

“Transitions in Work and Labour Markets: □
Challenges for transnational cooperation”

Where does informal employment lead? Subjective social status approach

Anna A. Zudina, junior research fellow,
Centre for Labour Market Studies (CLMS)
NRU Higher School of Economics

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Motivation for research

- At the end of the XX century active criticism of building a "large" stratification model was introduced in the sociological field [Weeden, Grusky, 2005].
 - “Social class” is not capable of grasping in the current reality of social stratification.
 - Crucial importance of functional niches ("occupations"), arising from the division of labor, which are deeply rooted in labor market institutions – micro-classes [Weeden, Grusky, 2005].
 - Level of education, income, tenure, working conditions, consumption, public activity, political preferences, attitudes and demographic characteristics influence the individual choice of a particular micro-class.
 - Formal or informal nature of employment has never been studied in this respect.
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Motivation for research

- Levels of informal employment tend to grow in many countries (Russia - 15-20%, Finland is similar to other Baltic countries – 11-16% of LF [Hazans, 2011]).
 - Large literature about informal employment exists, but still there is no consensus about major characteristics of informality, its causes, consequences and its whole nature.
 - Little is known about the social position of informally employed workers and consequences of informality in terms of socioeconomic status.
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Motivation for research

- Is informality of employment is a kind of stratifying mechanism that affects social structure by changing social position of those who engage in it?
 - A contribution to labour market segmentation debates that surrounded the concept of informal economy from the beginning - existence of rigid barriers between formal and informal parts of LM [Fields, 2000; Perry et al., 2007].
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Aim of research

To examine the relationship between the worker's status on the labour market (including the state of informal employment) and subjective social status.

The consequences of informal employment for social inequality

Empirical studies:

- Objective indicators – income levels. Formal workers are better off when compared to the informal [Fields, 1990; Bernabe, 2002]. Principal differences - the self-employed are more prosperous than informal W&S workers [Maloney, 2004]. Informal workers earn more than formal workers [Braithwaite, 1994; Kolev, 1998; Sinyavskaya et al., 2004; Reza Arabsheibani, Staneva, 2012]. Complications of the direct comparison.
 - Subjective indicators - job satisfaction [Pages, Madrigal, 2008; Perry et al., 2007; Wachsberger et al., 2010; Falko et al., 2012; Aistov and Larin and Leonova, 2012], subjective well-being and subjective welfare [Beuran, Kalugina, 2006; Perry et al., 2007; Ferrer-i-Carbonell, Gerxani, 2008; Cassar, 2010], subjective confidence in job-search abilities [Sinyavskaya et al., 2004]. Quite contradictory results were received.
 - The elaboration of a new approach based on the indirect indicators – *integrate* concept of subjective social status – and thus contribution to the understanding of informal employment.
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Advancing new approach to the analysis

- Social stratification research – the concept of subjective social class (SSC), an instrument of class consciousness measurement [Centers, 1949; Jackman, Jackman, 1973].
 - SSC – represent “*individuals’ perceptions of their social position within a hierarchy*” [Jackman, Jackman, 1973].
 - Little distinction between “class” and “status” concepts, both appealing to a position in a system of social inequality. SSC, as put in [Jackman, Jackman, 1973], –” *the individual's perception of his own position in the status hierarchy*”.
 - Connection between occupation and SSS - one of the traditional research directions studied here [Centers, 1949; Murphy, Morris, 1961; Goldman et al., 2005; Lindemann, 2007; Gross, 2003].
 - Changes in the SSS are widely considered to be informative indicator of economic and social dynamics [Jackman, 1979; Kopp, 2005].
 - Subjective perceptions influence the individual’s behavior in various spheres and their relationship with other people [Della Fave, 1980; Shepelak, 1987].
 - Social position as a *multidimensional* location in different fields (power, respect, well-being) [Kluegel, Singleton, Starnes, 1977].
 - New insights into the question about the nature of informal employment.
 - In(formality) of employment and subjective social status– underdeveloped research direction [Temkin, 2009].
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Data

Russia Longitudinal Monitoring Survey of HSE (RLMS-HSE) 2000-2010

- Household survey conducted every year since 1992 by Carolina Population Centre together with the Institute of Sociology (Russian Academy of Sciences); Paragon Research International; the Russian Center for Preventive Medicine, the Russian Institute of Nutrition (Russian Academy of Medical Sciences); Federal State Statistics Survey, National Research University-Higher School of Economics.
 - Nationally representative sample of 4,000 households.
 - The data set includes vast amount of variables characterizing socio-demographic and professional features, social benefits, pension schemes engagement, work and life satisfaction and different subjective measures of social position.
 - Panel data which allows the analysis of the streams of workers who shift towards sectors of formal/informal employment.
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Data

The indicators of particular interest:

Informally employed (as constructed in [Slonimczyk, 2011]):

- Informal Wage and Salary Workers
- Self-employed
- Irregular workers

Subjective perceptions of social position:

- According to the 9-point scale of “poverty-wealth”
- According to the 9-point scale of “disempowerment-being in power”
- According to the 9-point scale “receiving no respect from others – receiving large amount of respect from others”
- According to the 5-point scale of present material well-being satisfaction.
- According to the 5-point scale of confidence in future material well-being.

The scales were proved to be reliable and valid.

Methodology

Three subsequent steps

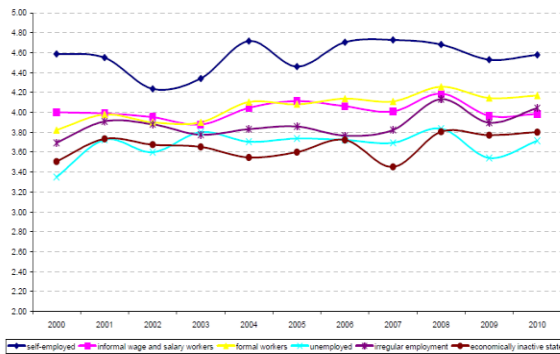
- 1) descriptive analysis of mean dynamics of SSS of formal workers, informal SE, informal W& S workers, irregular workers, unemployed, economically inactive respondents;
 - 2) 5 ordered probit models for 11 cross-sections;
 - 3) panel regression with fixed effects for a) all LM statuses (separate analysis for men and women) and b) the employed part of the sample (separate analysis for men and women)
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Descriptive analysis

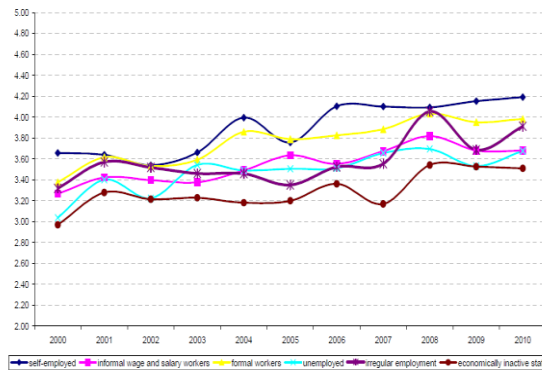
- Very low level of mean estimates of SSS in all six groups. No prominent visual differences.
 - Mean estimates of the self-employed are slightly higher when compared to five other groups.
 - Formal sector workers and informal W&S workers appear to be very similar according to the “material” features of SSS. Informal W&S workers express lower estimates of subjective power and respect than formal workers.
 - Irregular workers are very similar to the unemployed and economically inactive population in terms of SSS.
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Descriptive analysis

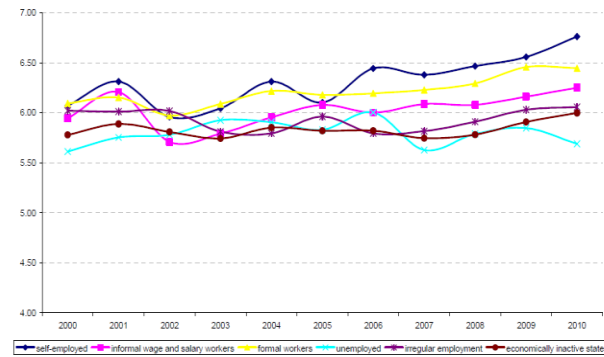
Mean estimates according to the subjective material well-being scale (from 1 to 9), RLMS-HSE, 2000-2010



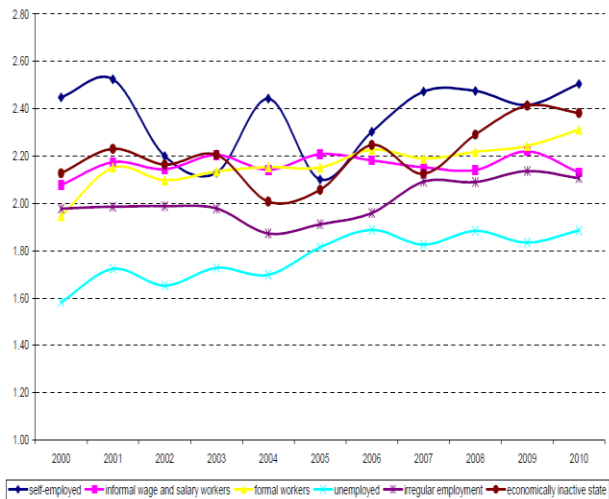
Mean estimates according to the subjective power scale (from 1 to 9), RLMS-HSE, 2000-2010



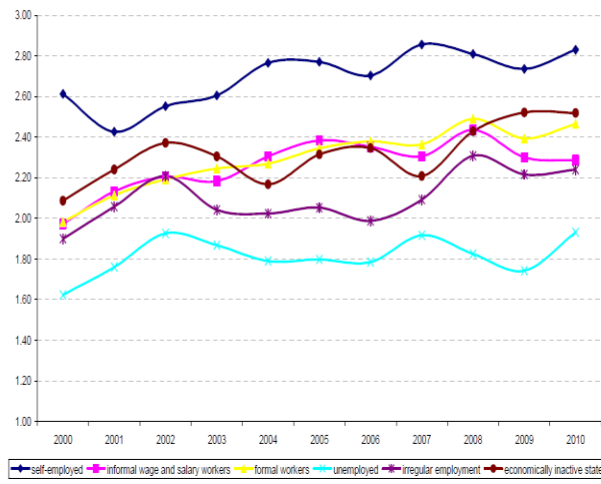
Mean estimates according to the subjective respect scale (from 1 to 9), RLMS-HSE, 2000-2010



Mean estimates according to the subjective scale of confidence in future material well-being (from 1 to 5), RLMS-HSE, 2000-2010



Mean estimates according to the subjective scale of present material well-being satisfaction, (from 1 to 5), RLMS-HSE, 2000-2010



Informal employment as a factor of SSS: ordered probit analysis

- Ordered probit
 - 5 models
 - Dependent variable – one of the subjective measures of interest
 - X_i -gender, education, age, marriage status, natural log of average income per household member, subjective health, number of children in a household, dummy variable for the pension receiver status, dummy variable for the student status, settlement type, region, labor market status.
 - Labour market status - nominal variable with six possible values - employed in formal sector, informal W&S worker, self-employed, irregular worker, unemployed, economically inactive state.
 - 2000-2010
-

Informal employment as a factor of SSS

- Analysis confirmed major trends of descriptive part of the study.
- Some significant yet unstable differences between informal W & S workers and formal sector workers can be noted.
- They demonstrate significantly lower levels of subjective power and respect than formal workers for the most part of the period. **BUT** NO significant difference between informal W&S workers and formal workers in terms of “material” features of SSS.
- Differences between SE and formal workers are more prominent but are not reproduced in every wave for every feature of SSS.
- SE were significantly different from formal workers: higher levels of subjective wealth and higher levels of satisfaction with present material well-being. **BUT** NO stable differences in terms of subjective power and respect – mostly insignificant.
- Irregular workers are the most deprived employment category - consider themselves significantly poorer, more powerless, receiving less respect from others, less confident about their future well-being and less satisfied with their present well-being
- Irregular workers look very similar to the unemployed and economically inactive respondents.

Informal employment as a factor of SSS: fixed effects regressions

Endogeneity problem:

- Unobserved heterogeneity (self-esteem, locus of control)
- Self-selection bias

Two groups of fixed-effects panel regressions

- a) For all LM statuses (for men and women separately)
 - b) For the employed part of the sample (for men and women separately)
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Informal employment as a factor of SSS: fixed effects regressions

- Unbalanced panel for *all LM statuses*.
 - OLS regressions with fixed effects.
 - Dependent variable – one of the measures of SSS
 - X_i – *the same as in the ordered probit models*.
 - Labour market status - nominal variable with *six possible values* - employed in formal sector (base), informal W&S worker, self-employed, irregular worker, unemployed, economically inactive state.
 - 2000-2010
 - Hausman test conducted.
- Unbalanced panel for *the employed part of the sample*.
 - OLS regressions with fixed effects
 - Dependent variable – one of the measures of SSS.
 - X_i – *as previously + type of industry, tenure, dummy for having second job, natural log of hours worked..*
 - Labour market status - nominal variable with **three possible values** – employed in formal sector (base), informal W&S worker, self-employed.
 - 2000-2010
 - Hausman test conducted.

Self-employment

- Difference in terms of subjective level of confidence in future material well-being becomes insignificant.
- Men who move to SE state from the state of formal employment express significantly higher levels of well-being (0.18 points and 0,21 points) and satisfaction with its present state (0.17 points). Women only experience changes in the latter indicator.
- Transition into the state of SE doesn't affect subjective power, respect and subjective level of confidence in future material well-being.
- Men are more “successful” in terms of dynamics of SSS than women.

	<i>For all LM statuses</i>		<i>For the employed sample</i>	
	coef	se	coef	se
	Subjective wealth			
Males	0.181***	0.059	0.213***	0.077
Females	0.069	0.068	0.101	0.084
	Subjective power			
Males	0.099	0.072	0.147	0.091
Females	-0.119	0.083	-0.007	0.101
	Subjective respect			
Males	0.054	0.066	0.093	0.083
Females	-0.029	0.084	-0.161	0.106
	Subjective level of confidence in future material well-being			
Males	0.016	0.056	-0.054	0.077
Females	0.007	0.067	-0.010	0.074
	Subjective level of present material well-being satisfaction			
Males	0.167***	0.046	0.173***	0.058
Females	0.119**	0.057	0.162**	0.072

Informal Wage and Salary Workers

- Transition to the informal W&S state is not accompanied by any pronounced significant shifts in “material” features of SSS (only at 5 and 10% level in different gender groups).
- Start to demonstrate significantly lower levels of subjective power and respect (only for men).
- Practically no significant difference between informal W&S employment and formal employment in terms of all measures of SSS when controlling for job characteristics.

	<i>For all LM statuses</i>		<i>For the employed sample</i>	
	coef	se	coef	se
	Subjective wealth			
Males	-0.034	0.031	-0.019	0.040
Females	-0.057*	0.032	0.027	0.041
	Subjective power			
Males	-0.083**	0.036	-0.053	0.046
Females	-0.136***	0.037	-0.067	0.046
	Subjective respect			
Males	-0.091**	0.038	-0.034	0.047
Females	-0.039	0.038	-0.032	0.050
	Subjective level of confidence in future material well-being			
Males	-0.070**	0.029	-0.071**	0.036
Females	0.019	0.028	0.058	0.035
	Subjective level of present material well-being satisfaction			
Males	-0.020	0.025	-0.013	0.033
Females	-0.014	0.026	0.012	0.033

Irregular workers

- Irregular workers express significantly lower levels of all measures of SSS.
- Irregular employment is very similar to economically inactive state in terms of SSS and the size of the effect on SSS.
- Men experience more noticeable differences than women in terms of effects size.

	<i>For all LM statuses</i>	
	coef	se
	Subjective wealth	
Males	-0.173***	0.034
Females	-0.091**	0.037
	Subjective power	
Males	-0.166***	0.037
Females	-0.120***	0.042
	Subjective respect	
Males	-0.092**	0.038
Females	-0.072*	0.043
	Subjective level of confidence in future material well-being	
Males	-0.200***	0.030
Females	-0.099***	0.031
	Subjective level of present material well-being	
Males	-0.256***	0.026
Females	-0.157***	0.029

Discussion

- Large amount of employed population so far appears to be dissatisfied and expresses low levels of subjective levels of wealth and power regardless of their formal/informal labor market status.
 - Informality is not prominently associated with any negative attributes of SSS that would be different from the category of formal employment.
 - Financial benefits are associated not with the formal employment but with the SE.
 - Social benefit system doesn't save the situation for formal workers.
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Discussion

- No distinct effect of informality on social stratification system.
 - Absence of rigid barriers between LM statuses – indirect indicator of the existence of integral LM in Russia.
 - No evidence of “expulsion” phenomenon.
 - Quality of Russian *formal* labor market system.
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Thank you for your attention!

E-mail: azudina@hse.ru

Appendix 1

Reliability of SSS scales, tested on RLMS-HSE wave for 2008 – traditional psychometric analysis.

- Cronbach's $\alpha=0.67$, adequate reliability.

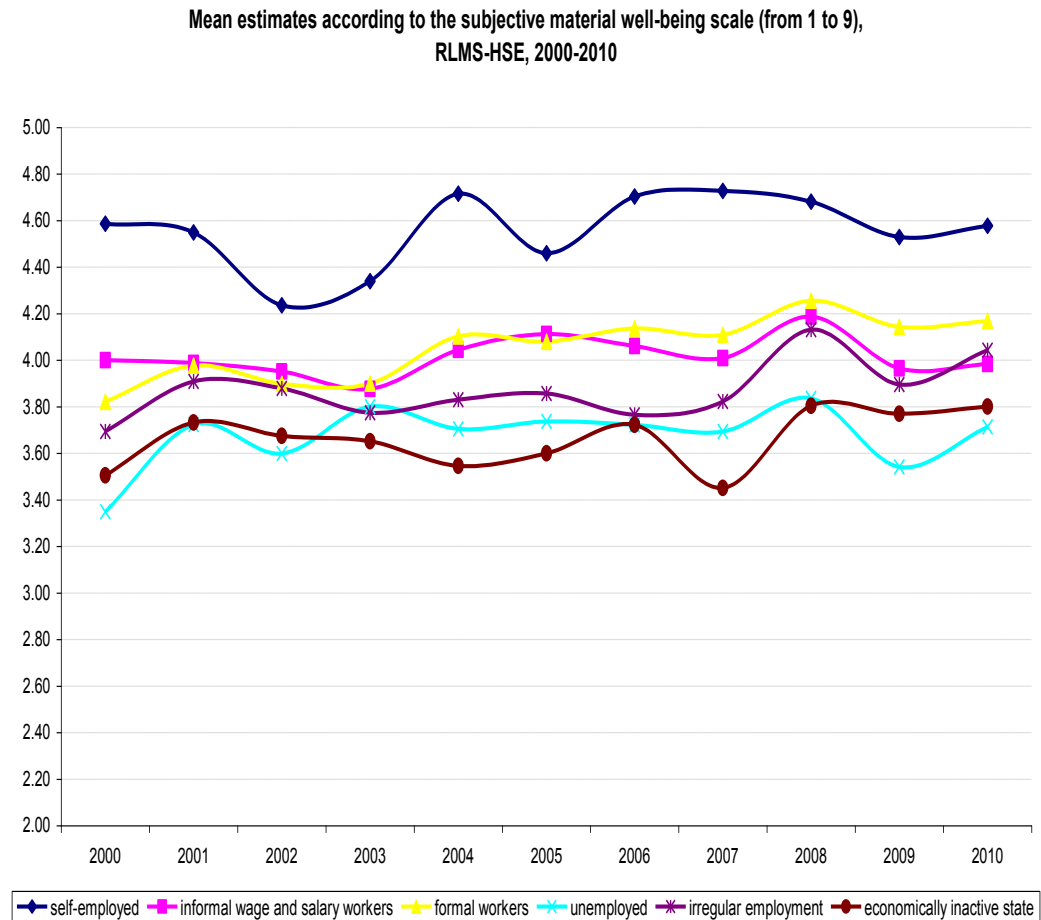
Criterion-related validity, tested on RLMS-HSE wave for 2008

- Regressing SSS measures on education and occupation, both are significant factors of SSS attributes of interest.
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Appendix 2

Subjective well-being, 2000-2010

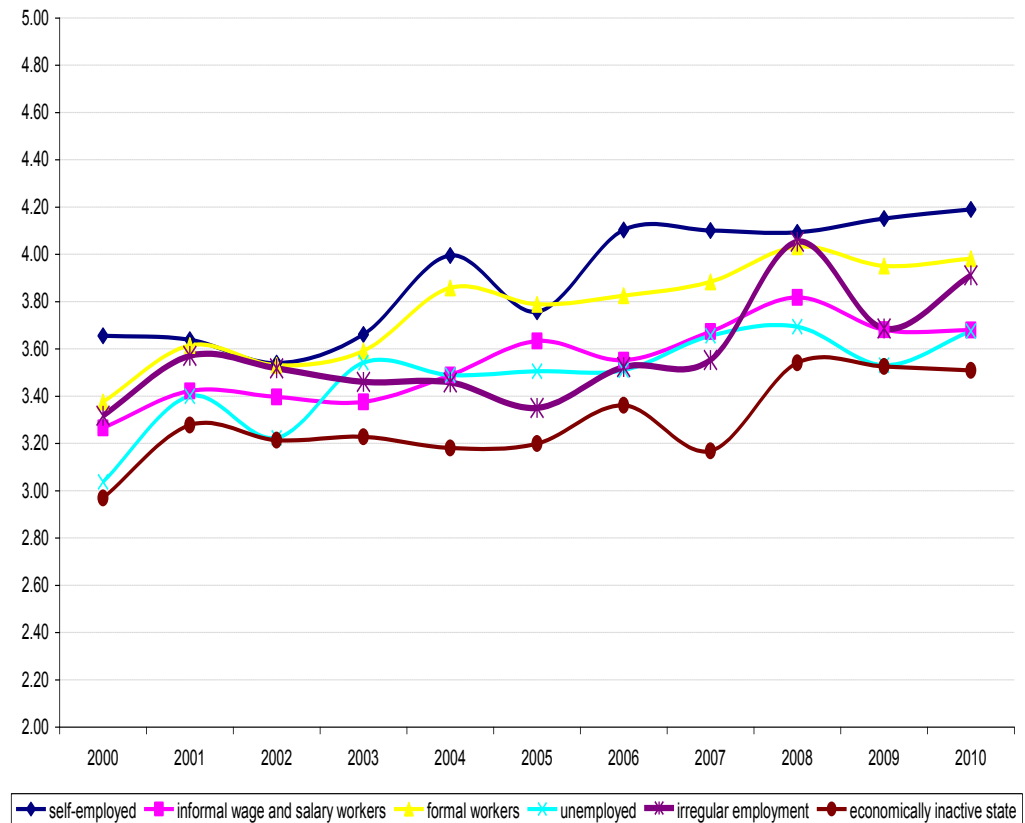
- Estimates vary approximately on the same level; they are concentrated at the bottom of the scale (3.4-4.8);
- Mean estimates of the informal SE are higher; the formal sector workers and informal W & S workers appear to be very similar.
- Estimates of irregular workers were lower than those of other employed categories



Subjective power, 2000-2010

- Mean estimates are very low for all population.
- Mean estimates of the SE are little bit higher.
- Informal W&S workers tend to express lower subjective power estimates compared to formal workers.
- Unstable estimates of irregular workers.

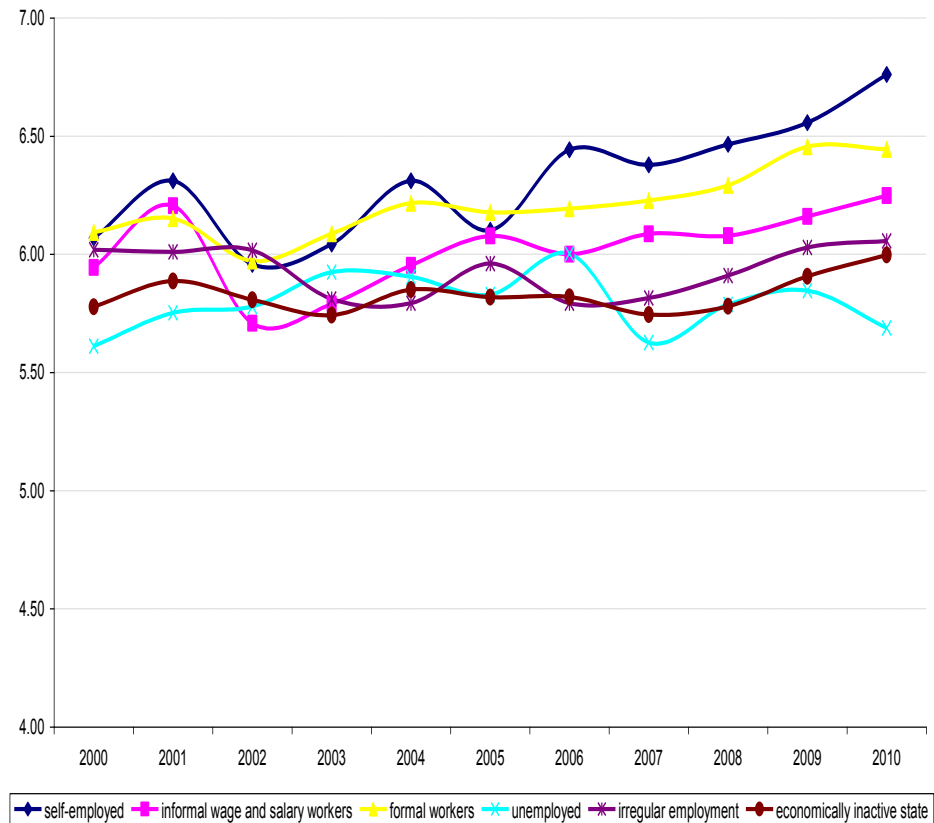
Mean estimates according to the subjective power scale (from 1 to 9),
RLMS-HSE, 2000-2010



Subjective respect, 2000-2010

- Mean estimates are concentrated at the top part of the scale.
- The mean estimates of the SE are higher.
- Informal W&S workers tend to express lower subjective respect estimates compared to formal workers.
- Irregular workers look very similar to the unemployed and economically inactive respondents.

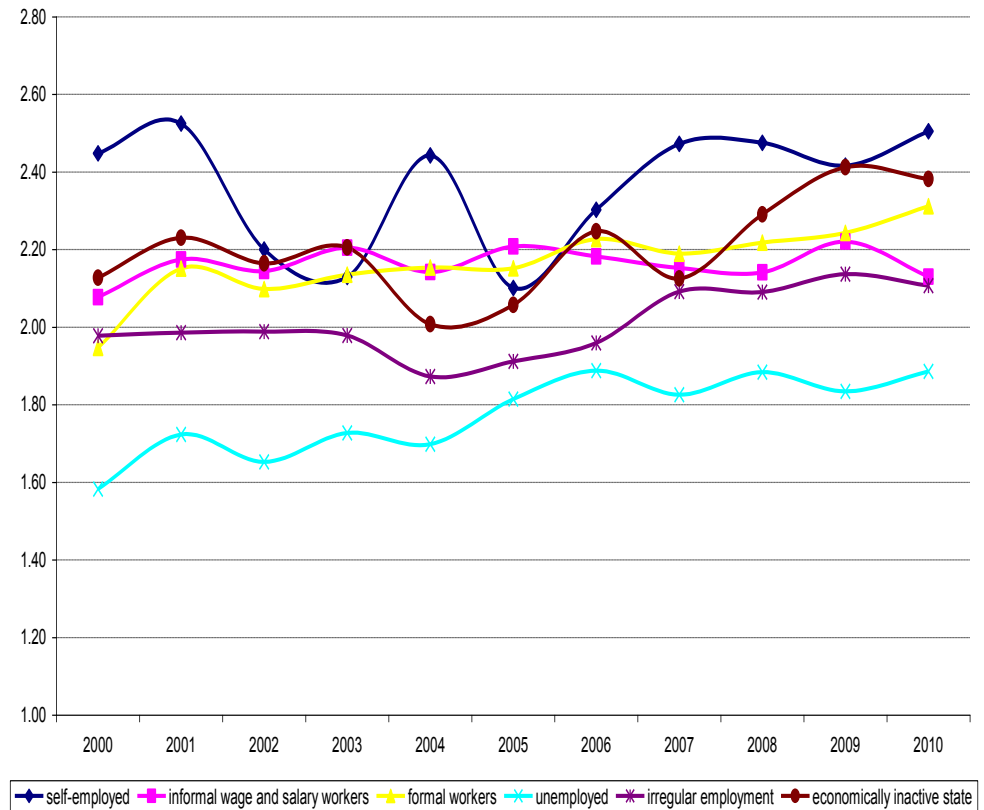
Mean estimates according to the subjective respect scale (from 1 to 9),
RLMS-HSE, 2000-2010



Subjective level of confidence in future material well-being, 2000-2010

- Mean estimates are very low for all population.
- SE expressed slightly higher level of confidence.
- Informal W&S workers, formal workers and economically inactive people were very similar.

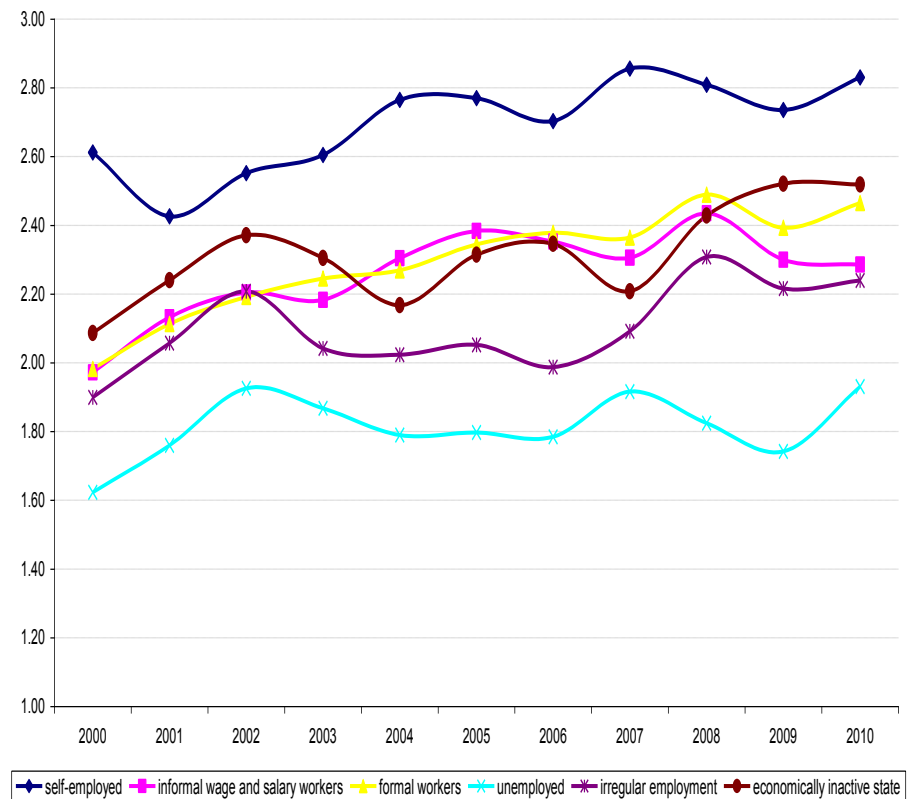
Mean estimates according to the subjective scale of confidence in future material well-being (from 1 to 5), RLMS-HSE, 2000-2010



Subjective satisfaction with present well-being, 2000-2010

- Level of present material well-being satisfaction was rather low in all six categories.
- SE expressed higher levels of satisfaction.
- Formal workers, informal W&S workers and economically inactive people reported similar mean estimates.

Mean estimates according to the subjective scale of present material well-being satisfaction, (from 1 to 5), RLMS-HSE, 2000-2010



Appendix 3

Ordered probit regressions, coefficients, 2000-2010

	<i>Subjective wealth</i>																					
	2000		2001		2002		2003		2004		2005		2006		2007		2008		2009		2010	
	coef	se	coef	se	coef	se	coef	se	coef	se	coef	se	coef	se	coef	se	coef	se	coef	se	coef	se
Self-employment	0.391***	0.102	0.390***	0.093	0.133*	0.071	0.298***	0.080	0.375***	0.073	0.263***	0.080	0.377***	0.090	0.430***	0.073	0.271***	0.076	0.291***	0.091	0.276***	0.066
Informal Wage and Salary work	0.061	0.060	-0.007	0.076	0.026	0.057	-0.014	0.051	-0.069	0.048	0.009	0.051	-0.048	0.040	-0.056	0.042	-0.023	0.041	-0.095**	0.041	-0.143***	0.035
Formal employment	base																					
Unemployment	-0.359***	0.060	-0.230***	0.060	-0.204***	0.061	-0.115*	0.065	-0.284***	0.065	-0.269***	0.069	-0.314***	0.062	-0.181**	0.072	-0.276***	0.067	-0.382***	0.061	-0.288***	0.044
Irregular employment	-0.078	0.053	-0.032	0.054	-0.015	0.053	-0.051	0.051	-0.189***	0.058	-0.086	0.059	-0.213***	0.046	-0.102*	0.057	-0.128**	0.058	-0.130***	0.049	-0.057	0.048
Economically inactive state	-0.055	0.035	-0.005	0.032	-0.001	0.033	0.014	0.033	-0.168***	0.037	-0.126***	0.036	-0.113***	0.030	-0.224***	0.034	-0.162***	0.030	-0.127***	0.031	-0.168***	0.026
	<i>Subjective power</i>																					
Self-employment	0.048	0.113	-0.052	0.105	-0.076	0.084	0.005	0.084	0.077	0.075	0.044	0.082	0.144	0.094	0.105	0.080	0.013	0.080	0.126	0.088	0.108	0.070
Informal Wage and Salary work	-0.120*	0.067	-0.129*	0.073	-0.074	0.059	-0.101*	0.054	-0.247***	0.047	-0.084*	0.051	-0.174***	0.040	-0.106**	0.043	-0.114***	0.043	-0.123***	0.042	-0.198***	0.034
Formal employment	base																					
Unemployment	-0.261***	0.059	-0.239***	0.056	-0.243***	0.056	-0.097	0.062	-0.199***	0.062	-0.167**	0.067	-0.254***	0.062	-0.077	0.064	-0.223***	0.062	-0.219***	0.055	-0.183***	0.044
Irregular employment	-0.051	0.057	-0.033	0.053	-0.082	0.053	-0.125**	0.051	-0.245***	0.055	-0.208***	0.056	-0.203***	0.049	-0.170***	0.056	-0.093	0.058	-0.141***	0.049	-0.058	0.048
Economically inactive state	-0.067*	0.036	0.015	0.033	-0.026	0.032	-0.048	0.032	-0.148***	0.036	-0.113***	0.036	-0.106***	0.030	-0.208***	0.035	-0.135***	0.031	-0.095***	0.031	-0.151***	0.026
	<i>Subjective respect</i>																					
Self-employment	-0.037	0.096	0.085	0.090	-0.026	0.076	-0.012	0.076	0.030	0.070	-0.044	0.084	0.162**	0.081	0.040	0.079	0.103	0.078	0.094	0.076	0.231***	0.062
Informal Wage and Salary work	-0.040	0.059	0.095	0.078	-0.131**	0.055	-0.120**	0.053	-0.133***	0.046	-0.012	0.049	-0.097**	0.041	-0.044	0.042	-0.088**	0.043	-0.093**	0.042	-0.058*	0.034
Formal employment	base																					
Unemployment	-0.227***	0.060	-0.237***	0.056	-0.112**	0.057	-0.108*	0.060	-0.170***	0.058	-0.153**	0.068	-0.110*	0.060	-0.273***	0.061	-0.195***	0.065	-0.228***	0.060	-0.352***	0.046
Irregular employment	0.006	0.055	-0.054	0.051	-0.007	0.049	-0.178***	0.047	-0.263***	0.051	-0.081	0.058	-0.190***	0.046	-0.130**	0.056	-0.176***	0.051	-0.141***	0.047	-0.141***	0.046
Economically inactive state	-0.163***	0.035	-0.121***	0.033	-0.099***	0.034	-0.163***	0.032	-0.181***	0.036	-0.169***	0.036	-0.182***	0.030	-0.170***	0.034	-0.258***	0.031	-0.277***	0.031	-0.278***	0.026
	<i>Subjective level of confidence in future material well-being</i>																					
Self-employment	0.368***	0.110	0.343***	0.116	0.090	0.088	0.044	0.089	0.271***	0.081	-0.009	0.089	0.126	0.096	0.315***	0.085	0.233***	0.082	0.215**	0.092	0.161**	0.074
Informal Wage and Salary work	0.044	0.068	0.081	0.086	0.022	0.062	0.049	0.059	-0.051	0.052	0.035	0.052	-0.040	0.044	-0.009	0.046	-0.073	0.046	-0.001	0.043	-0.136***	0.035
Formal employment	base																					
Unemployment	-0.464***	0.070	-0.436***	0.063	-0.454***	0.065	-0.411***	0.065	-0.424***	0.071	-0.346***	0.077	-0.382***	0.067	-0.236***	0.072	-0.408***	0.074	-0.421***	0.064	-0.336***	0.050
Irregular employment	0.021	0.058	-0.124**	0.057	-0.043	0.056	-0.066	0.055	-0.140**	0.056	-0.121*	0.062	-0.215***	0.052	0.065	0.059	-0.089	0.061	-0.126**	0.053	-0.101*	0.051
Economically inactive state	0.205***	0.037	0.092***	0.034	0.096***	0.034	0.068**	0.034	-0.066*	0.039	-0.005	0.038	0.038	0.032	0.059*	0.035	0.073**	0.032	0.121***	0.031	0.014	0.027
	<i>Subjective level of present material well-being satisfaction</i>																					
Self-employment	0.405***	0.099	0.309***	0.106	0.290***	0.077	0.372***	0.081	0.456***	0.071	0.443***	0.090	0.301***	0.086	0.458***	0.071	0.272***	0.076	0.323***	0.086	0.290***	0.067
Informal Wage and Salary work	-0.070	0.066	0.043	0.080	0.040	0.057	-0.045	0.054	-0.001	0.051	0.003	0.051	-0.035	0.041	-0.047	0.044	-0.042	0.043	-0.084**	0.042	-0.161***	0.035
Formal employment	base																					
Unemployment	-0.457***	0.064	-0.408***	0.064	-0.288***	0.064	-0.392***	0.063	-0.513***	0.074	-0.638***	0.076	-0.665***	0.069	-0.382***	0.078	-0.696***	0.068	-0.661***	0.065	-0.531***	0.052
Irregular employment	-0.136**	0.056	-0.069	0.053	0.038	0.054	-0.172***	0.056	-0.225***	0.058	-0.218***	0.062	-0.339***	0.048	-0.167***	0.057	-0.225***	0.058	-0.179**	0.051	-0.243***	0.050
Economically inactive state	0.015	0.036	0.065*	0.034	0.094***	0.034	0.018	0.034	-0.114***	0.038	-0.076**	0.038	-0.078**	0.031	-0.146***	0.035	-0.176***	0.032	-0.024	0.031	-0.152***	0.026

Appendix 4

Directions for further research: methods and problems

Endogeneity problem:

- selection bias – workers choose particular sector (no random probability);
- self-determination – whether the dynamics of subjective social status really comes after the transition (not otherwise).

Searching for good instrumental variables (IVs)-
number of employed members of the households,
number of children, number of dependents [Ferrer-
i-Carbonell, Gerxani, 2004].
