

# Growing Inequalities in Workplace Amenities

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*Inequality is considered to be a serious detrimental factor for societies' development. It has been shown to undermine the health of the population, cause civil unrest, and slow down countries' economic growth. Nizalova's (2014) paper shows that the focus on the purely monetary component in the studies of inequality is too narrow. In Ukraine, which has had almost no change in income/wage inequality since 1994, the inequality in other workplace dimensions has soared. Nizalova finds that workers in establishments paying higher hourly wages have enjoyed (i) relatively greater reductions in the total workplace injury burden, (ii) greater retention of various benefits/amenities, and (iii) relatively larger increases in wage payment security (de-creased wage arrears). These findings document a high degree of an unequal shift away from work-centered provision of social services, not counter-balanced by the government, and highlight the importance of timely policy intervention as a possible cause of societal disturbances.*

Inequality in income, health, and political rights has been on the agenda of many governments and international organisations. It has been shown to lead to tensions in society that can grow into civil unrest, and is named one of the top global risks in the World Economic Forum Global Risk Report, 2013. Country-level comparisons by epidemiologists have documented that more unequal countries have (i) higher rates of mental illness, drug use, and homicide, (ii) a larger incarceration rate, (iii) a larger share of obese population, (iv) higher school drop-out rates, lower socio-economic mobility, lower child wellbeing, and (v) a lower level of trust (Wilkinson and Pickett, 2010). At the macro level, inequality has also been shown to impede sustainable growth (Ostry and Berg, 2011).

Yet, in Ukraine, in spite of a number of continuing severe problems with population

health, labor markets, infrastructure, etc., inequality has not been high on the agenda, except for occasional concerns raised by some international organisations and researchers. In our view, there are at least three reasons for this.

First of all, most of the attention in inequality discussions is paid to income inequality. However, in Ukraine after a significant increase in this indicator by the mid-nineties, there has been hardly any dynamics, with the exception of extreme increases in incomes/wealth of a few oligarchs.

Second, and this relates to inequality in any dimension, when people in power are predominantly concerned with self-enrichment, and citizens are not showing their dissatisfaction, or the government has "effective" means of dealing with this dissatisfaction (imprisonment, physical

elimination, etc.), as has been the case in Ukraine for many years, those at the lower end of the income distribution have the least chances to attract attention.

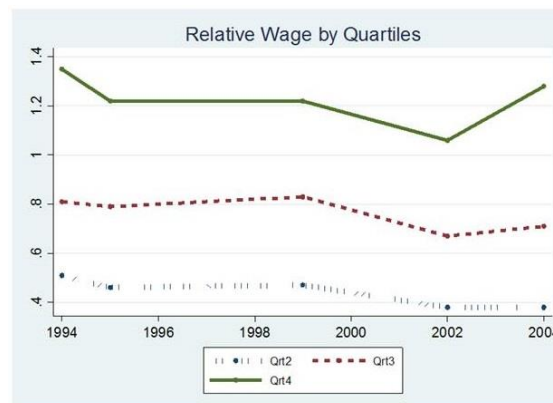
Finally, we believe that the reason international organisations have not given much attention to Ukrainian inequality must be related to the fact that the situation in many areas of life has been so dire, i.e. the level of “well-offness” is so low throughout the distribution that the overall level was considered more important than the distribution.

A recent paper by Olena Nizalova (2014) examines the importance of the non-monetary dimensions of work in studies regarding inequality in total returns to work. Nizalova’s paper exploits a unique data set collected by the International Labour Office in Ukraine to study whether there has been a significant change in the non-monetary components of inequality. If this is the case, it can explain the growing tensions in society where the changes in income/wage inequality have been limited.

## Non-monetary aspects of inequality

A few academic studies have explored the issue of income/wage inequality in Ukraine and Russia (Ganguli and Terrell, 2006; Galbraith, Krytynskaia, and Wang, 2004; Gorodnichenko, Peter, and Stolyarov, 2010; Lokshin and Ravallion, 2005), and found that, if anything, the change in inequality after 1995 has been quite modest. These results are in line with the dynamics of wage inequality in Ukraine presented in Figure 1, which pictures the ratio of wages in 2nd, 3rd, and 4th quartiles of the wage distribution against those in the 1st quartile.

Figure 1. Log Differences in Hourly Wages Relative to the Lowest Paying Quartile



Source: The authors own calculations based on Ukrainian Labour Flexibility Survey for the period 1994-2004.

However, the measures used in the earlier studies may not reflect the true inequality levels in the society. Indeed, they are omitting the contribution of the non-monetary dimension of work to the overall inequality.

The study of non-monetary working conditions is important for several reasons. First, work is central to people’s lives not only because a major share of household income in most countries comes from labor earnings (Guerriero, 2012), but also because individuals spend a considerable part of their time at work. Thus, earnings inequality can inappropriately reflect the true level of the total inequality in the labor market.

Second, the importance of this direction of research is further highlighted by the development of the ILO “Decent work agenda”. One of its aims is to promote both inclusion and productivity by ensuring that women and men enjoy working conditions, which satisfy several criteria. These criteria include that working conditions are safe, allow adequate free time and rest, take into account family and social values, provide for reasonable compensation in case of lost or reduced income, and permit access to adequate healthcare.

Lastly, inequality in working conditions, and in particular workplace injuries, may directly

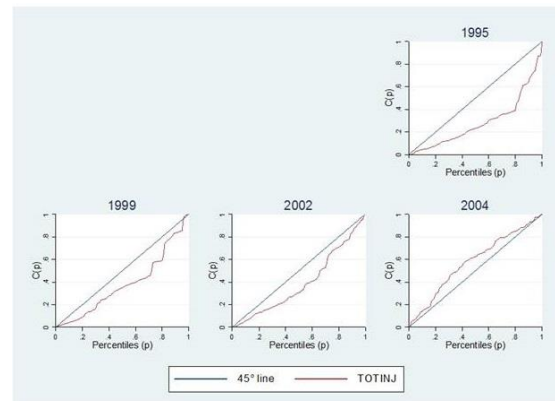
translate into income and wealth inequality, and, indirectly, affect inequality in future generations.

## Ukraine: Inequality in Non-Monetary Work Dimensions Matters

The analysis in Nizalova (2014) shows that establishments that pay higher wages, tend to provide safer and, in general, better working conditions than establishments that pay lower wages. In addition, the latter are much more likely to experience difficulties with the payment of wages and have a higher percentage of workers with severe (more than 3 months) wage arrears. This suggests that the wage inequality may be further exacerbated by the inequality in non-monetary work dimensions.

A further distributive analysis demonstrates that the inequality in non-monetary work dimensions has been changing noticeably over time. In particular, Figure 2 shows that the burden of workplace injuries, measured as total work days lost due to injuries per 100 Full Time Equivalent (FTE) employees, over time has shifted from being concentrated in the top part of the wage distribution to the lowest part (the way to interpret Figure 2 and all subsequent figures is as follows: the diagonal line in all figures corresponds to the equal distribution of the mentioned workplace characteristic across the wage distribution. The further the actual distribution curve (in red) is from the diagonal, the more unequal it is, with the curve below the diagonal indicating a concentration of the characteristic among higher paying enterprises and the curve above the line – concentration of the characteristic in the lower end of the wage distribution).

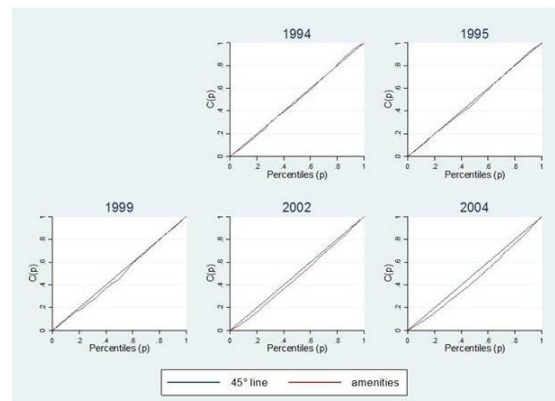
Figure 2: Concentration Curves – Total Injury Burden by Year



Source: The authors own calculations based on Ukrainian Labour Flexibility Survey for the period 1994-2004.

Moreover, the distribution of employer-provided benefits has also changed from being almost equally spread across the wage distribution to being more concentrated in the upper part (Figure 3).

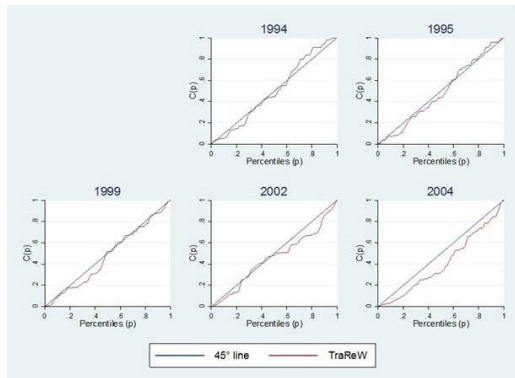
Figure 3: Concentration Curves – Amenity Scores by Year



Source: The authors own calculations based on Ukrainian Labour Flexibility Survey for the period 1994-2004.

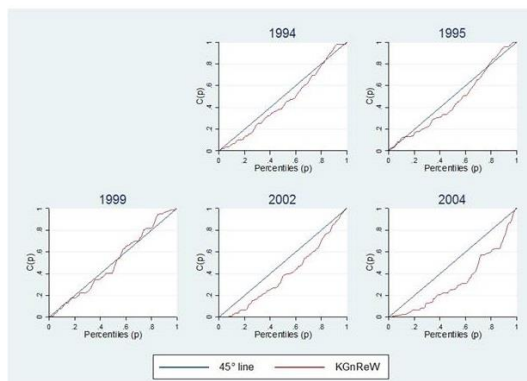
Notice that this result is not driven by any one particular amenity – it is observed across the whole range of indicators (for example, see Figures 4-6).

*Figure 4: Distribution of Transportation Subsidy Provision by Year*



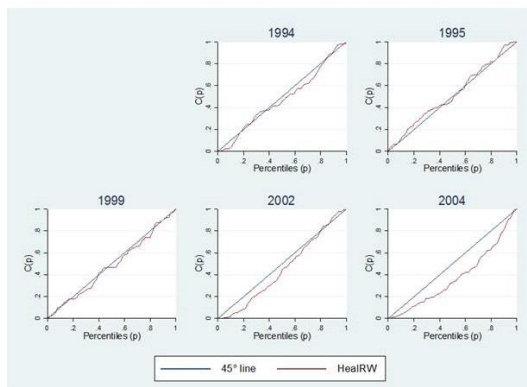
Source: The authors own calculations based on Ukrainian Labour Flexibility Survey for the period 1994-2004.

*Figure 5: Distribution of Kindergarden Subsidy Provision by Year*



Source: The authors own calculations based on Ukrainian Labour Flexibility Survey for the period 1994-2004.

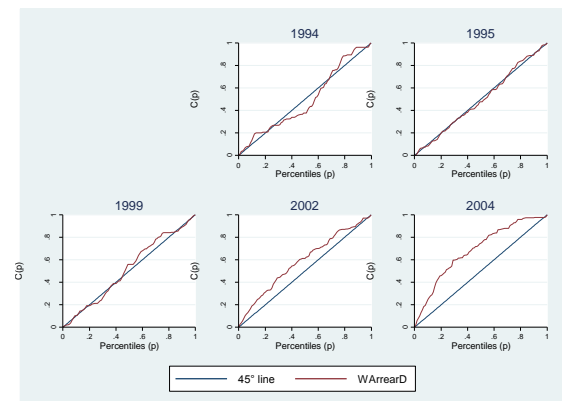
*Figure 6: Distribution of Health Service Provision by Year*



Source: The authors own calculations based on Ukrainian Labour Flexibility Survey for the period 1994-2004.

Similarly, wage arrears' (non-payments) concentration has changed from being almost equally distributed across all wage levels to being more concentrated among lower paying establishments (Figure 7).

*Figure 7: Distribution of Wage Arrears by Year*



Source: The authors own calculations based on Ukrainian Labour Flexibility Survey for the period 1994-2004.

Further, the analysis of distributional shifts in the establishment characteristics over the corresponding period shows significant changes only with respect to firm size, export status, and some sectoral shifts.

Overall, the findings of the paper document an emergence of sizeable inequality in the workplace characteristics in the Ukrainian labor market: workers in poorly paying establishments are facing disproportionately larger risks of on-the-job injury, worse provision of amenities, as well as less security in timely payments of earning.

## Conclusion

Although further research on causes of growth in multidimensional inequality in returns to work is required, this study provides two important lessons for the research community and policy makers.

First of all, it highlights the importance of a multi-dimensional approach to labor market

returns, since a focus on monetary compensations only may significantly underestimate the true inequality in a society.

Secondly, it draws attention to the need of developing adequate governmental policies to address the inequality of workplace-centered provisions of social services during the transition to market economy. By prioritizing measures to facilitate provision of affordable housing, health care, kindergartens, as well as training opportunities, the government could mitigate increasing inequalities. This would allow the government to avoid significant tensions and conflicts in society, which is an important pre-requisite for ongoing sustainable development.

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