

Measuring unemployment in developing countries— the limitations of labour statistics

The performance of labour markets has conventionally been assessed on the basis of the unemployment rate. But the relevance and usefulness of the unemployment rate for this purpose differ across countries and over time. As currently defined and measured, the unemployment rate in many developing countries is lower than rates in OECD countries. That does not mean that labour markets are more effective in those developing countries. Unemployment, defined as a complete lack of work, is only one manifestation of the employment problems these countries face.

The concept of unemployment is not always meaningful in developing countries, for several reasons. First, most developing countries lack unemployment relief programmes, leaving those who find themselves without formal employment to engage in informal sector activities to survive. Often this work will not employ them full time or generate sufficient income for a decent living. Second, a large share of people are self-employed. When these workers face periods of no work, they tend not to seek formal employment but to engage in alternative self-employment activities instead, even though these may generate a lower income than their usual activ-

ities. Third, work in rural communities is often organized according to traditional arrangements, with the available labour distributed among all workers at the cost of lowering their average hours. Thus the problem in developing countries is often summarized as underemployment—a partial lack of work, low employment income and underutilization of skills or low productivity—rather than unemployment as normally measured.

Underemployment has recently come to be recognized as an important phenomenon in OECD countries and Central and Eastern Europe and the CIS as well, as workers experience downsizings and reorganizations. Many workers in these economies lack opportunities to perform the type of work that they could and would like to do. As a result, they may work less productively or fewer hours than they could and would like to work, experience unemployment or drop out of the labour force permanently.

Although measuring these aspects of employment is difficult, statistics on underemployment are being gathered in more than 50 countries around the world. The next step is to compile these data and work towards an international database of underemployment statistics.