



## Multiple job holding and income mobility in Indonesia



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### ABSTRACT

Indonesia, one of the fastest growing economies in Asia, has lifted a significant portion of its population out of poverty and has experienced improved living standards over the past decade. However, this occurred within a context of growing inequality as indicated by a segmented labour market between standard and non-standard employment. This study examines the relationship between income mobility and non-standard employment using multiple job holding as a case study. Our empirical analysis based on the Indonesia Family Life Survey (IFLS) shows that multiple job holding is a prominent feature of Indonesia's labour market. However, for a significant bulk of the pluriactive workers, multiple job holding seems to be a necessary labour supply behaviour to make ends meet. Moreover, the data do not provide sufficient evidence that pluriactivity in the country is strongly correlated with long-term income mobility. This seems to be in contrast to findings from developed countries indicating that multiple job holding can be used to improve one's mobility prospects. We conclude that further investigation is needed to determine whether multiple job holding in Indonesia is correlated with other dimensions of social mobility.

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### 1. Introduction

Labour, being one of the few assets available to the poor, should be a vehicle for upward economic mobility during periods of economic growth. However, in many cases, economic growth is accompanied by increasing inequality. This contributes to labour market segmentation, which can trap the poorest of the poor in long episodes of low productivity and precarious employment. In other words, being employed is not a sure ticket out of poverty. This is particularly true in developing countries, whose labour markets largely operate outside the periphery of

government regulation. In addition to this informal economy, non-standard employment arrangements are also increasing as globalization takes a stronghold on labour markets.<sup>1</sup> Worryingly, sparse data suggest that workers with non-standard jobs are also prone to sub-optimal social protection coverage and work under precarious conditions (Addabbo & Solinas, 2012; Ebisui, 2012). Nevertheless, non-standard jobs can also have potential benefits. For instance, structured and predictable flexibility associated with non-standard employment may enable workers to outline better work patterns that are more compatible with their other personal responsibilities. This dualistic nature and lack of a universally accepted definition of

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<sup>1</sup> Although globalization can improve employment outcomes, it can also expose countries to a number of labour market vulnerabilities (ILO, 2009b).

non-standard employment makes it difficult to infer whether its emergence helps in promoting upward economic mobility or contributes to increasing labour market segmentation.<sup>2</sup> In general, while policy makers need to better understand non-standard employment arrangements to be able to expand social mobility prospects for workers relying on such kinds of jobs, the literature is limited especially in developing countries (Ruyter, Singh, Warnecke, & Zammit, 2009).

Indonesia provides a relevant case study for examining the relationship between non-standard employment and socio-economic mobility. Despite its rapid economic development, the country has one of the highest unemployment rates in South East Asia (about 7% in 2010).<sup>3</sup> On the other hand, a majority (more than 60%) of its employed population relies on jobs outside the formal economy (ADB & BPS, 2011; ILO, 2009a,b). If much of these jobs have non-standard employment arrangements, then it can be argued that the emergence of non-standard jobs provides opportunities to participate in economic activities for workers who would have been unemployed otherwise. Nevertheless, it is still important to examine the quality of employment of non-standard workers in Indonesia. For instance, if non-standard jobs are systematically characterized by inferior working conditions, this may offset the job creation benefits of non-standard employment in the long-run. For this study, we examine the case of multiple job holding or pluriactivity as a form of non-standard employment. Owing to its conceptual simplicity, the incidence of multiple job holding is a simple but valid indicator of the prevalence of non-standard employment (Riddell & St-Hilaire, 2002).<sup>4</sup> Moreover, we distinguish constrained from non-constrained pluriactivity to be consistent with the perceived dualistic nature of non-standard employment.

Although some data suggest that a significant fraction of Indonesia's employed population are relying on multiple jobs (ADB & BPS, 2011), the characteristics and working conditions of multiple job holders have not been examined extensively in the existing literature. Using three waves of the Indonesia Family Life Survey (IFLS), we examine

the following: (a) the correlates of multiple job holding through multinomial logistic models for the probability of engaging in either constrained or non-constrained pluriactivity; and (b) the influence of (serial) multiple job holding on income mobility through estimating income mobility models as a function of this type of labour supply behaviour.

The paper is structured as follows: Section 2 provides the theoretical framework to identify the determinants of multiple job holding and to estimate income mobility. Section 3 defines constrained and non-constrained pluriactivity within the context of Indonesia's job quality market. Section 4 presents the findings and the estimated statistical models. Section 5 summarizes the results and provides research and policy implications of the study.

## 2. Theoretical model for multiple job holding and income mobility

### 2.1. Determinants of multiple job holding

In general, evidence is mixed about whether multiple job holding constitutes a temporary phenomenon or a more permanent feature of the labour market, particularly in industrialized countries (Casacuberta & Gandelman, 2012; Panos, Pouliakas, & Zangelidis, 2011; Wu, Baimbridge, & Zhu, 2009). Traditionally, multiple job holding is seen as a temporary strategy to address sub-optimal levels of utility derived from one's primary job (Krishnan, 1990; Perlman, 1966; Shishko & Rostker, 1976) or as a hedge against the risk of unemployment (Bell, Hart, & Wright, 1997). In other words, workers engage in multiple jobs to avoid experiencing downward socio-economic mobility. However, recent evidence from industrialized countries suggests that multiple job holding can also be used to develop further expertise and acquire new skills, which in turn, may lead to better occupational outcomes (Panos, Pouliakas, & Zangelidis, 2011). This type of labour supply behaviour can be part of a worker's portfolio of long-term strategies for career growth. Whether this also applies in developing countries is unclear as this multiple job holding has not been studied extensively outside industrialized countries.<sup>5</sup>

Multiple job holding potentially has both negative and positive aspects for workers. It may provide additional income particularly useful for emergency purposes (Danzer, 2011) and give additional satisfaction especially when the second job is related to one's personal interests (Renna & Oaxaca, 2006). It may also increase one's productivity as it provides opportunities to acquire new skills and develop expertise (Panos et al., 2011). Hence, pecuniary and non-pecuniary factors may drive people to engage in multiple jobs. However, multiple job-holding has also some potential disadvantages for workers. A second job may lessen one's productivity by diverting a worker's focus to a multitude of tasks. Having multiple jobs may also mean less time for finding more productive employment prospects.

<sup>2</sup> "Standard and non-standard employment arrangement" terms can hardly be characterized with a precise legal meaning and have no universally accepted definition. However, some literature recognizes the following characteristics of standard employment: (1) indefinite or permanent; (2) full-time; and to some extent, (3) done at the employer's workplace. Given these, literature identifies three main sources of non-standard employment: casualization, informalization, and externalization.

<sup>3</sup> Economists forecast that Indonesia's economy will grow by an average of 6% annually over the next few years (OECD, 2012). However, it also has one of the highest unemployment rates (7.1%, 2010) compared to other Southeast Asian countries: Singapore (5.9%, 2009), Malaysia (3.7%, 2009), Vietnam (2.4%, 2008), Cambodia (1.7%, 2008), Lao PDR (1.4%, 2005), and Thailand (1.2%, 2009) (World Bank's World Development Indicators' database).

<sup>4</sup> Technically, multiple job holding can be a combination of standard and non-standard employment (i.e., office employee with a full-time day job and another part-time night job). Aside from multiple job holding, other indicators of non-standard employment include part-time, self-, and short-tenure employment (De Bruin and Dupuis, 2004; Riddell and St-Hilaire, 2002).

<sup>5</sup> Theisen (2009) argues that studies on developing countries' labour markets usually start under the presumption that multiple job holding is not a norm. This probably contributes to the dearth of studies examining this type of labour supply behaviour in developing countries.

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