

RESEARCH

FOR THE WORLD

Identifying employment inequalities in Chile

Published 14 January 2021



Professor Kirsten Sehnbuch is British Academy Global Professor and LSE Distinguished Policy Fellow based in the International Inequalities Institute at LSE. From a theoretical perspective, she examines employment as a missing dimension of the capability approach; empirically, she has established a summary indicator of job quality for 13 Latin American countries, which will be extended to other regions of the Global South going forwards.

Kirsten Sehnbuch carried out the first Latin America labour market survey as a PhD student. Now, her work with the Chilean government has helped the country take world-leading steps to measure job quality and protect vulnerable workers.

When the streets of Santiago erupted in social unrest in October 2019, the world was shocked. As one of the most prosperous nations in Latin America, Chile is often hailed as an economic and social success story, so why did this peaceful country break out in violent protest?

“The protests have brought a lot of inequalities to the forefront of the debate in Chile. These will now be exacerbated by the COVID crisis,” explains Professor Kirsten Sehnbuch. An expert on employment in Latin America, Professor Sehnbuch has been working with universities and government in Chile for 20 years, having first visited the country in the late 1990s to conduct research for her MPhil.

Why is employment quality key?

“When I first started, a lot of the research focus in developing countries was on poverty, but the real issue was actually employment and people not having jobs or being in precarious work. Labour markets are the link between economic growth and individual wellbeing, yet everyone was missing this because there was little available data,” Professor Sehnbuch says. As her PhD fieldwork she therefore undertook the first Latin American labour market survey that tracked the employment histories of workers and their occupational status.

“In 2001, the Chilean Ministry of Labour hired me as a consultant as, for the first time, I was able to say things about workers’ employment histories. They were designing a new unemployment insurance system at the time and could not estimate how it would work in practice. It was tremendously satisfying to contribute a new perspective,” she says.



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Implementing a Quality of Employment Index in Chile

This ongoing relationship with the Chilean government led to Professor Sehnbruch's current work on job quality. In 2019, she presented a Quality of Employment (QoE) index developed with her academic team in Chile. The indicator uses dimensions including income, employment stability and working conditions to inform governments about the state of their country's labour market.

In March 2020, the Chilean government subsequently established a Ministerial Commission of Experts to develop a job quality indicator, which she is advising.

A collaboration agreement has also been signed between LSE and the Ministry of Labour, which allows for the exchange of matched administrative and survey data. This will inform the work of the Ministerial Commission as well as Professor Sehnbruch's research going forwards. With the Commission's report due in 2021, this is the first time worldwide a government has committed to using a summary measure of employment quality which will inform policymakers.

Often governments will use more traditional methods, like participation or unemployment rates and wages, to measure the performance of their labour markets. However, these measures are often not reliable indicators of labour market performance on their own – especially in developing countries with large informal sectors. The new QoE indicator will complement these measures by introducing job stability, social security contributions and working conditions into the debate.

It's not just about income

“The stability of your employment relationship is just as important as your income level,” says Professor Sehnbruch. “You might have a well-paid job, but if you're permanently moving from one job to the next, the intermittent periods of unemployment or informal employment will wipe you out.

“On average, workers in Chile only contribute to social security during approximately half of their working life. Job insecurity undermines not only individual wellbeing, but also government efforts to establish functioning and sustainable social security systems. It further makes investment in worker skills and productivity impossible.”

The new indicator will help governments identify the most vulnerable workers in their labour force. Once these groups have been identified, the government can target policies to ensure they are better protected.

Professor Sehnbruch hopes other countries will look to Chile's work in this area and follow suit, adopting the job quality indicator and adapting it to their circumstances. She and her team have already initiated work with the UN's Economic Commission for Latin America (ECLAC) to replicate her indicator across other Latin American countries over time.



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An issue that impacts developing and developed countries

This work also holds lessons for developed countries, where quality of employment and job security are also ongoing issues. And it comes at an important time: the precariousness of some jobs has been exposed and exacerbated by the coronavirus crisis.

“Key in this crisis is to cut hours not jobs,” advises Professor Sehnbruch. “Even if that means having people work only eight hours a week. Colleagues from Cambridge have shown that this is key to the psychological health of workers. It’s key to keeping workers engaged in the labour market.”

Unlike continental European countries, however, the UK is less accustomed to using short-time work schemes. “These often require a level of public private sector collaboration, negotiations with unions and a level of social dialogue that does not seem to be part of Britain’s DNA,” Professor Sehnbruch notes. “Precarious workers are particularly difficult to include in such arrangements as they are less likely to be unionised. It is therefore more likely they will face unemployment and be excluded from the labour market for longer.”

Professor Sehnbruch suspects that many developing countries across the world will come out of the pandemic looking at how they can better support vulnerable workers through mechanisms like unemployment insurance, while developed ones will have to rethink the multiple inequalities generated by our labour markets.

“Going forwards and coming out from the coronavirus crisis, the big question is how we can protect and support the most vulnerable in our society. Addressing inequalities in employment will be key.” ■

Kirsten Sehnbruch was speaking to Charlotte Kelloway, Media Relations Manager at LSE.

Find out more about Professor Sehnbruch’s work at <https://www.quality-employment.org>

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