.

Yet this does not make the approach inapplicable. After all, traditional utilitarians accepted from the start that there could be no measurement of the concept of utility, and utilitarianism can be said to have had a tremendous impact on practical politics, especially where welfare criteria and measurement are concerned.

In her thorough examination of the capability approach, Robeyns reviews several papers which have applied it in practice (eg. to Belgian unemployment, Italian households and welfare scenarios across a broad range of countries). She concludes that it has been “proven unfounded to conclude that the capability approach is not operational” (Robeyns, 2000: 34). Clark’s assessment of the capability approach affirms her positive conclusion. He states that “while Sen’s approach does not emerge completely unscathed, it has clear advantages over rival approaches” (Clark, 2000:1).

And Sen himself has provided us with numerous examples to illustrate his approach<sup>1</sup>. Yet apart from providing illustrative examples, he has never himself tried to apply the approach in all its complexity. Perhaps this is because he sees himself more as a theorist, but it also shows us that the capability approach is exactly that: an approach, a way of thinking about a problem, rather than a ready made formula that can be applied to any scenario without further considerations<sup>2</sup>.

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<sup>1</sup> His examples are drawn from a wide range of scenarios (from famines to the situation of African Americans in the US). The issues considered are typically related to indicators associated with the quality of life: longevity, mortality, education (illiteracy), health services etc. His most comprehensive study that illustrates his thinking is his work on India. (See Dreze and Sen, 1995a and 1996)

<sup>2</sup> Robeyns also stresses that the primary purpose of the capability approach is to function as a framework of thought (Robeyns, 2000: 4)

In most of the examples to which the capability approach has been applied so far, it has been applied to historical scenarios, evaluating whether public policy (or public action, as Sen often refers to it (Dreze and Sen 1989)) was capability enhancing or not<sup>3</sup>. What has not been done as far as I am aware, is to attempt the reverse: to analyse a situation according to the capability approach and then form public policies based on these results.

This paper proposes to do precisely this. Specifically, it suggests a method for applying the capability approach to employment, in this case to the Chilean labour market. The idea is to create a measurable concept of employment (in this case an index) based on the capability approach, which will then provide a basis for future policy making.

Before proceeding, a few words of explanation are appropriate as to why the Chilean labour market provides an interesting case study for the capability approach. As mentioned above, Sen's examples refer to a variety of different countries, but in general, he chooses countries with a relatively low level of development. Some of his most frequently cited examples relate to India (in particular to inter-state comparisons), to China, to several African countries, as well as to the East Asian "Miracle" performers, such as South Korea and Singapore during their earlier stages of development in the 1970s and 1980s. He also includes Chile in his analysis<sup>4</sup>. But despite choosing these types of examples, he specifically states that his approach is valid for any scenario (Sen 1999)<sup>5</sup>.

Today, Chile, as well as many of the Asian countries Sen has referred to, have reached advanced levels of development. Chile has developed very quickly during the last decades, averaging 5.6% annual GDP growth between 1990 and 1998 as well as further improving other standard of living indicators<sup>6</sup> and significantly reducing levels of absolute poverty<sup>7</sup> (although not improving income distribution<sup>8</sup>). Many analysts therefore regard Chile as a "success story", to the point where it is often regarded as a "model" for many other developing countries<sup>9</sup>.

It is not the aim of this paper to question the success of the Chilean case as such, nor to justify or criticise its presentation as a "model". Its objective is rather to apply the capability approach to an example with a significantly higher level of development than most of the other examples that have been chosen for illustrating Sen's capability approach so far.

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<sup>3</sup> In the Preface to *India: Economic Development and Social Opportunity*, Dreze and Sen write "We outline in particular what can be learned from the experiences of other countries ... and also from the varieties of experiences *within* India. (p v)"

<sup>4</sup> See Dreze and Sen 1989.

<sup>5</sup> In *Freedom as Development*, Sen draws on a broad range of examples to illustrate his arguments which include disadvantaged groups of populations in highly industrialised countries, eg. male African Americans in the US (Sen: 1999, chapter 1).

<sup>6</sup> The HDI classifies Chile as a country with a high level of human development, and in fact the difference in ranking between Chile and the less developed European countries is no longer large. Chile was ranked number 38 in the Human Development Report 2000, 10 places below Portugal.

<sup>7</sup> Chile's level of absolute poverty declined from 33% to 18% of households between 1990 and 1998 according to the results of its biannual household survey, the CASEN.

<sup>8</sup> According to the latest available CASEN data, the lowest quintile in Chile accumulates 3.7% of total household income, whereas the top quintile accumulates 57.4% (CASEN, 1998). See also Ruiz-Tagle V. for a comprehensive discussion of income distribution trends in Chile.

<sup>9</sup> See for example Bosworth (1994) Edwards (1997), or Scott (1996).

A further objective of this paper is to apply the capability approach to the labour market in general, a topic which rarely forms part of the development literature. Although both Sen and other analysts have written about the labour market in relation to the capability approach, their work mainly refers to issues of employment versus unemployment<sup>10</sup>.

The approach taken here is broader, and looks at the *quality of employment*<sup>11</sup> in general rather than merely at the unemployment rate. Given that labour market reforms constituted an important component of the structural adjustment programme that Chile undertook in the late 1970s and 1980s, the characteristics of employment, perhaps even the nature of work in general, have changed dramatically. It is the dynamics of this change that this paper attempts to capture.

To recap briefly, this paper proposes to do three things: first to apply Sen's capability approach in practice by means of a measurable concept. Second, to apply it to a country with a higher level of development than most of the examples used so far in the literature to illustrate his approach. And third, to apply it to the labour market, an area which is normally not even considered as part of the development process and generally completely ignored by the development literature. The aim of these three objectives is to demonstrate the relevance and applicability of the capability approach as well as to highlight its potential for being used as a basis for public policy decisions rather than merely as a tool of retrospective analysis.

The following section examines how the capability approach changes the traditional view of the labour market, while section three describes how these conceptual ideas were applied to the Chilean labour market by means of a specifically designed survey. The combination of the conceptual issues and survey results then lead to the proposal of a labour market indicator in section four. The article concludes by describing the possible uses of such an indicator.

## **II. Conceptual approach: The Quality of Employment as part of the Capability Approach**

This section considers how employment and labour market policy fit into the capability approach. It discusses how the capability approach transforms the way employment should be viewed, and which changes this would introduce to labour market analysis.

In part, Sen has developed this issue himself in his work. In his early writings, he recognised employment as one of the key components of the entitlement exchange ('own labour'). Work and the income we receive in return for 'selling our labour power' generate functionings, capabilities and ultimately utility for the employed person (Sen, 1981: 2 and 46). Labour is the only input into the entitlement exchange that the vast majority of people have at their disposal. This is particularly true of more developed economies, like Chile, where subsistence farming and sharecropping have been virtually abandoned. From the very beginning, employment has thus formed an integral part of the

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<sup>10</sup> See for example Sen 1997, 1999 (p 94-96) and van Ootegem (1990).

<sup>11</sup> The concept will be defined in the following section.

capability approach. Aside from the factors that public policy can provide by constructing an appropriate infrastructure, such as health or education facilities, work, and the human capital that is its prerequisite, are the principal input factors of the individual into his or her function of well-being, as well as into the well-being of any dependents.

The importance of labour or work has also figured in Sen's writings on unemployment and its associated deprivations, particularly in the context of inequality (Sen 1997 or 1999). While recognising the benefits associated with work other than income (eg. as an opportunity of having a fulfilling occupation), he mainly contrasts not having a job with having a job, and thus considers unemployment as one of the "spaces" in which inequality manifests itself<sup>12</sup>.

More recently, in an address to the International Labour Conference (ILO) in Geneva in June 1999, Sen applauded the concept of "Decent Work" launched by the current Director General of the ILO. This concept considers every aspect of employment, eg. working conditions, rights, social dialogue, personal goals and self-realisation as well as more standard measures such as income. 'Decent work' implies far more than just having a job: it implies "*opportunities ... to obtain decent and productive work, in conditions of freedom, equity, security and human dignity*" (Somavía, 1999: 3, my italics). Beyond the quality of work, Somavía therefore also proposes a rights-based formulation of employment, so that the concept of decent work transcends the concerns of labour market legislation to include social ethics. The concept is thus all inclusive and fits into the framework of Sen's own capability approach by considering not only the availability of jobs, but all aspects associated with work that the individual has reason to value.

Any overview of the literature on labour markets shows that a comprehensive approach to the labour market like this one is rarely applied in practice, least of all in the case of developing countries. The ILO's own publications, but also those of other international organisations, show to what extent information is non-existent so that the concepts which examine or require a broad range of employment variables cannot be applied to existing data<sup>13</sup>.

Apart from the lack of data, however, labour market analysts are also faced with a lack of specific definition. Not even the ILO's publication dedicated to the discussion of decent work contains a practical definition of the concept, let alone suggests a method for how it can be measured. The very comprehensiveness of the concept can thus also be seen to constitute its main weakness: critics can easily argue that it is too general to be practically applicable.

The literature on the subject has made many attempts to come to a coherent definition of what has interchangeably been called 'decent work', 'quality of employment', or simply 'good jobs', but so far, it has not found a standardised formula, since these terms not only mean different things to different people, but also vary according to the definition of the respective social actors, as Infante, for example,

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<sup>12</sup> By "spaces", Sen refers to areas such as well-being, freedom, health (longevity, morbidity and mortality), and quality of life.

<sup>13</sup> See the ILO's World Employment reports, the World Bank's Development Reports, the UNDP's Development Reports, etc. At most, these publications refer to employment and wage levels when including the labour markets into their analysis. But the available statistics never go beyond the most basic data, even in the case of the regional employment reports of the ILO (eg. Labour Overviews for Latin America) where the only additional variable considered is the distinction between the informal and formal sector.

has pointed out. The government which ultimately has to foot social security bills, may argue that good jobs are those which do not burden the fiscal budget with any expenditures. An employer, on the other hand, may argue that the best job is the most productive one. Whereas the individual may wish for any number or combination of characteristics that suit her personal circumstances and welfare criteria (Infante, 1999: 12-13).

Bastelaer and Hussmanns (2000) define quality of employment rather vaguely as a “set of characteristics that determine the capability of employment to satisfy certain commonly accepted needs” while Rodgers has been more specific. He lists the following variables as components of employment quality, which to a large extent are repeated in much of the literature on the subject:

- Income
- Non wage benefits
- Regularity and reliability of work and income
- Contractual status (permanent or temporary, autonomous or dependent)
- Social protection: pensions, health, unemployment insurance
- Representation
- Hours of work (duration, timing)
- Intensity of work
- Risks of accident or health problems (working environment)
- Involvement in decisions concerning the work (autonomy/participation)
- Possibilities for the application and development of skills and creativity

(Rodgers, 1997)

In practice, these variables have never been combined to form an index. Experts from the ILO and Eurostat<sup>14</sup> would prefer to view these variables separately without making any attempt to create a combined index for the reasons of diversity stated above. In a recent conference on the subject of the measurement of the quality of employment, they reached the conclusion that it is impossible to include every aspect related to the quality of employment in a single indicator. Instead they summarise all the main indicators that should be generated on each separate aspect of employment, eg in the area of training, contracts etc. (Bastelaer and Hussmanns, 2000).

Their views are echoed by Beatson, who examines the subject with regard to the British Labour Force Survey and the 1998 Workplace Employee Relations Survey (WERS). After a detailed review of all the variables that form part of employment quality, he concludes that “Job quality as a cut-and-dried concept is not feasible unless one is prepared to make *value judgements* about how important different job characteristics are in relation to each other (Beatson, 2000: 448, my italics).”

This leaves any labour market analyst with a broad range of very detailed statistics which are almost impossible to summarise in any coherent and concise format. It is difficult to refute the arguments reviewed above regarding the impossibility of combining *all* these statistics in a single indicator, yet, they leave us with the question of what do we look at if we are not experts and want to get a quick impression of the situation of a labour market?

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<sup>14</sup> Eurostat is the European Union’s statistical unit, which collates and coordinates all the Union’s statistical work.

This point brings us back to the example of Chile and of how this problem surfaced there during its recent economic downturn, during which the unemployment rate virtually doubled in the space of one year. Typically, it is the press who looks for a single figure and then stimulates public debate and opinion, which in turn then orients public policy. Accordingly, the only figure that the Chilean press ever commented on during the downturn was the unemployment rate. And the only figure that public policy seemed to focus all its attention on as a result, especially as this was during an election year, was the unemployment rate. This means that only one facet of the employment crisis was commented on. Other factors, such as underemployment, the sudden informalisation of jobs, or large shifts towards contingent employment, were ignored by the commentators. And this in a country where an employment crisis will fill buses with ice cream vendors almost overnight.

This type of problem raises the question whether it would not be better to create a more inclusive indicator of labour market developments after all, even if we have to recognise that such an indicator cannot ever be a faithful reflection of all the characteristics of employment and the preferences of the individuals employed. The authors who criticise this approach for being impracticable base their views on the very ambitious objective of being comprehensive, ie of reflecting every aspect of a job in an indicator. A more simplistic approach is both more practicable and still useful.

A similar debate emerged regarding the measurement of human development and welfare and has been extensively discussed in the literature, especially with regard to the construction of the Human Development Indicator (HDI) first proposed by the UNDP in 1990. In his preface to ul Haq's *Reflections on Human Development*, Streeten writes: "Such indexes are useful in focusing attention and simplifying problems. They are eye-catching. They have considerable political appeal. They have a stronger impact on the mind and draw public attention more powerfully than a long list of indicators combined with a qualitative discussion. The strongest argument in their favour is that they show up the inadequacies of other indexes, such as gross national product (GNP)" ul Haq, 1995: xi).

Sen's capability approach has been widely recognised for being instrumental in shifting the debate on development away from measures of income per capita to a broader range of indicators, the improvement of which individuals have reason to value. He has argued his case in numerous papers<sup>15</sup>. And the *inclusiveness* of his approach has not prevented it from being applied in practice.

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<sup>15</sup> Sen presents his arguments for a more comprehensive approach to development in several papers (Sen 1997a, 1997b and 1997c), but they are so important and, as will be discussed below, equally applicable to the labour market as well, that I will briefly summarise the most important points here.

1. The standard indicators of development, such as GNP/capita, ignore many aspects of development that are crucial to the well-being and freedom of the individual, like longevity or morbidity.
2. Sen places the debate on development strategies within a framework of social ethics by reminding us that we *cannot not* focus on the overall quality of life as human life outweighs all other factors in importance.
3. Any measure of human welfare is arbitrary by nature and implies a value judgement. This is true of economic growth indicators or GNP/capita rates as much as of other welfare indicators.
4. Sen points out that any public policy, whatever its nature, automatically constitutes a development strategy, as public policy will always impact the development of an economy and of a society. He also quite rightly asks what the alternative is to not having a development strategy at all? Given these premises, it is better to formulate a coherent development policy and subject it to public debate and scrutiny.
5. Finally, he also emphasises that enhanced capabilities can stimulate future growth and economic development.

It has thus become an accepted wisdom that it is not enough to talk about income per capita when thinking about economic development, but indispensable to include other variables in the debate, specifically variables that enhance the capabilities of individuals (eg. education), as well as variables that humans have reason to value for their own sake (eg longevity).

As employment has an important impact on the quality of life and on individual welfare, Sen's arguments are all relevant to the debate about how to look at the labour market as well. In the same way that GNP/capita is a very narrow measure of well-being, the unemployment rate is too narrow a measure to capture the development of the labour market. Moreover, looking at the labour market from the perspective of unemployment rates is as arbitrary as analysing development from the perspective of GNP/capita. And any public policy that impacts economic development will also affect the labour market, so it would be better to include the latter in the development debate in an explicit form, rather than merely regarding it as a by-product of other policies. And finally, better prospects at work also enhance the capabilities of the individual, thus contributing to future growth and development.

These arguments show just how much a focus on a broader concept of employment is part of the capability approach, and consequently that labour market policy is or should be part of any development policy that aims to enhance capabilities. It is therefore as simplistic to focus only on unemployment rates when considering the labour market as it is simplistic to focus only on income per capita when considering the development of a country or the well-being of its citizens. A more inclusive approach to the labour market therefore cannot only consider the quantity of employment (ie unemployment and employment levels), but must also consider the characteristics of this employment.

If we are to do this, however, a specific definition of what we mean by the quality of employment is essential. In this paper, I would like to use the term *quality of employment* as opposed to the ILO's term *decent work* in order to emphasise that we should consider not only the characteristics of a job which the individual has reason to value, but also the functionings and capabilities that the job and its characteristics generate.

Ultimately, *quality of employment* thus consists of the functionings and capabilities generated by the characteristics of a job, functionings and capabilities which the individual has reason to value.

This definition is the logical consequence of applying the capability approach to employment, or, to put it differently, it is the definition that makes the concept of quality of employment fit into the framework of the capability approach and become a part of it. It is an all inclusive definition, one that defines employment in the broadest possible terms and applies a different perspective to the labour market than those habitually considered in the literature.

Before going on, we should consider how this definition of employment fits into Sen's approach in more detail. Figure II.1. below has been adapted from a similar tabulation in Clark's paper on the capability approach, and it originates in Sen's own writings. It shows how the characteristics of certain commodities, or in the case of a job, turn into functionings following the intervention of certain personal and social factors that depend on the situation of the individual, resulting ultimately in utility for the individual, which according to Sen should be thought about in terms of capabilities.

**Figure II.1.**  
**Intervention of Personal and Social Factors**

Commodity/ Activity	Characteristics	Functionings	Utility
Bike	e.g. Transportation	e.g. Cycling around	e.g. happiness or desire fulfilment
Bread	e.g. Provides nutrition	e.g. Living without a calorie deficiency	e.g. happiness or desire fulfilment
Job	Income	e.g. Provides purchasing power, ensures standard of living	e.g. happiness or desire fulfilment
	Type of Contract	e.g. Gives a degree of legal protection against employer abuse	
	Health Insurance	e.g. Provides health services when ill	
	Pension scheme	e.g. Income security in old age when retired	
	Duration of employment	e.g. Gives a degree of security against dismissal (in Chile: unemployment insurance)	
Training received	e.g. Facilitates career progression		

Source: the examples 'bicycle' and 'bread' are quoted in Clark (2000) who draws them from Sen (1984, 1984a and 1985). The other examples are based on my own elaboration.

The quality of employment is thus a function of all the characteristics listed above (and many more) which leads to a given set of functionings and utility, and thus creates the individual's capability sets. This leaves us with a clear and simple definition of what constitutes *quality of employment*.

Yet this still leaves us with the issue of how do we consider unemployment. It would be unfair to suggest that the literature, statistics and policy making in developing countries has so far completely missed the point by focusing on unemployment rates. After all, *any job* is better than *no job* for those who have to work for a living. In countries where there is no comprehensive social security system which ensures a minimum level of income for everyone, such as Chile, not having a job is equivalent to having zero income and zero entitlements if you have no other resources for supporting yourself (eg. friends, family, or savings). Hence, the overwhelming concern for unemployment rates so far.

It is normally assumed in the literature that only once unemployment rates have reached acceptable levels (generally defined as the 'natural rate' of unemployment), should policy making focus on the quality of employment. Consequently, this approach is often linked to the level of development a country has achieved, ie only once a certain level of development has been achieved, can we afford the 'luxury' of looking at the quality of employment.

Apart from questioning whether unemployment rates are measured and defined appropriately<sup>16</sup>, or whether underemployment should not be expressed as part of the main employment indicator, I would like to challenge this position as being too simplistic and short termist in its perspective, mainly for two reasons. First, a closer look at the characteristics of the unemployed shows that it is mainly the

<sup>16</sup> The official ILO definition according to which unemployment is measured in countries like Chile considers anybody who has worked a minimum of one hour during the week of reference to be employed. This means that the ice cream vendors who fill the buses, and other peddlers who line the streets of Santiago with their displayed goods during an employment crisis are considered to be employed.

secondary and not the primary work force which is affected by unemployment. Even during an employment crisis like the one that Chile is currently experiencing, the unemployment rate of the primary labour force remains roughly half the rate of the secondary one<sup>17</sup>.

This lends support to the idea that in developing countries without comprehensive social security nets, unemployment is a 'luxury' that few can afford. Workers who lose their jobs and who have no alternative means of sustenance other than work, either find some other means of sustaining themselves by switching to another form of employment almost immediately or else become destitute. This hypothesis is lent support by data that shows that a very high proportion of the unemployed in Chile finds a new job within one month of having lost the old one (22%, see Appendix I), even in the midst of an employment crisis.

And the second argument which challenges this view is that the characteristics of the jobs held by the unemployed before losing their work are very much inferior to those of the jobs held by the employed. This means that unemployment principally affects those in the poor quality employment segment. The quality of employment thus becomes a precondition for not becoming unemployed. These two arguments are partly interrelated as the heads of households tend to have higher quality jobs than the secondary work force.

Thus, while the unemployment rate may be the most sensitive indicator in political terms and in the perception of the population (voters), it is the quality of employment that determines to a large extent whether somebody in fact becomes unemployed. Focusing on the quality of employment should therefore be a policy issue considered all along, throughout the process of development, and not just once a particular level of development has been attained. Poor quality employment should thus be viewed as a cause of, or at least as an input factor into unemployment<sup>18</sup>.

### **III. Applying the Capability Approach to Employment: From the Quantity of Employment to the Quality of Employment**

Between this theoretical conclusion and its practical application, however, there is a large step. This section describes how I went about taking this step in reality.

One obvious problem with applying the capability approach to the labour market is that employment indicators are not as clear cut as the standard of living and well-being indicators that Sen looks at. For example, unless you are a Hamas suicide bomber eager to meet his creator, or desperately ill and pleading for euthanasia, we can pretty much agree that the longer we live, the better, ie a longer life

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<sup>17</sup> According to statistics from the Universidad de Chile survey, the unemployment of the primary labour force was 7.9%, while that of the secondary labour force was 15.2%. Data from the National Institute of Statistics shows the same relationship (5.5 vs 11.8%). During the employment crisis the rates of both the primary and secondary labour force practically doubled in one year. For detailed statistics as well as a discussion of how unemployment affects the primary and secondary labour force differently, see Bravo, 2000.

<sup>18</sup> I am stating this as a general rule applicable to normal circumstances and processes of development. By 'normal circumstances', I mean situations that exclude unforeseeable events such as wars, famines, natural disasters etc. all of which would require very different policy responses. But I include the fluctuations of the economic cycle.

and lower death rates are desirable. The same goes for education: it is difficult to disagree with the obvious value of education, if only for its own sake. Similarly, it is difficult to disagree with the idea that a higher level of income generally offers the opportunity for realising more functionings and enhances capabilities.

However, the desirability of different job characteristics depends largely on the personal needs and circumstances of the worker. A couple of simple examples will illustrate the point: a part-time job requiring late afternoon shifts may be perfect for a student wanting to earn some extra cash during his university course. Yet the same job would probably be a highly unsatisfactory one to the same student once he has graduated and is aiming to build a career. Similarly, a job offering a short term contract for the duration of a project may be perfect for a young person not yet sure of what she wants to do and without significant financial commitments. Yet the same job with a high degree of insecurity may be a huge cause of stress to an individual who heads a household and has to provide a steady flow of income to finance a mortgage, the education of children etc. As for social security, how many people would prefer to not pay their contributions, and rather run the risk of falling ill or growing old without protection, simply because cash in hand now is preferable to cash in the future. (In the case of Chile, 75% of the self-employed take this view.)

So even the objective criteria for labour markets are not particularly objective. In addition, we have to take in the criteria that would perfectly legitimately form part of the concept of quality of employment, whilst being totally subjective. These include job satisfaction, career development, personal fulfilment, job stability, levels of responsibility etc. Again, one can take the view that these can be measured objectively, if one were to assume average criteria, but by and large, the criteria are subjective by nature.

So where do we draw the line?

Rather than determining this line from the outset, I took the reverse approach of letting the data speak for itself, and then defining which should be considered as the most fundamental and important characteristics that generate the quality employment. Second, in deciding to apply the capability approach, the only limitation I applied from the start was to restrict the perspective to that of the individual worker (and not employers or the government), since it is individual welfare that I am concerned about. Third, it should be emphasised at this point that any measure of the quality of employment has to limit itself to the characteristics of work and cannot pretend to measure functionings or capabilities themselves. If all the characteristics of employment are to be taken into account, together with all the different potential sets of needs or preferences of individuals that generate the associated functionings, so that we can assess the capabilities that they can generate, we indeed end up with a practically inapplicable research task<sup>19</sup>. Budgets and time constrains restrict us to taking a more limited view.

My work thus began with a detailed study of the available labour market data available in Chile, and an assessment of what sort of additional information would ideally be needed in order to consider the

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<sup>19</sup> See Clark (2000) for a discussion of all the considerations that need to be taken into account. (Sections 5&6 of the paper.)

quality of employment. The second phase of my research then consisted of designing a survey questionnaire that could produce information on the quality of employment, without abandoning the capability perspective as an approach, but accepting that the research criteria would have to be narrowed down to a practicable range: the simpler the better. I therefore set about constructing a survey that, while unable to take into account every single possible characteristic of work that generates functionings, would at least include the most important ones, and also enable me to analyse statistically, which have the biggest impact on the employment situation of the individual. In addition, the objective was to make the research carried out on Chile applicable to a wider range of countries.

Amongst others, the survey thus included the following list of variables that are relevant to this purpose:

having a job (employment vs unemployment), employment mobility (history), level of income, occupational status (including type of contract), social security provision (pension and health insurance), hours worked, union representation, accident rates, job stability, professional training received, additional work taken on and types of remuneration. The survey also included a section of questions applied to the unemployed, which enquired amongst other things about the financial assistance they were receiving (compensation payments from their previous employer or the minimal state unemployment subsidy).

Having carried out the survey, a process of data analysis followed. The results most pertinent to this paper were that apart from the increase in the unemployment rate already mentioned, the economic crisis had brought about some very sharp changes in the quality of employment. Tables 1 and 2 (Appendix I) provide examples of how the characteristics of the jobs created during the last couple of years changed very dramatically, particularly if compared to the overall characteristics of the existing pool of jobs. For example, there are sharp declines in the proportion of jobs created during 1998/9 with open-ended contracts and which contribute to a pension plan compared to the previous year. Conversely, the proportion of atypical jobs and jobs without contracts or social security contributions increases. This consequently also produces a deterioration in the characteristics of the labour force in general.

Furthermore, an example of the transition matrices that can be produced based on the accounts of individual employment histories from 1998 to 1999 show that in general employment mobility between different contractual categories amongst those who changed employment is very high (see Table 3, Appendix I). Workers who had open-ended or atypical contracts had a 50% chance of obtaining the same conditions in their new jobs. The table shows that workers without contracts, however, are by no means stuck in that category and have a fair chance of improving the employment conditions in their next job. The matrix contradicts the hypothesis held by many labour market analysts who assume that in times of employment crisis, the main shifts within the job market are from formal jobs to the self-employed sector (sometimes also called the informal sector). In fact, the main shifts are either to unemployment or to another type of salaried job within the formal sector, often without a written contract.

Together with the consideration of the legislative framework of the Labour Statute, the analysis of the data thus indicated which variables were the most important impact on the situation of the individual<sup>20</sup>.

Given these results and the fact that they were not considered (and still are ignored) both by public debate as well as public policy, the idea to form an indicator of the quality of employment, which would include all aspects of these developments, seemed even more pressing. At the risk of being accused of arbitrariness and “nannying”, a simple indicator that summarises the characteristics that impact the quality of employment is presented below.

#### **IV. Result: An Index of the Characteristics related to the Quality of Employment**

Inspired by the work of the late Mahbub ul Haq, the originator of the Human Development Index (HDI), I took the view that ‘a measure of the same level of vulgarity as the unemployment rate was needed, which would not be as blind to the other aspects of employment as the unemployment rate’<sup>21</sup>. Although at first sceptical of ul Haq’s view, Sen, in his own words, later came to appreciate it, as he accepted that no combination of tables would be able to replace the convenience of a single number, so that in order to broaden the debate, this single number would have to simply incorporate several components<sup>22</sup>.

The objective of simplicity guided the conceptualisation of this index with the aim of making it easily understandable and easily replicable. I will first present the index here in descriptive form before explaining how the variables were measured and the reasoning for constructing it in this way. (Appendix II presents a more formal tabulation of its composition.)

The variables included in the index are:

- Income
- Social security coverage
- Contractual status
- Employment stability
- Professional training received

All five variables were standardised into three subcategories, each of which were awarded zero, one or two points. The points scored for each by the members of the sample were then added up and divided by five.

This method allows for several different types of analysis. First, it allocates each individual a score, so that a distribution of the quality of employment can be calculated for the entire labour force. Second, it enables jobs to be classified into three categories of good, medium or poor quality employment. These categories can then be analysed and related to the other variables included in the survey (eg. age, sex,

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<sup>20</sup> Part of my future research will consist of examining the data using econometric tools as well, in order to test the accuracy of the results of my basic statistical analysis.

<sup>21</sup> The original phrase is “We need a measure of the same level of vulgarity as GNP – only a number – but a measure which is not as blind to the social aspects of human life as is GNP” (UNDP, 1999: p 23).

<sup>22</sup> See the article written by Sen in the Human Development Report, 1999: p 23.

education, economic sector, size of company), so that a profile of personal characteristics can be established for each employment category. And third, an overall score can be calculated for the entire labour force for the year that the given data refers to. This score can be followed up year after year so that an impression can be obtained of how the labour market has developed over time, as well as being comparable to the scores of other countries were they to adopt a similar methodology.

The five component variables of this index and the rankings of their various subcategories were chosen for the impact they are likely to have on the functionings and capabilities of the individual, either due to the nature of the variable itself or due to the regulatory issues attached to it. I will look at each variable in turn to explain how it was measured and why it was included in the index.

## **Income**

The data on income was obtained by asking for the last monthly wage received by the respondent<sup>23</sup>. Wages were then divided into three categories defined as multiples of the minimum wage: less than 2 minimum wages, 2-4 minimum wages and more than 4 minimum wages. They were calculated on an hourly basis net of taxes and other deductions. If this index were to be calculated for a series of countries, then income should obviously be calculated on a purchasing power parity basis.

In the case of income, the choice of the variable and its scores are relatively obvious: income covers basic needs and creates functionings and capabilities, and more income is better than less. The individual subcategories of the variable expressed in multiples of the minimum wage were chosen as arbitrary cut off points and because measures of poverty levels could not be taken into account because the survey did not gather household income. The classification assumes that anything less than double the minimum wage is not enough to constitute a decent level of income. The average wage at the time of the survey in Chile consisted of about 2.5 minimum wages. Although this constitutes the average wage of the labour force, it can still not be considered a “good” level of income, a category which starts at more than four minimum wages<sup>24</sup>. It is important to note that all workers earning above a certain cut off point (I would suggest 10 times the minimum wage) should be considered as part of the high quality employment category, as this amount of income allows them to take care of all necessary expenses such as pension and health insurance themselves. Furthermore, jobs in such an income category would record the best employment conditions in all the other variables anyway.

Ideally the stability of income should be included in this indicator as well, but this variable is more complicated to measure than the level of income. It is therefore assumed that the stability of income will be picked up by the other component variables as, for example, formal open-ended contracts pay more stable wages. One of the reasons why self-employment scores fewer points than the salaried sector is because its income flow is less stable and predictable. Also, whether the individual is contributing to

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<sup>23</sup> Although it would be preferable to consider a more long term indicator of wealth such as average wage over the last 3 months, in the Chilean case this statistic would be rather difficult to obtain. With a more generous budget, however, such a variable could be used.

<sup>24</sup> These levels of income are based on the average number of persons per household in Santiago and the average number of workers per household. They represent the minimum level of income that should be earned by an individual with family dependents in order to earn a reasonable or a good standard of living.

social security or not is an indicator of income stability as workers with irregular incomes generally do not contribute.

### **Social Security**

Social security coverage refers to whether the individual was contributing or not contributing to a health insurance scheme, which could be either private or public. Contributions also had to be up to date.

The variable health was chosen above pension contributions, mainly because with a health insurance it is easier to determine whether contributions have been paid and are up to date or not. Also the correlation between those who contribute to a health insurance scheme and a pension scheme is almost 100% as employers either deduct contributions to both or neither from the worker's wage. Including pension insurance separately would effectively mean according health a double weighting.

The reason for including contributions to a health insurance are relatively obvious as it is one of the most important inputs into the functionings and capabilities of the individual. As the public emergency services for the extremely poor only provide minimum coverage, contributing to an insurance scheme must be considered as a priority, even if many workers do not agree, or optimistically believe that they will never fall ill so that they will never need an insurance plan. Sen himself has focused on the variable health as a fundamental input into the capabilities of the individual in all his work related to welfare.

The score allocated within the variable is dictated by the quality of services to be expected by the type of insurance coverage. Obviously a private insurance delivers better services than the public system, and the public insurance scheme delivers a better service than the emergency scheme which covers those not insured.

A number of other variables that would perhaps normally be considered to be part of social insurance are excluded from this index. They include insurance for accidents and illness at work, unemployment insurance, and other forms of benefits or income support. In Chile, any insurance related to accidents and health risks at work are covered by a separate insurance system that the employers pay for. It can generally be assumed that all salaried workers with some kind of a written contract will be covered by such an insurance, so that the issue should be covered by the variable contractual status. As regards unemployment insurance, at present there is only a minimal state subsidy for the unemployed in Chile, so that the best variable for capturing this aspect is the duration of employment, as will be discussed below. All other social security benefits that individuals may be entitled to are not considered by this index, as in theory, everybody in Chile is entitled to them (if their circumstances warrant them and funds are available), and they do not depend on the job held<sup>25</sup>.

### **Contractual Status**

The variable contractual status considered whether the respondent had an open-ended contract, an atypical contract (either short term, project based or fee paid), or no written contract at all in the case of wage-earners. In the case of the self-employed, the variable considered whether they were employers

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<sup>25</sup> Schemes for income support, child benefit payments, housing benefits, pension assistance exist in Chile for the poorest of the poor, provided the state has adequate funds available for these expenses.

or self-employed. The self-employed were divided into professional or non-professional self-employed according to whether they had attained a higher educational qualification or not.

The contractual status of a worker must be considered as one of the most important aspects of the employment relationship because the individual's legal protection is largely determined by the type of contract, and indeed its very existence in a written form<sup>26</sup>. A salaried job without a contract is considered the worst situation, even though the job may be relatively stable, or even pay well, simply because the worker would not be covered by the employment statutes. In addition, a written contract is a prerequisite for subscribing to any health or pension insurance plan, so that not having a contract automatically implies a lack of protection in that sense, too.

An indefinite contract scores more points than an atypical one, not because it is considered preferable *per se*, but because it is the only form of contract that assures some form of compensation and legal protection in case of loss of employment. For the majority of workers with atypical contracts, it can be assumed, that they are obliged to look for a new job every year as, in theory at least, it is forbidden to renew short term contracts more than once. This leaves them facing unemployment at regular intervals without any form of income support as they are not entitled to any compensation for the loss of their jobs when their contracts terminate. In theory, in an efficient labour market, this aspect should be compensated for by means of a higher wage, but in practice, their wages are lower.

In the case of the independent sector, employers and the professional self-employed score the highest points, mainly because their status implies a high level of protection due to the income levels they are likely to earn, as well as essentially being part of the formal sector by means of their legal status (declared and legal activity, payment of taxes, etc.). The non-professional self-employed, are however, considered as a lower quality of employment classification. A number of factors contribute to this ranking. They include instability of income, a low rate of social insurance contributions as they are not obliged by law to contribute either to pension or health insurance, and little consideration by employment legislation. The main advantage of being self-employed is the degree of independence and the much lower risk of unemployment. However, the latter is to an extent undermined by the instability of the income if times go bad.

In general, the variable contractual status is also important because many other aspects of employment are highly correlated with it. For example, open-ended contracts are likely to be held in larger companies with independent work establishments, systems for accident prevention, nurseries for children, mechanisms for worker representation etc. Jobs without contracts or those working as self-employed, on the other hand, are often found in smaller companies, in small workshops or working at home or in the open air under inadequate health and safety conditions or without appropriate sanitary facilities.

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<sup>26</sup> Theoretically, in case of a dispute with an employer, a verbal contract should also be considered as a valid basis for an employment relationship. However, as it is extremely difficult to prove the existence of a verbal contract, this effectively leaves the worker in a very weak position.

## **Stability of employment**

Employment stability for the purposes of this index was measured by the duration of the current job held. The different lengths of duration were then divided into three separate categories: less than three years, 3-5 years, and more than 5 years.

The variable duration of employment was included in the index because effectively employment stability is the only insurance in Chile against unemployment for those working as salaried workers because compensation payments in case of dismissal constitute the only benefit the unemployed are entitled to (apart from a minimal state subsidy). And the level of compensation depends on the amount of time worked with the same employer. Within this variable, only more than 5 years of stability is considered to be the quality category, as this duration would cover an unemployed person for the average duration of unemployment during non-crisis times in Chile (5 months). Compensation is calculated as one month's wage for each year worked.

In the case of the self-employed, duration is also an indicator of stability as it can generally be assumed that the longer the self-employed work in the same occupation, the less their business is likely to go bankrupt resulting in a loss of employment. For them, the survival of their business is absolutely crucial as they would not be entitled to any form of unemployment benefit or income support should they lose their job.

Again the scores allocated to the different options of this variable reflect a judgement on the risks that the individual faces in each occupational position, rather than a value judgement *per se*. A relatively short duration of jobs may well be a positive sign for some segments of the labour force as individuals change jobs in order to improve their prospects, income or further their career in general. However, in a labour market like the Chilean one, this will be the case of only a small proportion of turnover. The majority will be moving out of necessity rather than desire, or at least not because of better prospects elsewhere, and it is the purpose of this index to consider the weakest most.

This variable also implicitly considers unemployment as workers with short job durations are likely to pass through unemployment every time they switch jobs. These workers therefore score a lower score than those with longer job durations.

## **Training**

The fifth variable that the index considers is whether the interviewee has received any formal training during the last year, whether he had received on the job training, or none at all.

The variable training is included in this indicator as it is the best measure of personal, skill and career development of the individual. Within this variable, a formalised training course is considered to be preferable to on the job training as it generally constitutes a more planned form of training oriented specifically towards the needs and skill development of the individual and may be useful in other jobs too, whereas on the job training is often company specific.

In comparison with the possibility of earning more money or the risk of losing one's job without being entitled to any form of unemployment insurance, the issue of training could be considered as secondary. Yet at this point it is important to remember that we are considering the labour market from

the capability perspective. What is training if not one of the most important means of enhancing the capabilities of the individual? In the case of training it is the *associated benefits* rather than the *prospective risks* that this approach is interested in.

I will consider the advantages of training one by one. First, in an environment in which technological changes are happening ever faster, training is the one factor that can ensure that a worker's skills do not become obsolete, which would entail the risk of being dismissed or of career stagnation by making it more difficult to move to another job. Second, training, whether on the job or external to the work establishment, supplies the individual with one of the best means of improving her position within the establishment, both in terms of career progression as well as income. And third, a higher qualification is one of the best means of insurance against the misfortune of prolonged unemployment spells as it increases the worker's chances of finding a new job should he lose his current one, and furthermore, provides a degree of insurance against having to accept a job with worse characteristics (eg. a less advantageous contract, salary, pension and health insurance plans.)

With all of these criteria that form part of this index, it is clear that one could argue that they are not as straightforward as they seem. Not having a contract does not necessarily imply job instability. Or having a short term contract could also be a positive if that is what the individual wants. Or short term duration may be due to positive career progression. And so on. In each of these cases, the index should pick up either the risks or benefits associated with these scenarios through the other variables included in the index.

The variables included in the index are all equally weighted, mainly because I consider one weighting to be as arbitrary as any other. I could argue for any weighting I choose, but ultimately this doesn't matter as the point is that these biases will affect everybody in the same way. I am taking the view that any method for calculating an index such as this one is necessarily arbitrary. It is the value judgements that the index is based on that should be explained. What I consider to be most important is that every year (and in every country where it is applied) the index is calculated in the same way so that time series and cross country comparisons become possible.

The above explains how the index would work in theory. A case study from the survey will serve as an example to illustrate how it would work in practice.

*Carla lives in La Pintana, a working class area of Santiago. Until approximately a year before she was interviewed she worked in a shoe factory as a machine operator. She worked the regulation 48 hour week from Mondays to Saturdays, earned the minimum wage, contributed to the public health insurance system and to a pension scheme and had an open-ended contract. She had to travel a total of about three hours to get to and from work every day.*

*She then lost her job, roughly three weeks after her partner lost his. The compensation for dismissal that she received was enough to cover about two months of living expenses, a period during which she was unable to find a new job.*

*Carla thus took to making pan amasado (bread rolls) in an oven made out of an old oil barrel and fuelled with scrap wood in her front yard. She began selling the rolls to her neighbours at 50 Pesos each (~10 cents), and soon discovered that she was working far less (approximately two shifts of three hours each a day) and earning more than she did in her previous employment. Nor did she have to spend endless hours travelling to and from work on overflowing buses. She was no longer contributing to either a health insurance system, nor to her pension scheme, but those were the least of her worries. Carla was happy with her situation. Not only was she no longer unemployed, she was earning more and working less, and she was now working independently, free to do whatever she wanted when she wanted.*

*Carla's preference is thus clear. Yet integrating Carla's case into an index on the quality of employment means making a value judgement regarding her situation, based on a range of objective criteria, which may not necessarily come to the same conclusion as she did.*

*If we assess her case according to the criteria that constitute the quality of employment index, Carla remains in the same overall category of "poor quality employment". Her occupational status has declined and the increase in her income was not enough to compensate for that deterioration. Furthermore, she has lost her health and pension benefits. The other criteria remain the same as she had worked less than three years in her previous job and had not received training in either.*

*The deterioration in her quality of employment score is therefore due to two value judgements that I am making based on objective criteria that consider her personal welfare. Her new job basically implies greater risks than her old job did. First, being self-employed in an informal (actually illegal) job is worse than being a wage-earner with an open-ended contract because it implies a loss of legal protection and status. Should she accidentally burn herself with her precarious oven, for instance, she will lack insurance against accidents at work. Should she have to cease her activities for whatever reason, she will have no insurance against unemployment (in the form of compensation payments such as she got in her old job). And theoretically, she could even be fined (approximately US\$ 80 or 20 nights in jail!) for her illegal activity.*

*Second, even though Carla may not be worried about her lack of social insurance herself at present, the index considers this to be a disadvantage, not only because she has ceased to contribute to a pension plan, but also because she now falls into a category of emergency services that the national health service provides only to the very poor.*

*One final point to make is that the reduced number of hours that Carla now works is integrated into the calculation of income which is pro rata-ed on an hourly basis, so the difference in working week is taken into account automatically in this index.*

Carla's case shows that I am prepared to make value judgements at the risk of being accused of ignoring her own preferences and of "nannying" her. Given the short term perspective with which many people manage their lives, I consider this to be a justifiable risk.

Having looked at an individual case and explained how the index would function and the sort of data it would provide, this still leaves open the question "So what?". As a tool of public policy, what does the index add?

One of the most important reasons for creating this index is to foster public debate. As mentioned above, in a country like Chile, which despite having attained a certain degree of development still offers the unemployed no benefits or security to speak of, the question of having a job or not having one predominates the labour market debate, almost to the exclusion of all other topics<sup>27</sup>. While government

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<sup>27</sup> Those familiar with the Chilean case will argue that the press has also been full of discussion of the latest labour market reform project that the government is trying to box through Congress. However, this is a political (and ideologically biased) debate, which

and public concern about this is certainly justified, it is also short termist in its view. The quality of employment is what will ultimately ensure the development of the economy, foster growth, social cohesion and welfare. A low unemployment rate is merely a component of this. Creating an index of the characteristics that constitute quality of employment should hopefully reduce the issue of unemployment to its “component status” and have the same effect of broadening public debate that the creation of the HDI did. Ultimately, if human functionings and capabilities are to be enhanced, this requires a long term view and a broad, inclusive view.

Aside from stimulating debate, the proposed index will hopefully also provide useful information to public policy makers. Its main purpose could be to help identify those sectors of the economy, or regions of a country, which are generating better jobs than others, or those segments of the work force which are particularly marginalised.

The index could even help foster an internal and competitive labour market as its users need not be limited to public policy makers and labour market analysts. It could equally well serve employers and employees by providing them with more and better information on available jobs so that they can take more informed decisions.

Just like unemployment rates can vary from sector to sector or according to geographic location, it is perfectly possible that some sectors within an economy may have better ratings than others or improve their rating while others decline. By the same logic, some regions may improve their quality of employment whilst others deteriorate. This sends important signals to policy makers as to which areas should receive particular attention.

In addition we should consider that unemployment rankings may differ substantially from quality of employment rankings, in the same way that the human development indicator may vary from plain GNP rankings. The strength of the quality of employment indicator is that it will pick up on issues that the unemployment rate simply does not consider. A particular region could perhaps have a very low unemployment rate, but this may be entirely due to atypical contracts or short term contracts such as those that are used in agricultural or mining industry areas<sup>28</sup>.

Or a region may have a very high unemployment rate although its quality of employment indicator is very good. This may indicate to public policy makers that the unemployed in this region do not have the qualifications need in order to integrate themselves into the labour market, so that special training programmes or relocation programmes could be designed to distribute the labour force more according to the requirements of their environment.

Similarly, trends over time may vary. For instance in the Chilean case where unemployment rates dropped steadily over a long period of time, this positive development completely distracted attention away from the fact that increasingly jobs were being created with inferior characteristics. Ultimately, this has even led to a failure on behalf of the government to legislate appropriately. If it had been aware

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contributes little to the discussion of the sort of labour market that Chile envisages for the future, and nothing to the issue of the quality of employment.

<sup>28</sup> In the case of Chile, most regions in the country depend predominantly on one particular type of industry or sector, eg. mining in the north, fruit and agriculture in the middle, and forestry in the south.

earlier of declining durations, perhaps the unemployment insurance would have been implemented sooner. Of perhaps it would have legislated sooner in order to ensure that subcontracted workers or workers with atypical contracts enjoy the same degree of legal protection as workers with open-ended contracts.

By considering a labour market based on very superficial criteria, we end up with an evaluation such as the ILO has made of the Chilean labour market: it classifies it as top quality within the Latin American context, but does not consider that its higher degree of lack of protection may eradicate some of the benefits of lower unemployment.

Ideally, such an indicator would also help raise public awareness, increasing the workers' own emphasis on issues such as training, having a formal written contract, having up to date pension insurance contributions etc. Especially given the context of the economic crisis, workers were satisfied with merely having a job and did not consider any other aspects. A cultural change would also lead to more conscious decisions about training, employment duration etc on the part of the employees.

Ultimately the index aims to produce a change in the way we think about the labour market. It aims to produce what could be described as a cultural change, a shift in emphasis away from unemployment to a broader more inclusive concept. This does not mean that having a job is not supremely important to those who want to work, but means that other issues should also be considered.

## **V. Conclusion**

The index and method proposed in this article are arbitrary and their elaboration is but preliminary. The paper by no means hopes to present a simple formula for applying the capability approach to the complex realities of modern labour markets. But it does pretend to respect the overall objectives of an approach which consistently emphasises that the functionings and capabilities of an individual depend on more than just income (or GNP/capita). While therefore not pretending to summarise employment, it at least hopes to broaden the basic criteria which the employment debate normally focuses on to include capability enhancing aspects.

It should be considered that indices, whether poverty lines, unemployment rates or GNP/capita are all ultimately arbitrary. Their main value must be seen in the comparative perspective that they open up for us, which allows us to monitor developments over time and across different regions or countries. Bearing this purpose in mind, the methodology presented here was specifically designed in order to be applicable to other countries apart from Chile, especially countries where similar sources of data are available, and which have similar labour market structures. All the southern cone countries of Latin American, for example, would fall into this category.

The paper has also suggested that labour market policy should form an integral part of any development strategy. It does not, however, answer the question what this labour market policy should consist of more specifically in order to nurture capabilities. Discussing this issue would go beyond the scope of this paper, and furthermore, I do not have an answer to that question yet, nor do I believe that a simple answer can be found without a significant amount of further research and debate. The issue

should be discussed in detail by both policy makers, labour market participants and all those with an interest or concern for the issue. I would only hope that the idea of defining and measuring the quality of employment would integrate the capability approach into such a debate.

## APPENDIX I

Table 1

Characteristics of new Jobs generated each year compared with the existing pool of jobs

Contract or Occupational Status		10/96-9/97 Sept - 97	10/97-9/98 Sept - 98	10/98-9/99 Sept - 99
Wage- earners	<b>Indefinite Contracts</b> - generated jobs - Labour force	46.6 55.9	42.3 53.9	20.7 50.3
	<b>Atypical Contracts</b> - generated jobs - Labour force	19.6 11.0	23.8 11.7	33.5 12.3
	<b>No Contract</b> - generated jobs - Labour force	20.5 10.9	23.1 12.3	33.8 14.5
Independent	<b>Employer or professional Self-employed</b> - generated jobs - Labour force	2.3 4.3	1.2 4.3	0.6 4.2
	<b>Other self-employed</b> - generated jobs - Labour force	11.0 17.8	9.6 17.9	11.5 18.7
<b>Total</b> - generated jobs - Labour force		100.0 100.0	100.0 100.0	100.0 100.0

Note: Atypical Contracts refers to all short or fixed term contracts and to fee paying jobs.

Table 2

Pension Contributions		10/96-9/97 Sept - 97	10/97-9/98 Sept - 98	10/98-9/99 Sept - 99
<b>Contributes</b> - generated jobs - Labour force		61.3 70.3	61.1 69.2	47.1 65.7
<b>Does not contribute</b> - generated jobs - Labour force		38.8 29.7	38.9 30.8	52.9 34.3
<b>Total</b> - generated jobs - Labour force		100.0 100.0	100.0 100.0	100.0 100.0

**Table 3**

**Transition Matrix: Changes in type of contract or occupational status from 1998 to 1999**

	99	Employed						Unemployed	Labour force 98
98		Indef	Atypical	No Con	Profs/Ers	Sem	Total 98		
Employed	Indef	30.0	12.0	15.0	0.0	3.0	60.0	40.0	100.0
	Atypical	22.0	30.5	8.5	0.0	1.7	62.7	37.3	100.0
	No Con	16.3	8.2	16.3	0.0	6.1	46.9	53.1	100.0
	Profs/Ers	0.0	0.0	33.3	0.0	33.3	66.7	33.3	100.0
	Sem	7.1	50.0	7.1	0.0	14.3	78.6	21.4	100.0
	Total 99	23.1	18.2	13.3	0.0	4.4	59.1	40.9	100.0
Unemployed		11.8	10.9	14.5	0.0	3.6	40.9	59.1	100.0
Inactive		7.4	14.8	48.1	0.0	14.8	85.2	14.8	100.0
Labour force 99		18.5	15.7	16.3	0.0	5.0	55.5	44.5	100.0

*Note: Atypical Contracts refers to all short or fixed term contracts and to fee paying jobs.*

## APPENDIX II

<b>Quality of employment Index</b>
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Variable	Score
<b>Professional Position</b>	
Indefinite Contract	2
Atypical Contract	1
No Contract	0
Employer	2
Professional Self-employed	2
Non-professional Self-employed	1
<b>Income</b>	
Less than 2 minimum wages	0
2-4 minimum wages	1
More than 4 minimum wages	2
<b>Health Insurance</b>	
None	0
Public	1
Private	2
<b>Employment Stability</b>	
Less than 3 years	0
3-5 years	1
More than 5 years	2
<b>Training Received</b>	
None	0
On the job	1
Training courses	2
<b>Total points scored / 5</b>	
High Quality Job	1.6-2.0 points
Medium Quality Job	0.8-1.4 points
Low Quality Job	0-0.6 points

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