

"CONTRIBUTED"

"QUALITY OF EMPLOYMENT AND JOB-SATISFACTION: EVIDENCE FROM CHILE."

LEA CASSAR

Oxford Poverty and Human Development Initiative (OPHI)  
Department of International Development, 3 Mansfield Road  
Oxford OX1 3TB, United Kingdom  
leacssr@gmail.com

PURPOSE: This paper wants to study the main determinants of job satisfaction in Chile, with a particular focus on understanding whether self-employed people (and people working in small firms) are more satisfied with their job than employees (than people working on large firms), as the empirical evidence suggests for industrialized countries (Blanchflower and Oswald (1998), Blanchflower (2000), Hamilton (2000), Blanchflower, Oswald and Stutzer (2001), Hundley (2001)). The main hypothesis to test is whether people in Chile derive procedural utility from working in a less hierarchical structure because it gives them a higher measure of self-determination and freedom. This issue has been previously addressed by Benz and Frey (2008a) which uses datasets from three European countries. Their empirical results are consistent with this proposition.

MOTIVATION: - As far as we know, this would be the first paper addressing the issue in detail using a dataset from a developing country. Indeed, we can expect different results from the previous research as labor markets in developing countries can be very different from labor markets in rich countries. - In addition to the commonly used control variables (such as working income, working hours, occupation, industry, socio-demographic characteristics, education, tenure etc...), this data set contains very detailed information on the quality of employment, which is missing in the previously used data sets. In particular, we have indicators of job protection/informality, safety, time, aspect of works related to procedural utility (autonomy, competence etc..) and empowerment. - The present study not only can provide a more general view of the utility

gained from work, but has also implications for Chilean policy. By identifying the aspects of work which matter the most to the Chilean citizens, this research can provide useful information for the implementation and the evaluation of future and current economic policies. It can also provide new insights for poverty reduction interventions. For instance, the evaluation of microcredit programs directed to help the poor to start their own business should not be merely based on their effects on income, but it should also take into account the utility premium from self-employment and from empowerment, if the latter are found to be relevant for people's subjective well-being.

ECONOMETRIC ANALYSIS AND PRELIMINARY RESULTS: Job-satisfaction is used as a proxy for utility from work. The descriptive statistics suggest that there is no raw correlation between self-employment and job-satisfaction, while the latter is positively correlated with firm size. This seems to contradict our hypothesis. Benz and Frey (2008a) found the opposite results for England, Germany and Switzerland. However, as self-employed people tend to work on smaller firms (the median self-employed work in a firm of 1 person, while the median employee work in a firm of 50-199 persons) we want to investigate whether this apparent independency between self-employed and job-satisfaction can be explained by the firm's size effect. In fact there may be two countervailing relationships between self-employment and job-satisfaction: a positive direct effect due to the procedural utility from being self-employed which is offset by a negative indirect effect linked to the firm's size. Even if this was true, we would still need to explain the positive relationship between firm's size and job-satisfaction. We suspect that this can be explained by job protection/informality. Indeed, the descriptive statistics suggest a strong correlation between firm's size and job protection/informality (this indicator includes medical insurance, unemployment insurance, paid maternity leave, paid vacations etc...) and a strong positive correlation between job protection and job satisfaction. In order to address this issue, we run three different

multivariate regressions. As job satisfaction is an ordinal scaled dependent variable, we will use an ordered logit model.

In the first regression we include most of the standard control variables mentioned above (working income, socio-demographic characteristics, education, tenure, region etc...), time variables such as hours of working, willingness to work more (underemployment), willingness to work less (overemployment) and a dummy variable for self-employment. The coefficients on underemployment and overemployment are both negative, but surprisingly, only the coefficient on overemployment is significant. This result deserves additional attention, especially to find the right interpretation. The estimated coefficient on self-employment is negative and non-significant.

In the second regression we also control for firm's size (using a dummy variable for each firm's size group), taking size= "1 person" as the group reference. The coefficients on firm's size are positively significant and they increase with the firm's group size. The coefficient on self-employment has become positive, which is consistent with our previous explanation. However it's still non-significant.

In the third regression we include our job protection/informality indicator. The coefficient on self-employment increases from 0,2 to 0,8 and becomes significant. The coefficients on firm's size decrease with the firm's group size and become negative for large firms. They are no longer significant. The coefficient on job protection is large, positive and very significant.

The preliminary results seem to confirm our hypotheses. The positive relationship between firm's size and job satisfaction in Chile is driven by job protection. In other words, large firms in Chile offer significantly higher job protection compared to small firms, which has been found to be a very important determinant of job satisfaction. This explains why, unlike the case for developed countries, the descriptive statistics don't show a positive raw correlation between self-employment and job satisfaction. It also suggests that there may be issues of informality in labor markets that prevails in developing

countries vis-à-vis to the developed ones. However, once we control for job protection/informality we find indeed that Chilean workers derive procedural utility from self-employment and disutility from strong hierarchical structures typical of large firms (although the latter is not significant). We also find that overemployment seems to be more important than underemployment for job satisfaction. Further analysis is needed to confirm these results, to explore the effects of other qualitative aspects of employment (such as job safety) and to provide with a direct test of procedural utility by using indicators of self-determination and freedom. Lastly, selection issues must be addressed. It could be indeed that happier people (who are also more satisfied with their job) tend to become self-employed. However, we found no correlation between happiness and self-employment.