



NON-STANDARD WORK AND INEQUALITY

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The necessity to follow up labour market inequalities

Background

- Changes in earnings and labour market conditions are the most important *direct* key driver of rising income inequalities (OECD, 2011)
- Policy trade-offs: Many regulatory reforms and institutional changes tended to increase *employment* opportunities, at the same time they were associated with wider *wage inequality*

Questions

- To which extent are labour market inequalities driven by gaps between “typical” and “atypical” non-standard forms of employment?
- Do non-standard jobs pay less and are of poorer quality?
- To what extent are non-standard jobs “stepping stones” to improved labour market prospects, or rather “traps”?
- How do non-standard work patterns affect *household* earnings and income inequality?



Non-standard employment and inequality

1. Development and characteristics of non-standard employment

- Factors driving NSW
- Share of NSW and trends in OECD countries
- Is employment growth polarising?

2. Labour market prospects of non-standard workers

- Are non-standard workers in low-paid or lower quality jobs?
- “Stepping stones” or “dead ends”?
- NSW and the earnings distribution

3. How does NSW affect household income inequalities and poverty?

- Distributional position of NS workers in household income distribution
- Contribution of NSW sources to income inequality
- Poverty and NSW
- The role of taxes and benefits



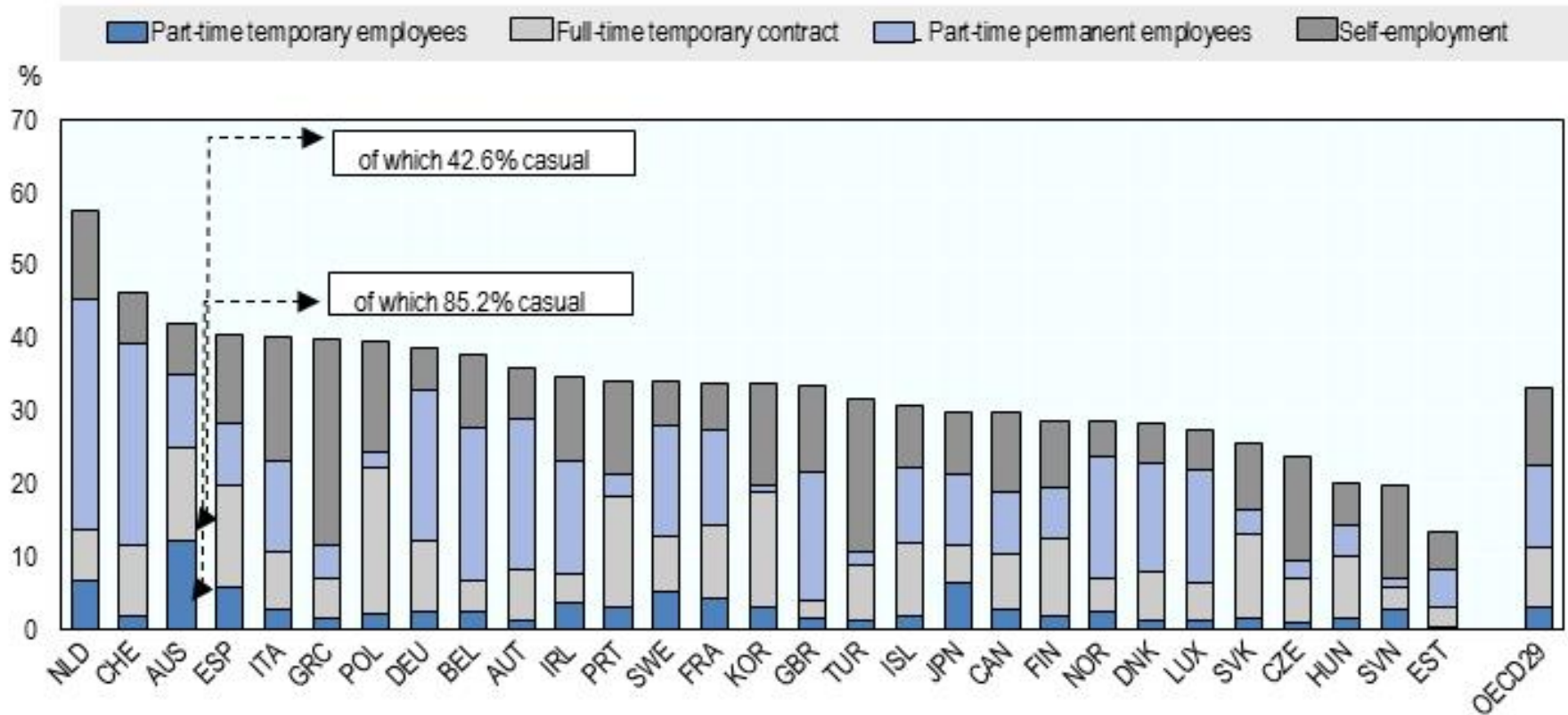
“Non-standard” / “atypical” work: a fuzzy concept

- Country-specific conventions
- Data issues
- In its broadest terms, defined by what it is *not* (full-time dependent employment with an indefinite duration contract)
- → includes self-employment, all temporary and all part-time employees
- Broad definition used by Eurofund, ILO, WB
- Not a normative concept, and different from the notion of precarious employment



Share of non-standard work is sizeable but very different across the OECD

Share of non-standard employment in total employment, 2013 or close



Note: Sample restricted to paid and self-employed (own account) workers aged 15-64 years old, excluding employers, student workers and apprentices.

Source: OECD (2015); EULFS; KLIPS for Korea, LFS for Japan, HILDA for Australia and LFS for Canada.

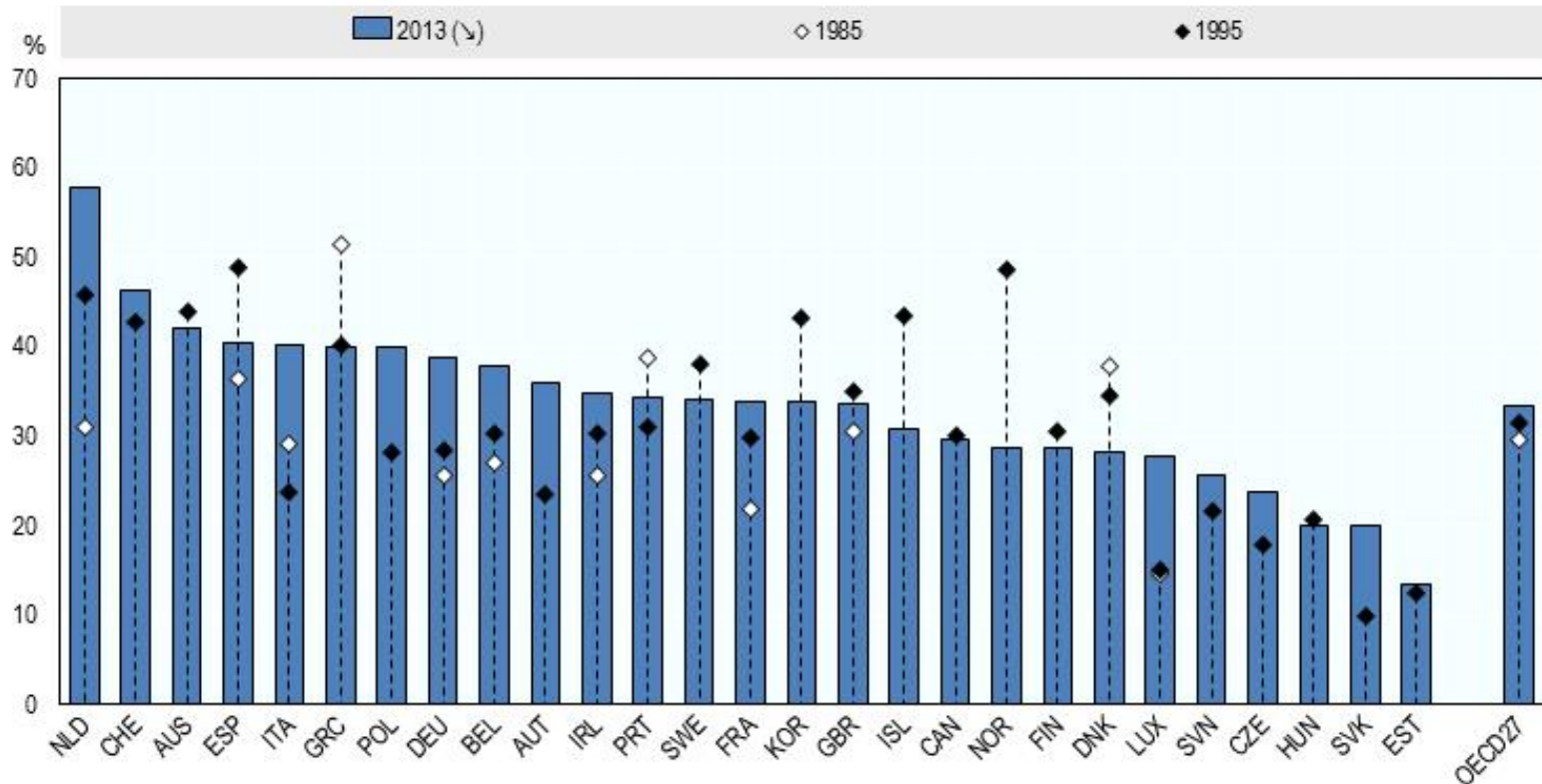


Who are most likely to be in NSW?

- Women are slightly over-represented if part-time work is included
- Youth are overrepresented in temporary employment and overall incidence of NSW is high among youth
- Incidence of NSW is 30% higher (60% in case of temporary employment) for the low-educated
- Incidence of NSW is close to 50% higher for elementary and semi-skilled occupations (than for skilled/highly skilled).



The share of NSW has increased moderately across OECD



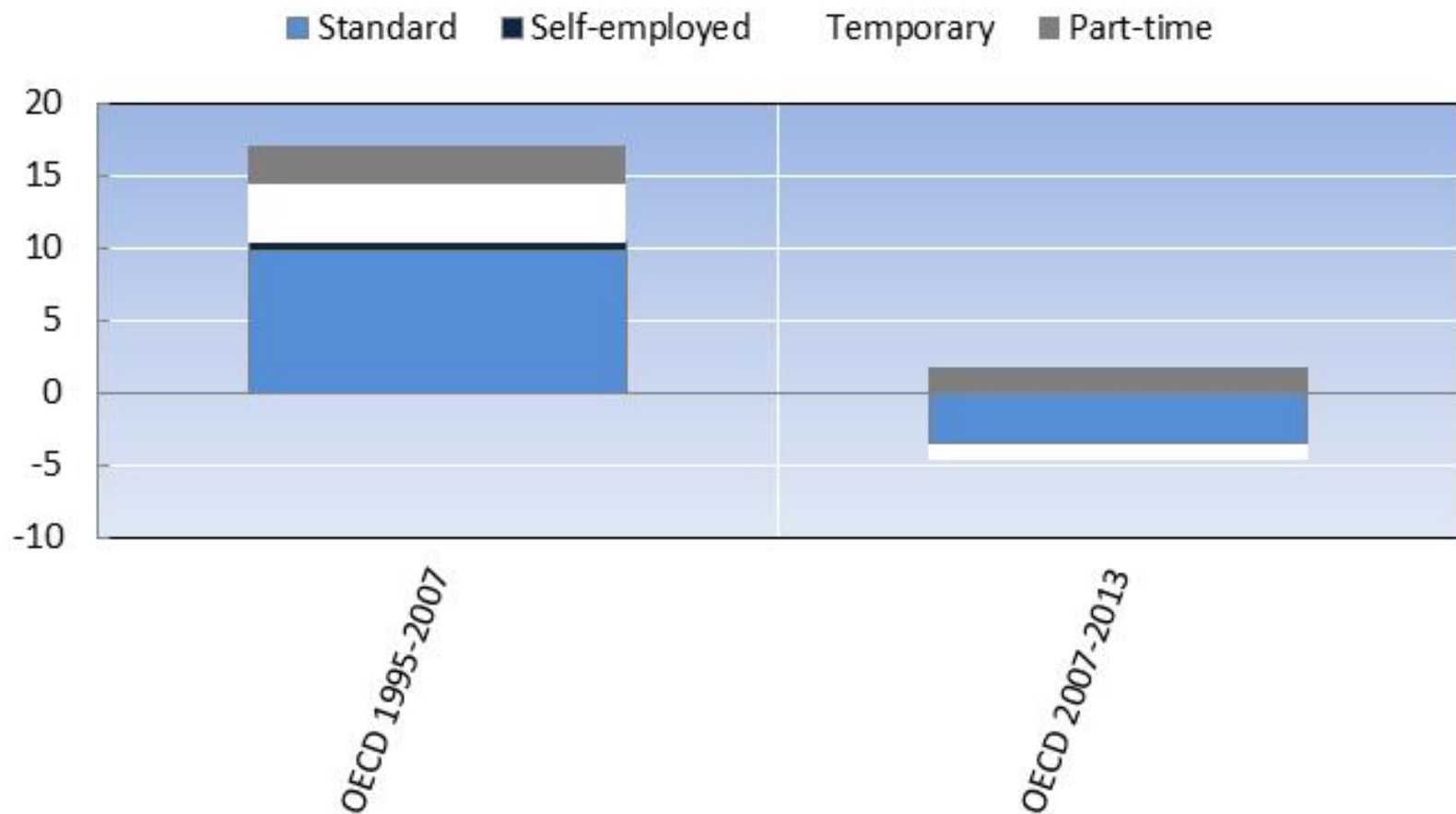
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Non-standard work played an important role for employment changes prior, and during the crisis

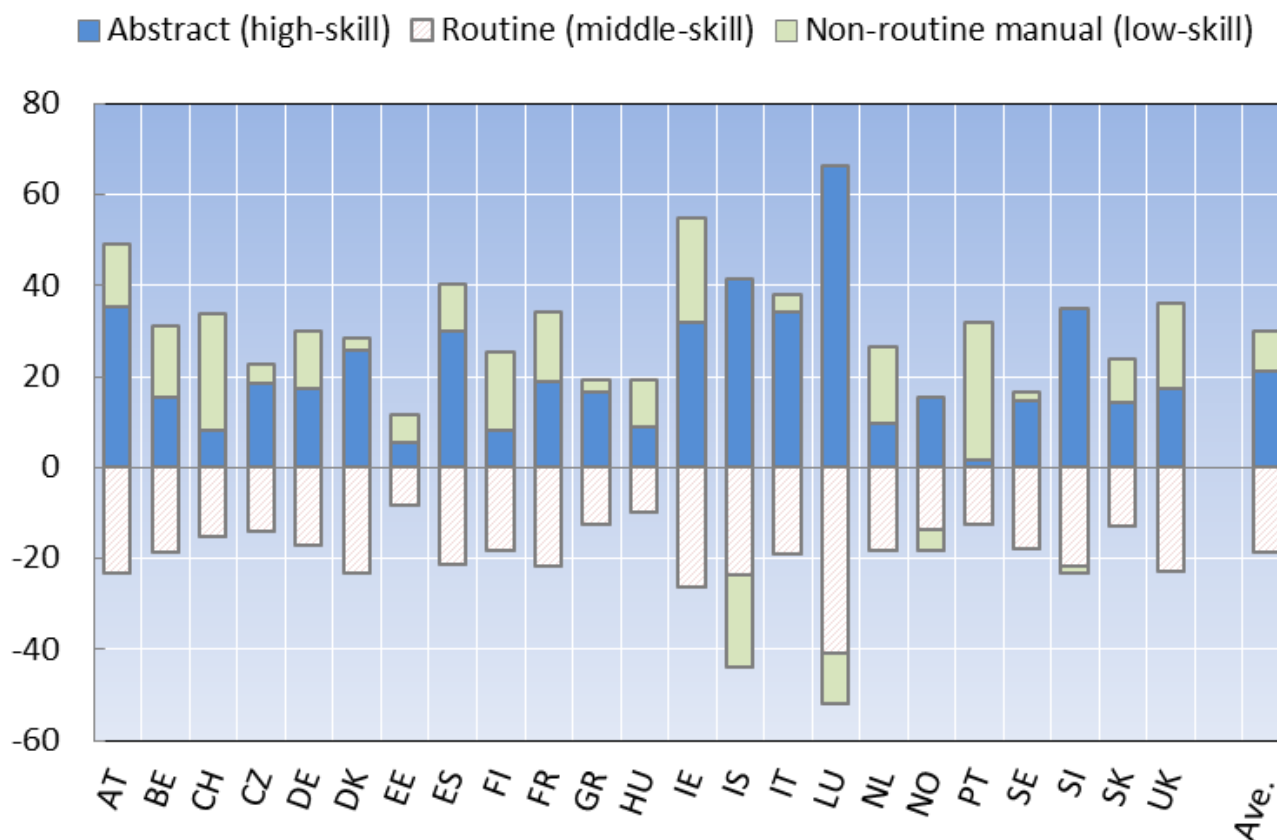
Employment growth, by type of contract, 1995-2007 and 2007-13





In most countries employment has polarised into high- and low-skill jobs, away from routine jobs

Percentage change in employment shares by task category, 1995/98-latest available year

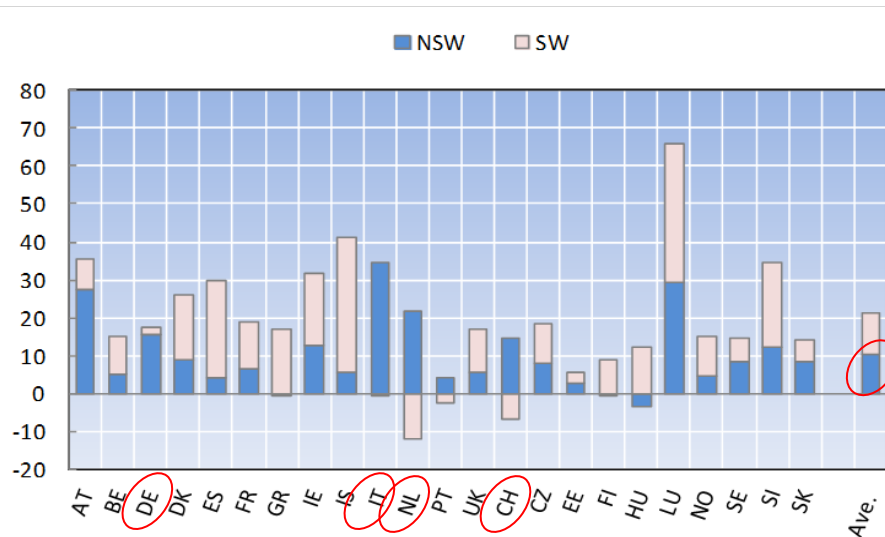


Note: Abstract occupations (ISCO88: 12-34); Routine (ISCO88: 41-42, 52, 71-74, 81-82 and 93); Non-routine manual (ISCO88: 51 83 and 91). The overall sample restricted to workers aged 15-64, excluding employers as well as students working part-time.

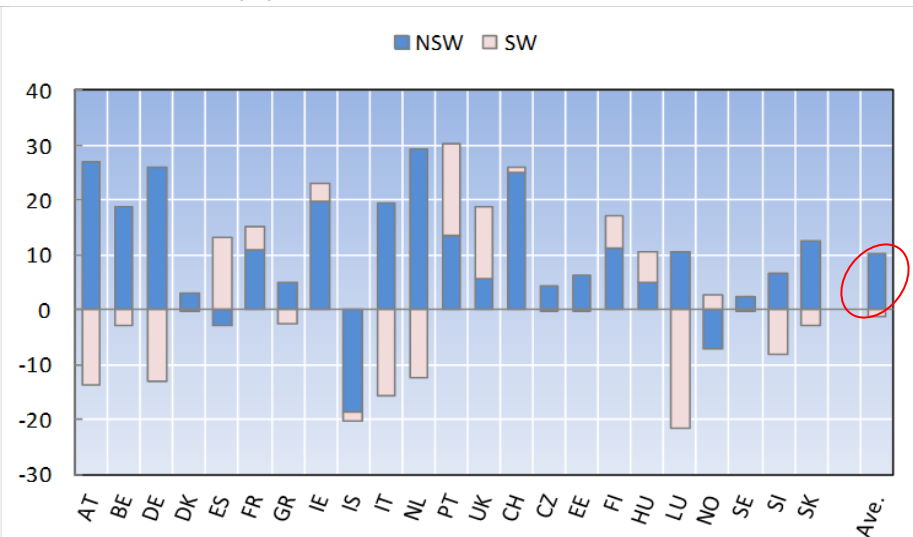


Non-standard work is the main source of employment growth for low-skill jobs

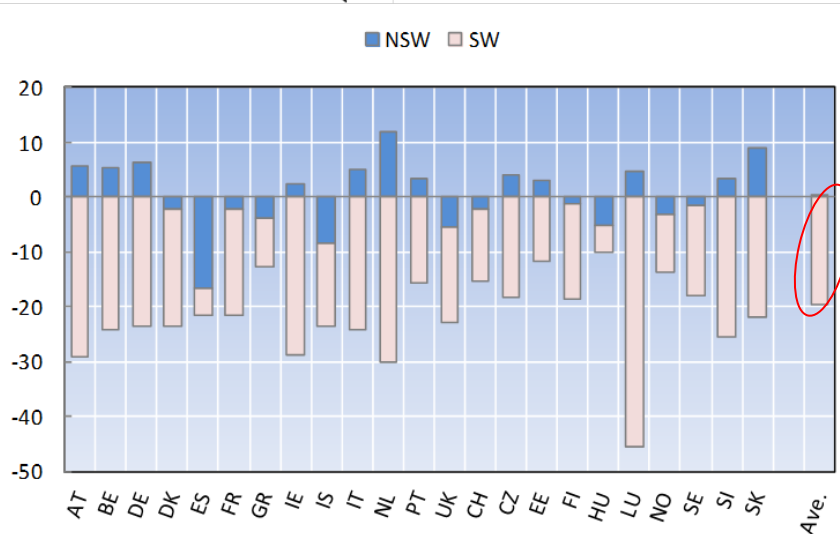
(A) Abstract task



(B) Non-routine manual task



(C) Routine task





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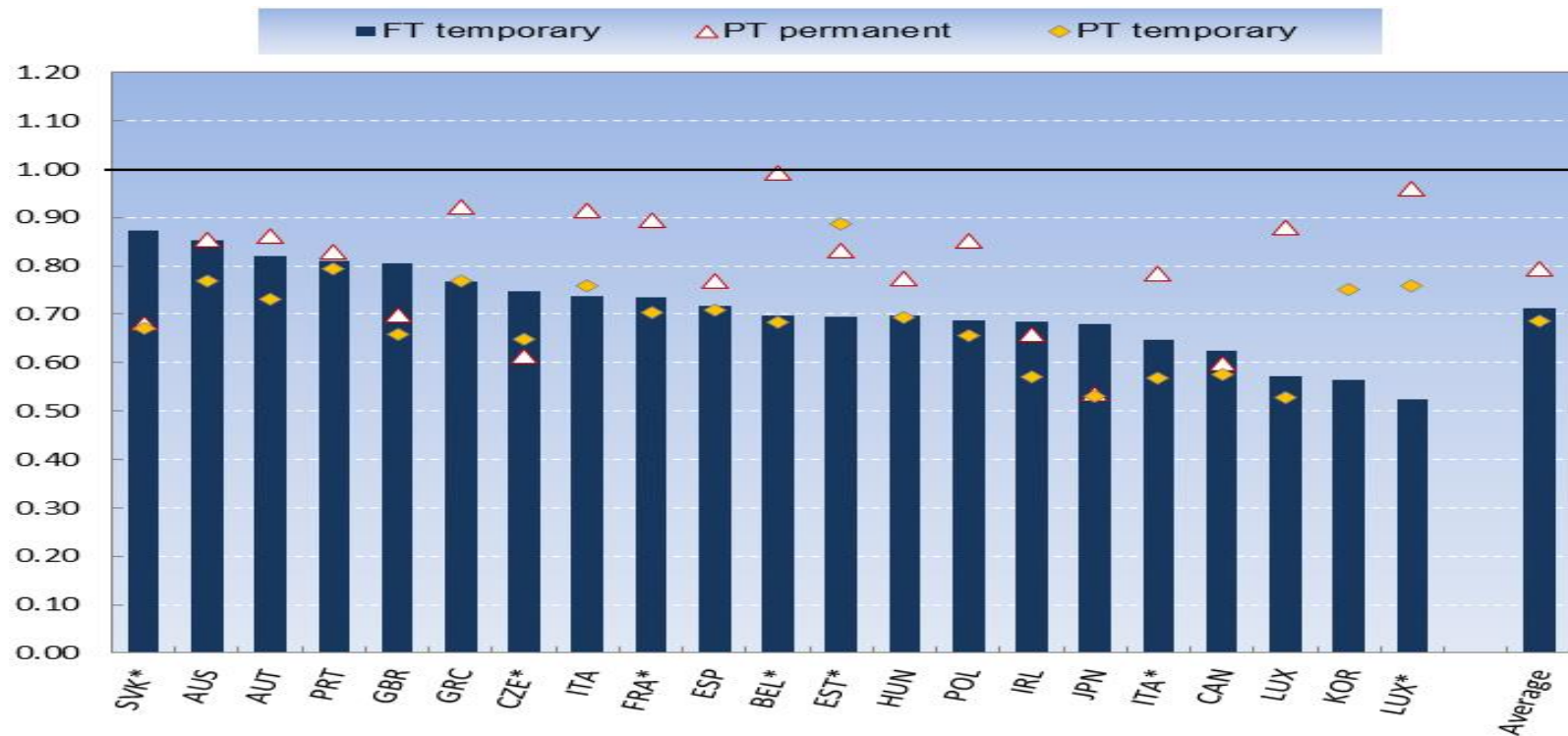
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Do atypical jobs pay less?

Ratio of median hourly wages (standard workers = 1), 2012



Source: OECD (2014); EU-SILC; KLIPS for Korea, LFS for Japan, HILDA for Australia and LFS for Canada.

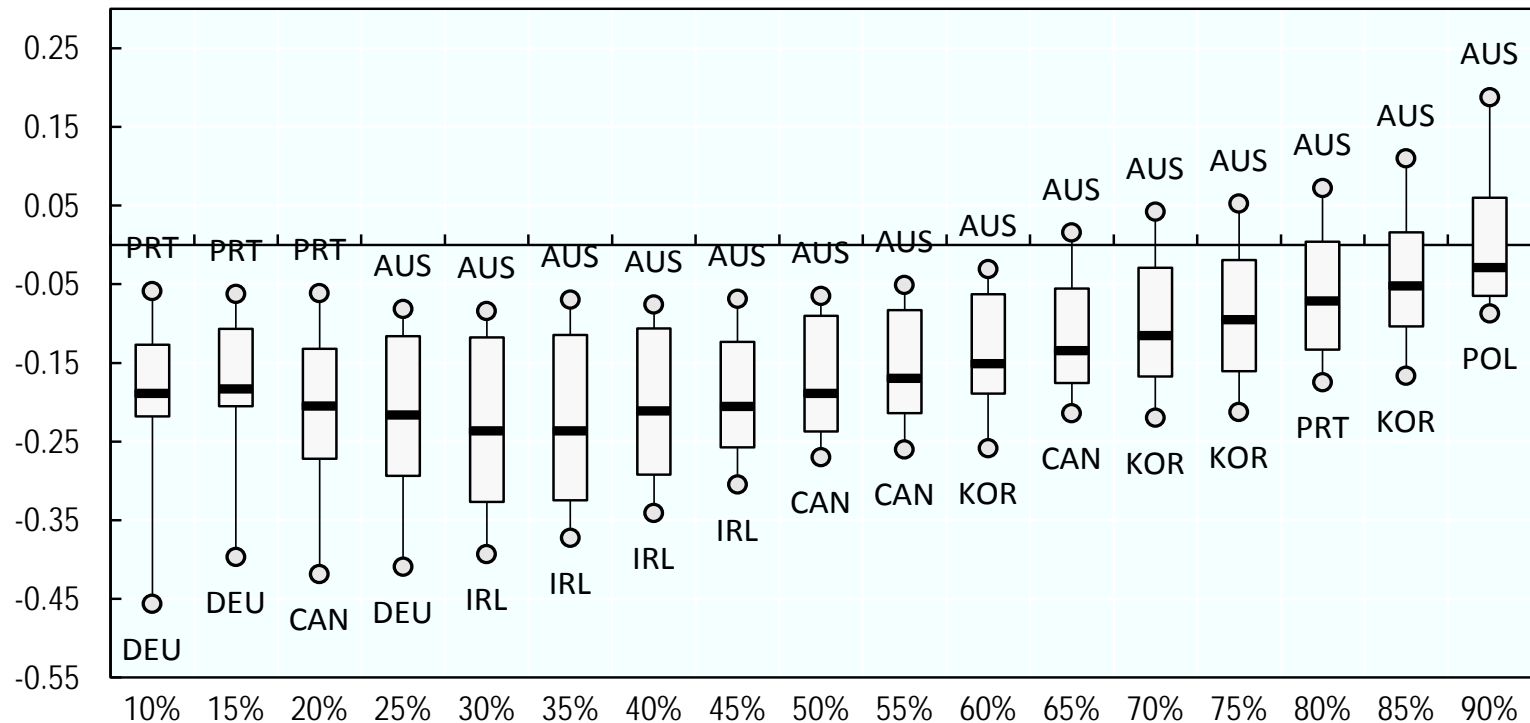


Is there a wage penalty for NSW, controlling for individual and job characteristics?

- Temporary workers face a wage penalty, about 12% controlling for observable characteristics, then 5-8% once unobservables are taken into account
 - The penalty is higher for younger workers.
 - Temporary workers would enjoy higher upward earnings mobility when this is accompanied by a change in the job contract to standard employment.
- For part-time workers
 - in permanent contracts, the penalty is small or a wage *premium* is found in some countries, mainly for women
 - Part-time temporary workers still face some wage, especially men.



The earnings gap between SW and NSW is larger at the bottom



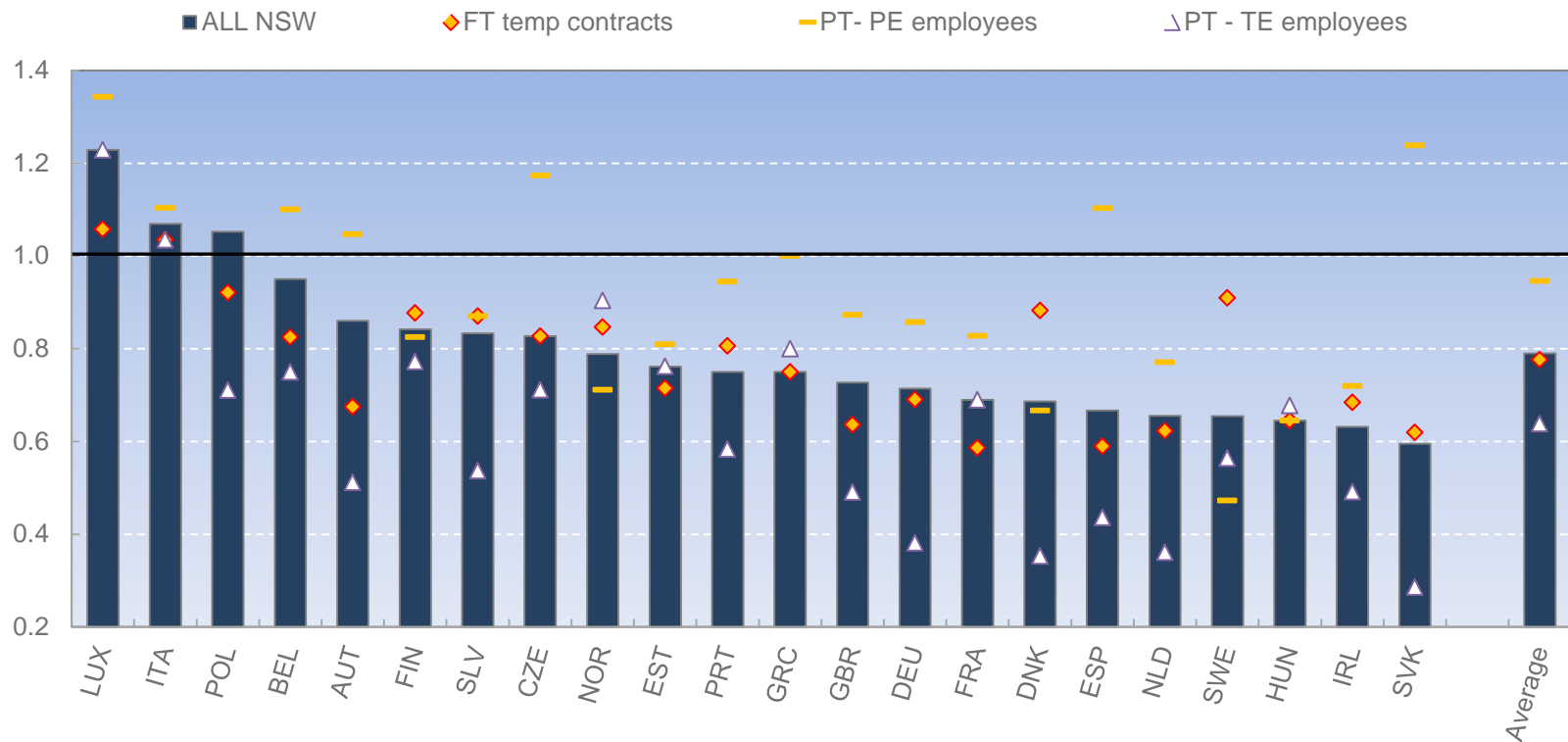
Source: EUSILC (2012), HILDA (2012), KLIPS(2009), Canada LFS (2013).

Note: The box for each quantile represents the interval of the impact of NSW on log hourly wages ranging between 25% and 75% of values, with the black line representing the median impact. The circles represent the country with the highest and lowest impact on wage associated with NSW for each decile.



Do atypical jobs provide less training?

Ratio of reported answer to undergone training in the past 12 months (standard workers = 1), 2010



Source: OECD (2014); EWCS 2010.



“Stepping stones or dead ends”: are those in NSW likely to move into standard jobs?

- Controlling for characteristics and initial employment status, temporary workers are 12-13 points more likely than the unemployed to be in standard work after one year
- For part-timers, transition rates into standard jobs are higher for those with *permanent* job contracts
- In most countries, self-employed have a lower probability to move into standard work
- Mixed evidence of stepping-stone effect of NSW by workers' characteristics:
 - only prime-age and older temporary workers exhibit higher transition probability into permanent jobs; a stepping-stone effect for young temporary workers (15-29) is generally not confirmed
 - there is little variation in a majority of countries in transition probabilities by skill level (i.e. education).



Does NSW lead to higher risks of non-employment?

- Temporary workers are at higher risk of both unemployment and inactivity than those in SW in $\frac{3}{4}$ of countries
- Part-timers are more likely than SW to move out of the labour force
- Self-employment is not associated with higher risks of unemployment but risk of inactivity is higher for women in half of the countries



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Will the growth in NSW lead to higher income inequality and poverty?

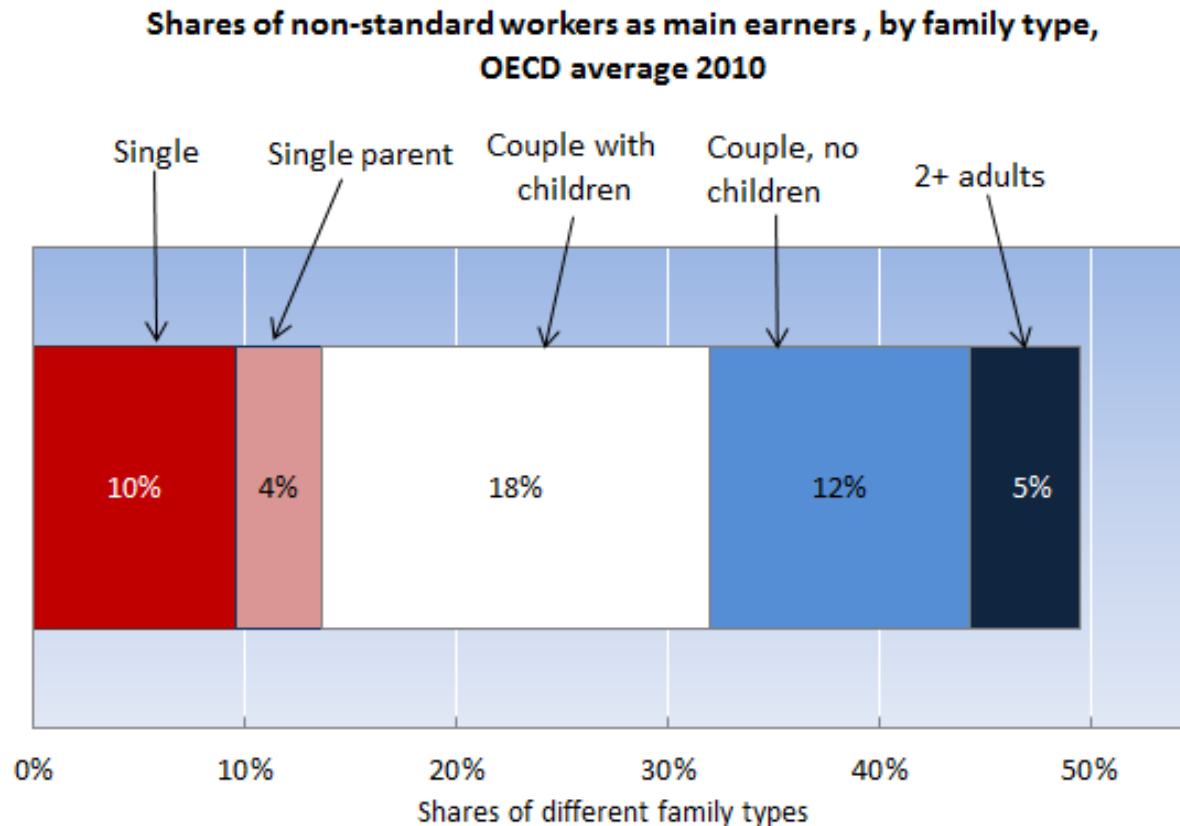
An increase in the share of non-standard workers is likely to contribute to increased *individual earnings* dispersion, but the impact on *household income* depends on:

- “Demography”: in which household do NSW live, and are they main or secondary earners
- “Earnings”: what is the contribution from NSW earnings at the household level and how are they distributed
- “Incomes”: what is the position of NSW workers in the overall income distribution and how do different work arrangements affect the risk of poverty



Many non-standard workers are the main income earner in their household

Half of all non-standard workers are main household earners

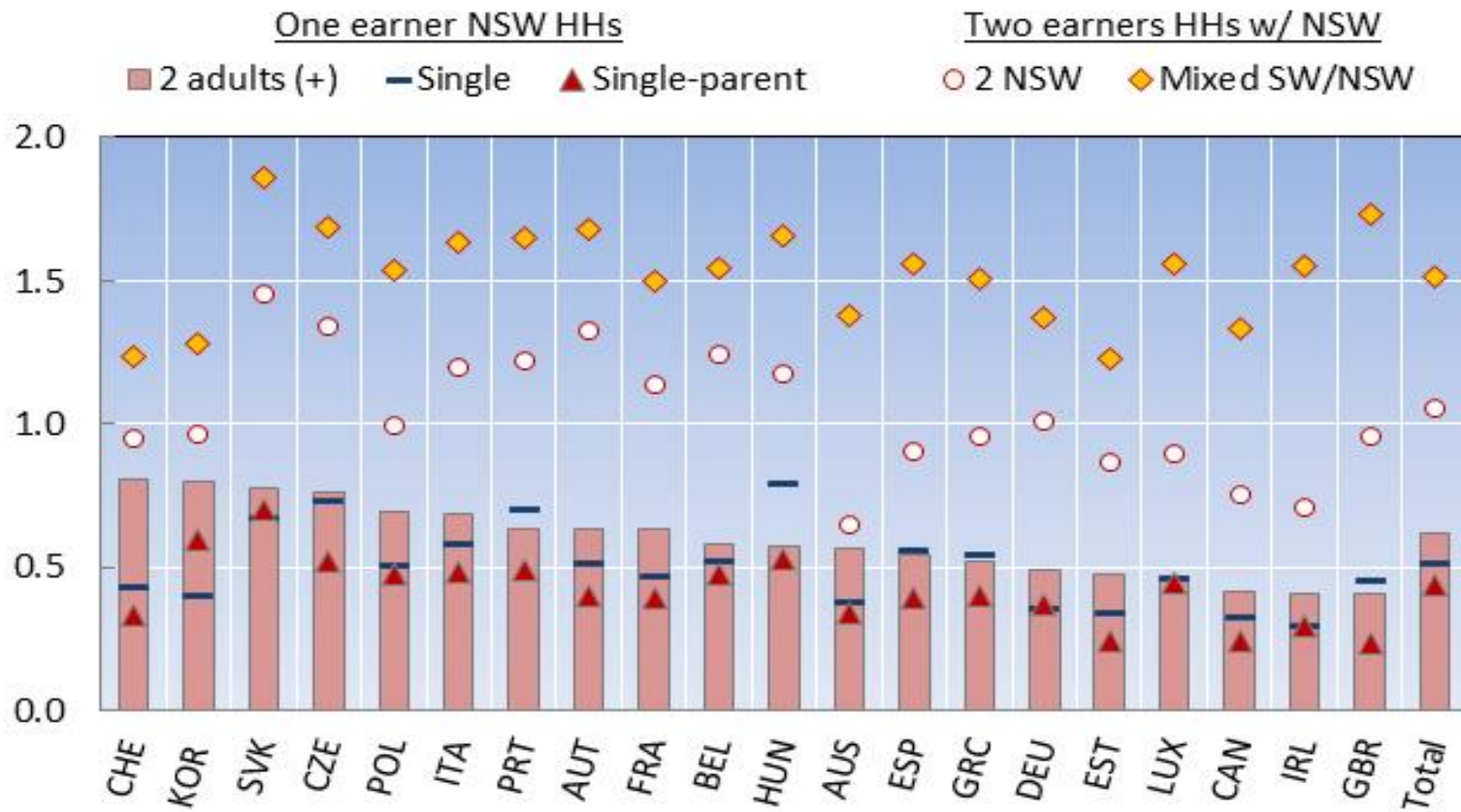


Source: OECD (2014); EU-SILC, KLIPS for Korea, HILDA for Australia and SLID for Canada.



Households with only non-standard worker(s) earn (much) less

Median earnings ratio (one earner SW households = 1), 2012

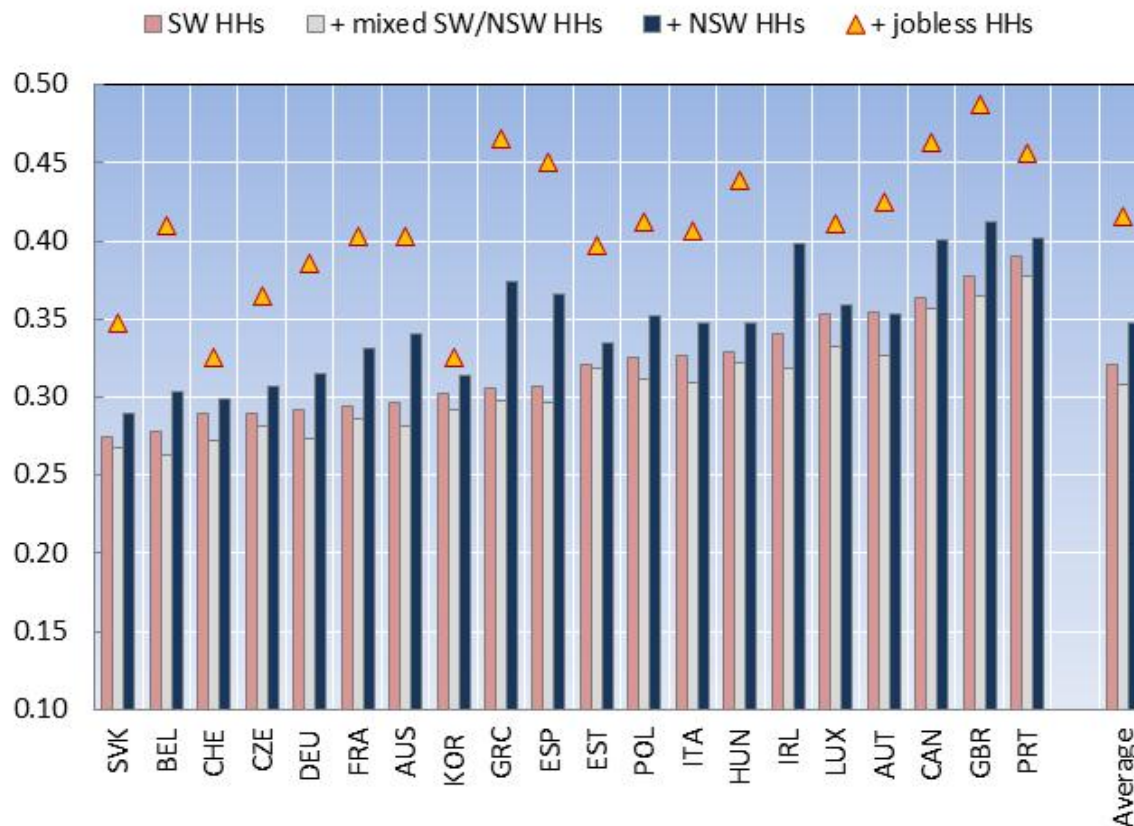


Source: OECD (2014); EU-SILC, HILDA for Australia, KLIPS for Korea and SLID for Canada.



Household earnings inequality is higher when accounting for households with NSW

Gini coefficient of equivalised household earnings, 2012

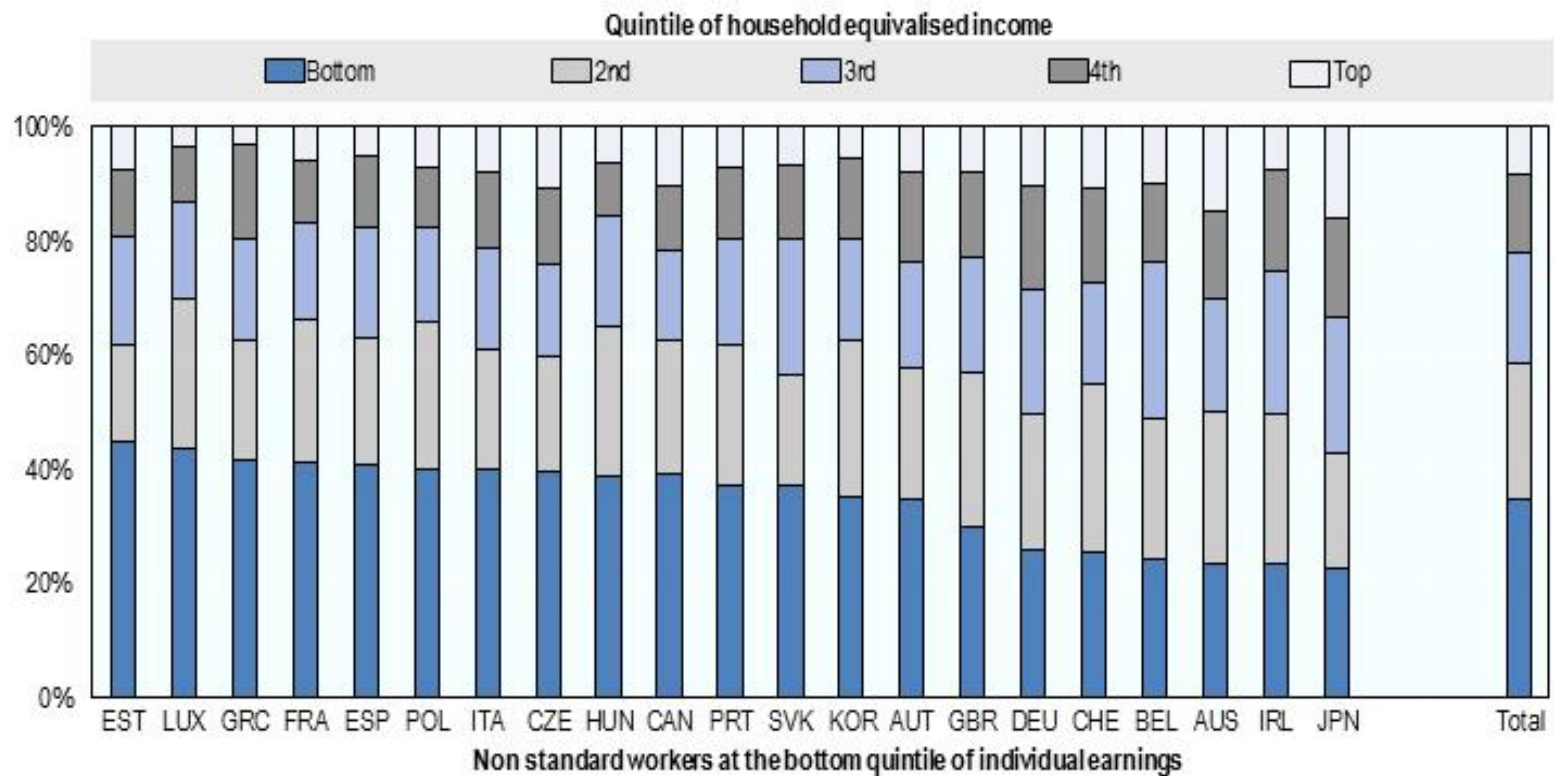


Source: OECD (2014); EU-SILC, HILDA for Australia, KLIPS for Korea and SLID for Canada.



Low earner NSW not necessarily at the bottom when looking at the household

Distributional position of NSW in household income quintiles, by quintile of individual earnings, 2012

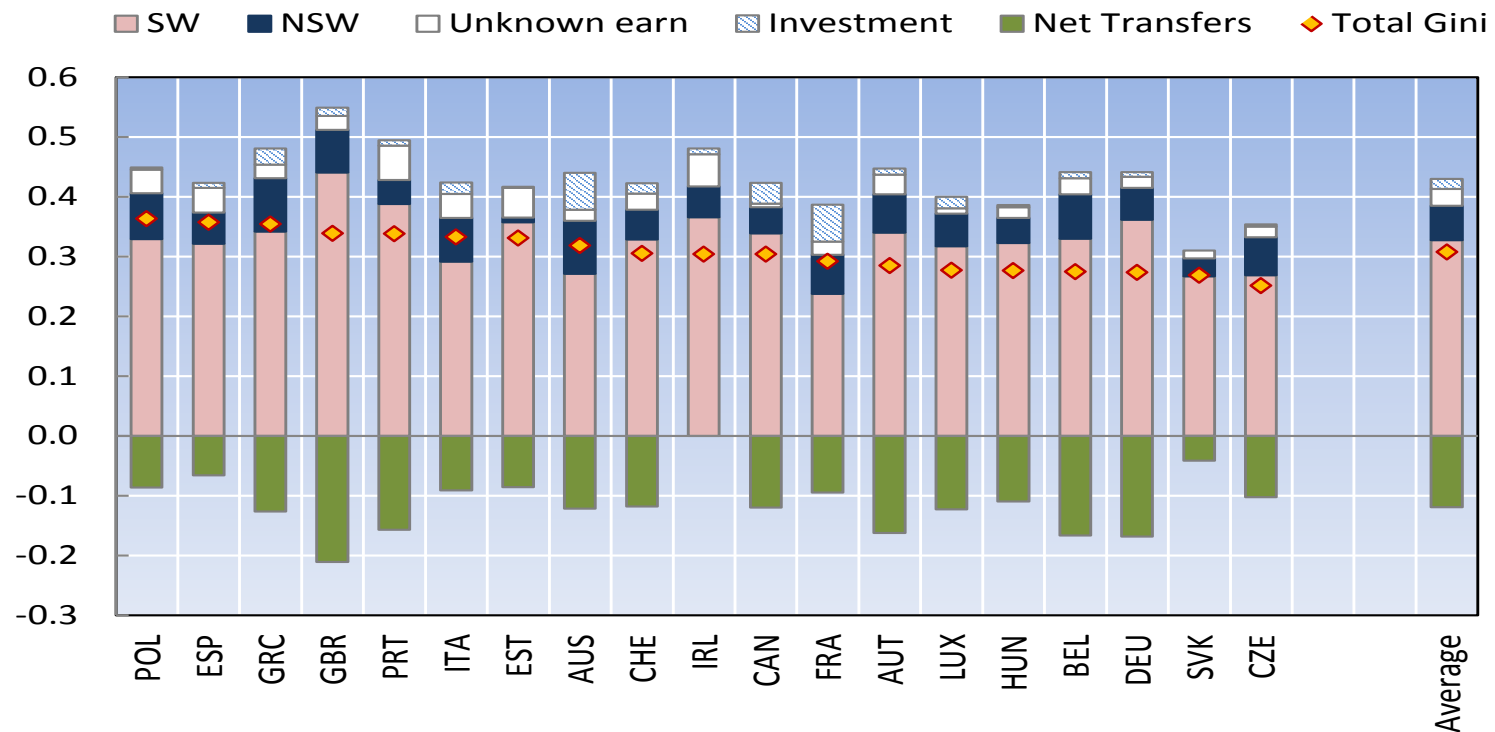


Source: EU-SILC (2012), HILDA (2012), KLIPS (2009), SLID (2010), JHPS (2012).



A big part of household income inequality still explained by SW

Breakdown of household equivalent income inequality (Gini) by income source, 2012

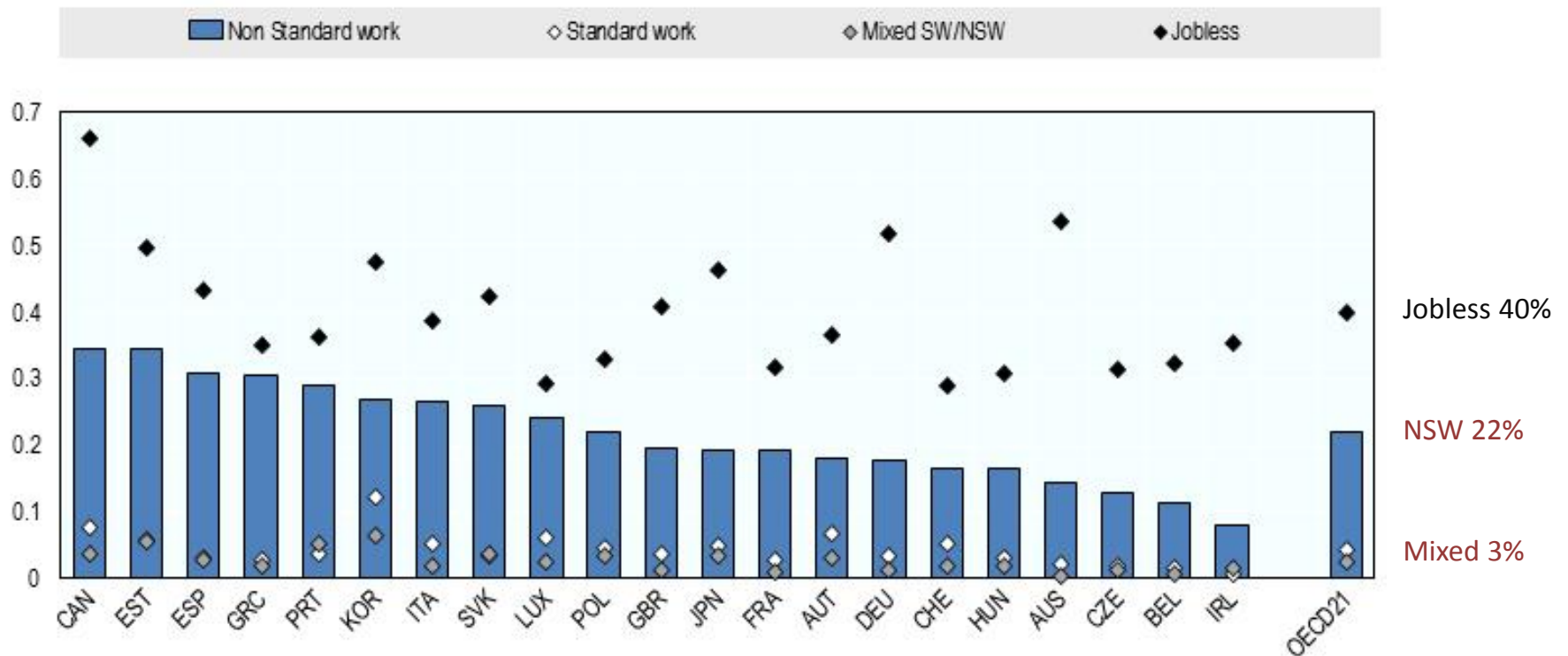


Source: EU-SILC (2012), HILDA (2012), SLID (2010)



Households with only NSW have much higher poverty rates than those with SW

Income poverty rates by employment pattern, 2012



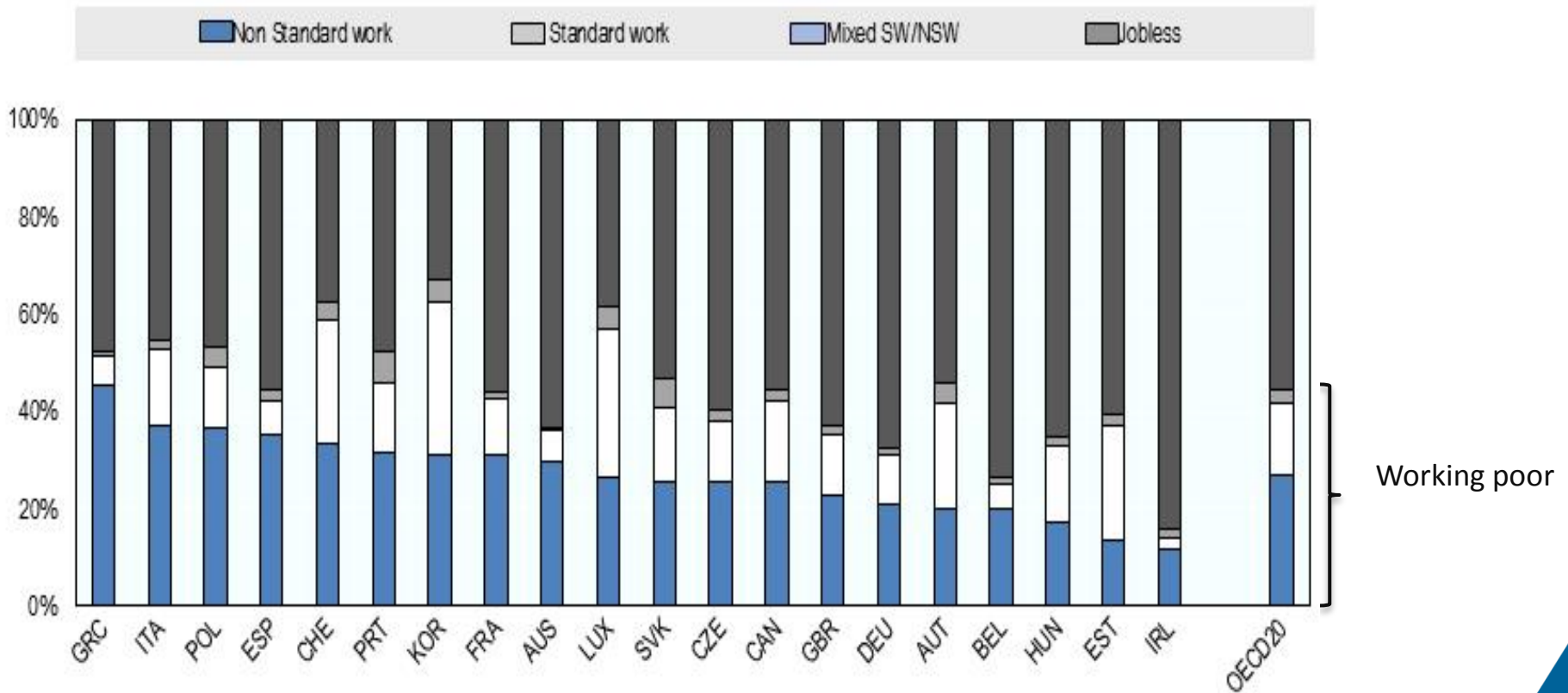
Note: The poverty line is defined at 50% of the median equivalised household income for the entire population.

Source: OECD (2014); EU-SILC, HILDA for Australia, KLIPS for Korea and SLID for Canada.



Almost one third of the poor and two thirds of the working poor are in NSW households

Distribution of income poverty by household employment type



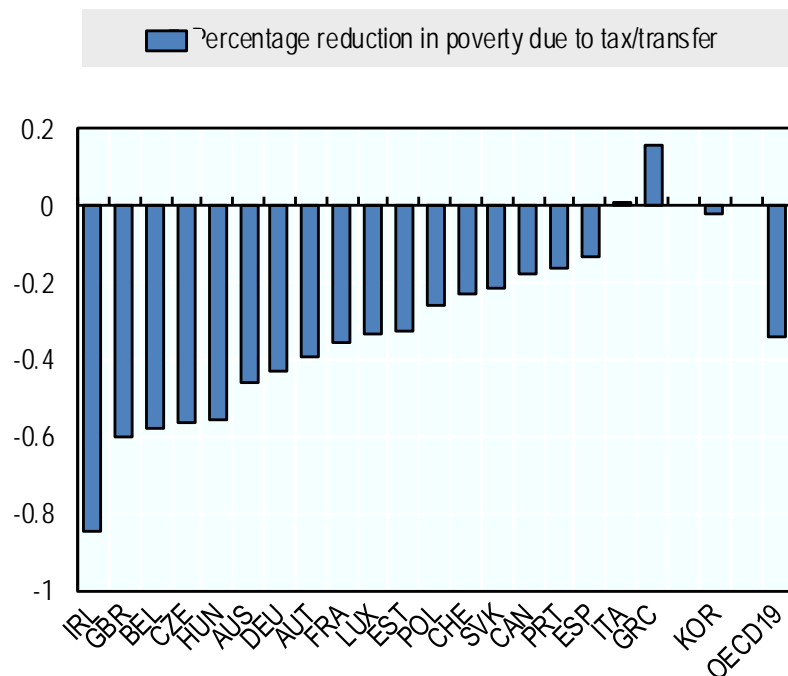
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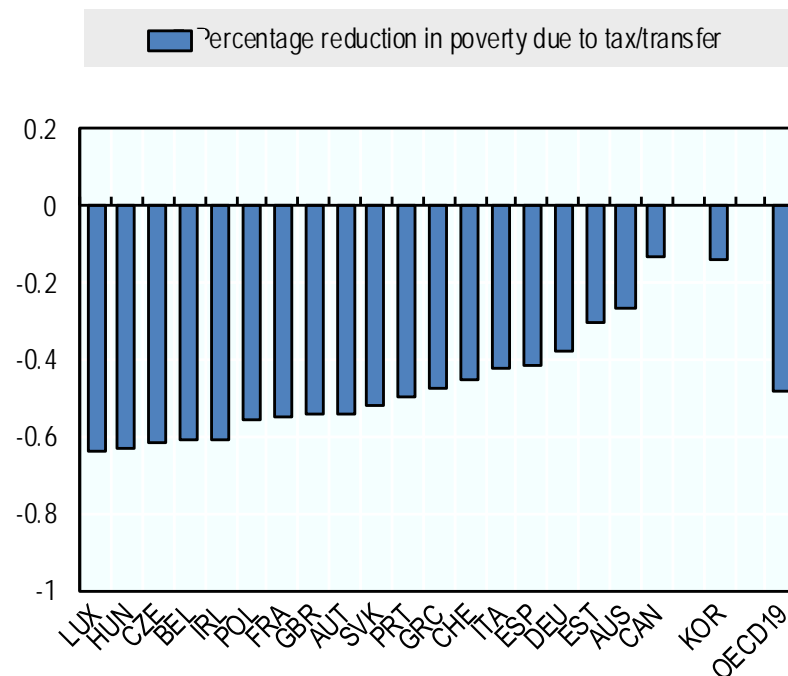


Taxes and transfers reduce poverty for NSW, but much less than for jobless

Panel A. Non standard worker households



Panel B. Jobless households





NSW have different entitlements to taxes and benefits, particularly self-employed

- There are **statutory differences** to taxes and benefits for workers in **non-standard jobs**, particularly among **self-employed workers**;
- The most common difference is the exclusion of **self-employed** workers to **unemployment benefits** (25 out of the 41 countries). No eligibility to work injury benefits and differences in the rules of sickness and maternity benefits are also common;
- Generally, **self-employed contributions** are **larger than employee** contributions **but lower than** employee and employer contributions **combined**.



Part-time: differences mainly due to circumstances, better protected against poverty than self-employed

- Effective differences to **part-time workers** are related more to the **particular circumstances** of these workers (e.g., lower earnings due to lower hours of work) than to structural differences in policy rules;
- **Simulation results** suggest that, in most countries, taxes and benefits **reduce poverty gaps** of workers in non-standard jobs and, under similar circumstances, are **more effective** reducing the poverty gap of **part-time** than of self-employed workers.



Take away (I)

- Employment in non-standard work arrangements has increased over the years and accounts for one third of total employment. 43% of working households include a non-standard worker;
- On some measures of job quality, non-standard workers are worse off than full-time permanent employees. Hourly wages are 20-30% lower, and job insecurity is higher;
- Overall household earnings are also lower when non-standard workers are present , up to 40% lower for households where there are only non-standard earners.



Take away (II)

- “Stepping-stone” effects for non-standard work exist in most countries, but they depend on the type of non-standard work and there are trade-offs involved;
- Temporary workers have a higher transition probability into standard work, compared to the unemployed; but they often face considerable wage penalties, experience greater earnings instability and upward earnings mobility requires a move to standard work;
- Prospects also differ greatly by the characteristics of non-standard workers, with prime-age and older workers facing better chances to use non-standard jobs as “stepping stones”.



Take away (III)

- Earnings from non-standard work are distributed more unequally than earnings from standard jobs;
- Low-earning non-standard workers are likely to be at the bottom of the household *income* distribution, especially if they live with other non-standard rather than with standard workers;
- The risk of poverty is not associated with non-standard work *per se*. 60% of all working poor live in households where all earnings are drawn from non-standard work.