



ASPEN NETWORK  
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ENTREPRENEURS  

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WHAT WE KNOW ABOUT

# Job Quality within Small and Growing Businesses

Summarizing the existing evidence

November 2021

Supported by



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Inclusive Growth



## About ANDE

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The **Aspen Network of Development Entrepreneurs (ANDE)** is a global network of organizations that propel entrepreneurship in developing economies. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs create jobs, stimulate long-term economic growth, and produce environmental and social benefits.

As the leading global voice of the SGB sector, ANDE believes that SGBs are a powerful, yet underleveraged tool in addressing social and environmental challenges. Since 2009, we have grown into a trusted network of nearly 300 collaborative members that operate in nearly every developing economy. ANDE grows the body of knowledge, mobilizes resources, and connects the institutions supporting the small business entrepreneurs who build inclusive prosperity in the developing world. ANDE is part of the Aspen Institute, a global nonprofit organization committed to realizing a free, just, and equitable society.

## About ANDE's Evidence Syntheses

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This report is part of a series of evidence syntheses produced by ANDE summarizing the existing research on topics relevant to the small and growing business (SGB) sector. These evidence syntheses are meant to serve as a resource for practitioners to quickly get up-to-speed on the literature regarding topics such as entrepreneurial ecosystems, talent management, and job quality. To read the other evidence syntheses and access the resources cited in this report, visit [www.andeglobal.org/knowledge-hub](http://www.andeglobal.org/knowledge-hub).

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# Support for this Report

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## **The Global Inclusive Growth Partnership: Building the SGB Support Ecosystem for 2020 and Beyond**

This report was produced as part of the Global Inclusive Growth Partnership (GIGP), a collaboration between the Aspen Institute and the Mastercard Center for Inclusive Growth. The Global Inclusive Growth Partnership (GIGP) is a multi-year initiative that combines the expertise and networks of both the Institute and the Center to address income and information inequality through the lens of inclusive growth.

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# Introduction and Key Takeaways

**Job quality is a growing area of focus for international development practitioners and researchers interested in how employment can drive economic growth and well-being.**

As a literature review by EIM Business & Policy Research puts it, “Achieving a high quality of jobs is both a means to an end and an end in itself. In the first place, for those employed, the quality of a job has a significant effect on the quality of life. In the second place, the quality of jobs is related to the productivity of the workforce. As such, improving the quality of work is one of the means to improving productivity.”<sup>1</sup>

Small and medium-sized enterprises (SMEs) are central to the impact of job quality on peoples’ lives. According to the International Labour Organization (ILO), at least two-thirds of formal employment in Asia, Africa, and Latin America is within SMEs<sup>2</sup>, and young, high-growth firms account for a disproportionate amount of net employment growth in developing economies.<sup>3</sup> With the launch of the United Nations’ Sustainable Development Goals, *SDG 8: Decent Work and Economic Growth* has become a rallying cry for practitioners aiming to boost entrepreneurship as a means of economic and social development. However, while the concept of decent work may seem straightforward, clearly defining a “quality job” has proven to be a complex endeavor.<sup>4</sup>

There are many definitions of job quality, but in general, these comprise both *objective dimensions*, such as compensation and observable workplace conditions, as well as *subjective dimensions*, such as employees’ perception of their own agency and ability to contribute meaningfully to the business. While these dimensions have been well-examined in academic literature, studies tend to focus on larger corporations, with research specifically investigating job quality within SMEs being far less common.<sup>5</sup> This report synthesizes existing evidence on job quality within SMEs, focusing on younger, growth-oriented firms when possible (referred to by ANDE as “small and growing businesses,” or SGBs).<sup>6</sup>

The report first summarizes how job quality is defined and measured, then provides an overview of the current evidence on the quality of jobs within SMEs, and finally examines the effectiveness of interventions to improve job quality.

1 de Kok, J. et al. (2011). [Do SMEs create more and better jobs?](#) EIM Business & Policy Research.

2 de Kok, J. et al. (2013). [“Is Small Still Beautiful?” Literature Review of Recent Empirical Evidence on the Contribution of SMEs to Employment Creation.](#) International Labour Organization.

3 World Bank Feature Story. (2018). [High-Growth Firms: Facts, Fiction, and Policy Options for Emerging Economies.](#)

4 Findlay, P. et al. (2013). [The challenge of job quality.](#) *Human Relations.*

5 Croucher, R. et a. 2013. [Can better working conditions improve the performance of SMEs?](#) International Labour Organization.

6 Small and growing businesses (SGBs) are defined by ANDE as commercially viable businesses with five to 250 employees that have significant potential, and ambition, for growth. Typically, SGBs seek growth capital from \$20,000 to \$2 million.

## KEY TAKEAWAYS:

- + **Robust measures of job quality combine objective and subjective dimensions.** Objective dimensions include observable characteristics, such as wages, stability, and workplace conditions. Subjective dimensions include various aspects of employee motivation, professional development, and sense of autonomy.
- + **SMEs score higher in job satisfaction but lower in objective dimensions of job quality.** SMEs, in general, offer their employees lower pay, less stability, and inferior safety measures in comparison to large firms. However, employees working for SMEs self-report higher job satisfaction than employees working for large firms, likely due to better perceived working conditions, such as work-life balance, relationships with management, and meaningfulness of work. This is particularly true of high-growth start-ups that draw workers who place less emphasis on job stability in favor of greater independence and responsibility.
- + **There is limited evidence on the effectiveness of interventions to improve job quality in SMEs.** There is a body of evidence connecting SME characteristics to job quality, but these studies are not sufficient to establish causality. Evaluations of programs and initiatives aimed at helping SMEs adopt better employment practices are necessary to inform policymakers, donors, and business development providers on practical steps that can be taken to improve job quality in SMEs.

# Defining Job Quality

**Job quality, in its most basic sense, captures the characteristics of a job that contribute to (or detract from) employee well-being.<sup>7</sup> While useful as a universal starting point, it is necessary to specify the various company attributes that positively or negatively affect workers.**

There are various frameworks, measurement systems, and definitions that break down the components of a quality job. While these approaches all consider various aspects of job quality differently, they tend to include a set of common elements that can be categorized as either *objective dimensions*, which include observable characteristics, or *subjective dimensions*, which rely on employee perception.

In general, objective dimensions can be measured using observable data, such as employment policies, timesheets, and salary information. Subjective dimensions, alternatively, capture employees' own perceptions of their work and indicate overall satisfaction. Common dimensions used to measure job quality at the firm level are described below, drawing indicators from well-known frameworks, including [B Lab's B Impact Assessment](#), the [ILO's SME Performance Measurement Toolkit](#), the [ILO's SCORE Program](#), and the [Royal Society of Arts' "Measuring Good Work" report](#).

## OBJECTIVE DIMENSIONS

- + **Wages.** This dimension includes indicators of the extent to which workers are adequately compensated. Specific indicators may include average wages compared to the national minimum wage or another threshold,<sup>8,9</sup> compensation for overtime work, and whether worker pay increases over time in response to changes in job requirements and increased costs of living.<sup>10</sup>
- + **Job stability and security.** This dimension includes indicators of the extent to which employees can rely on the continuation of their employment contract as well as regularity or predictability of the number and timing of working hours. Specific indicators of this dimension may include the average length of tenure<sup>11</sup>, the proportion of permanent versus temporary or seasonal employees<sup>12</sup>, and the turnover rate as measured by the proportion of employees who were laid off during a standard time period<sup>13</sup>.

7 Muñoz de Bustillo, R. et al. (2011). [E Pluribus Unum? A Critical Survey of Job Quality Indicators](#). *Socio-Economic Review*.

8 Spierings, E. (2018). [Methodological Guidance for 5 Private Sector Development Indicators](#). Donor Committee for Enterprise Development. (Pulled from portion referencing KFW/DEG Development Policy Report).

9 *Ibid.*

10 *Ibid.*

11 (1999). [Job Quality and Small Enterprise Development](#). International Labour Organization.

12 Spierings, E. (2018). [Methodological Guidance for 5 Private Sector Development Indicators](#). Donor Committee for Enterprise Development. (Pulled from interview portion with GIZ).

13 *Ibid.*

- + **Working hours.** This dimension includes indicators related to the amount and structure of employees' working hours. Specific indicators of this dimension may include the total working hours per week based on the type of employment (part-time, full-time, salaried)<sup>14</sup>, amount of overtime work expected, and the predictability<sup>15</sup> or flexibility of schedules.<sup>16</sup>
- + **Social protection and insurance.** This dimension includes the protections and social benefits available to workers. Indicators for this dimension may include the availability of health and disability insurance, maternity leave, childcare, and retirement and savings plans.<sup>17</sup>
- + **Voice and representation.** This dimension focuses on the extent to which employee voices are heard at various levels of management and examines the management practices used as well as whether employees are able to assemble and communicate freely.<sup>18</sup> Indicators for this dimension may include trade union membership and employee involvement and engagement.
- + **Occupational health and safety.** This dimension relates to the quality of workplace conditions, including whether preventative measures are adequately taken to protect workers from any potential workplace hazards.<sup>19</sup> Indicators for this dimension may include the rate of injury during work<sup>20</sup> and various measures of the safety and mental and physical health of workers.<sup>21</sup>

### | SUBJECTIVE DIMENSIONS

- + **Employee fulfillment.** This dimension examines whether employees feel that they are treated as valuable contributors to the business, that their skills are being fully utilized, and that their work is meaningful.
- + **Professional development.** This dimension captures whether opportunities are available for employees to gain new skills to advance in their careers. Indicators for this dimension should assess whether workers feel they have access to adequate training programs, performance incentives, and promotion opportunities.<sup>22</sup>
- + **Employment-related relationships and work motivation.** This dimension encompasses the level of motivation employees feel toward their work and the relationships/morale within the organization. Indicators may include employees' self-assessment of motivation as well as participation in non-mandatory work-related activities.

14 Boulin, J. et al. (2006). [Decent Working Time: New Trends, New Issues](#). International Labour Organization.

15 (2016). [Moving Beyond Job Creation: Defining and Measuring the Creation of Quality Jobs](#). Pacific Community Ventures.

16 Boulin, J. et al. (2006). [Decent Working Time: New Trends, New Issues](#). International Labour Organization.

17 (1999). [Job Quality and Small Enterprise Development](#). International Labour Organization.

18 *Ibid.*

19 *Ibid.*

20 Spierings, E. (2018). [Methodological Guidance for 5 Private Sector Development Indicators](#). Donor Committee for Enterprise Development. (Pulled from interview portion with GIZ).

21 (2018). [Measuring Good Work: The final report of the Measuring Job Quality Working Group](#). The Royal Society of the Arts Future Work Centre.

22 (1999). [Job Quality and Small Enterprise Development](#). International Labour Organization.

- + **Employee satisfaction with wages/pay.** This dimension focuses on the extent to which employees are satisfied with their current pay.<sup>23</sup> While this dimension is part of the larger category of remuneration, it includes indicators around subjective satisfaction as well as the level of understanding employees have regarding how their wages are decided/calculated.<sup>24</sup>
- + **Discrimination and equality.** This dimension focuses on the extent to which the employer has taken measures to create a work environment where employees feel safe regardless of gender, race, age, ethnicity, nationality, etc. Examples of indicators for this dimension include the perceived adequacy of organizational policies against discrimination, the level of enforcement of such policies, and the level of comfort employees have communicating their concerns.

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<sup>23</sup> *Ibid.*

<sup>24</sup> [SME Performance Measurement Toolkit](#), International Labour Organization. Accessed September 15, 2021.

# Existing Evidence: SGBs create jobs, but are they good jobs?

**In developing economies, SMEs play a critical role in employment. According to the ILO, at least two-thirds of formal employment in Asia, Africa, and Latin America is within SMEs<sup>25</sup> (and this only accounts for formal business, which are known to make up the minority of MSMEs in the world<sup>26</sup>).**

The subset of entrepreneurial SMEs that are geared towards high growth is even more important when it comes to job creation. It is well-established that growth-oriented entrepreneurial firms account for a disproportionate amount of net employment growth in emerging markets.<sup>27</sup>

While small businesses and start-ups represent the backbone of employment and job creation around the world, it is also important to understand the extent to which these businesses are creating jobs that meet the standard criteria for “decent work.” The existing evidence specific to SMEs is summarized below, organized by objective and subjective dimensions of job quality. Most of the evidence on job quality looks generally at SMEs without differentiating those with higher growth aspirations, but when possible, evidence specific to start-ups and growth-oriented firms is called out.

## OBJECTIVE DIMENSIONS OF JOB QUALITY

On objective dimensions of job quality, SMEs tend to underperform compared to larger businesses. Large firms are typically able to pay higher wages<sup>28</sup> compared to smaller firms (commonly referred to as the firm-size wage gap),<sup>29,30,31</sup> and jobs at large firms are generally more stable.<sup>32</sup> In many economies, unionized employment represents the surest path to job security, and SMEs are less likely to offer unionized jobs.<sup>33</sup> Small businesses, in general, also fail to offer benefits and other protections

25 De Kok, J. et al. (2013). [“Is Small Still Beautiful?” Literature Review of Recent Empirical Evidence on the Contribution of SMEs to Employment Creation](#). International Labour Organization.

26 Stein, P. et al. (2013). [Closing the Credit Gap for Formal and Informal Micro, Small, and Medium Enterprises](#). International Finance Corporation.

27 World Bank Feature Story. (2018). [High-Growth Firms: Facts, Fiction, and Policy Options for Emerging Economies](#).

28 There is no conclusive evidence on why large firms pay a wage premium. Some studies suggest that large firms pay more to make up for inadequate work environments, while others suggest that large firms hire more specialized roles, which allow for greater productivity and thus higher wages.

29 Balkan, B. and Tumen, S. (2016). [Firm-Size Wage Gaps along the Formal-Informal Divide: Theory and Evidence](#). *Industrial Relations*.

30 Barth, et al. (2016). [Augmenting the Human Capital Earnings Equation with Measures of Where People Work](#). *Journal of Labor Economics*.

31 Lluís, S. (2009). [The Structure of Wages by Firm Size: A Comparison of Canada and the USA](#). Labour.

32 Edmiston, K. (2007). [The Role of Small and Large Businesses in Economic Development](#).

33 Holten, A. and Crouch, C. (2014). [Unions in small- and medium-sized enterprises: A family factor perspective](#). *European Journal of Industrial Relations*.

commensurate with larger firms. SMEs, particularly in developing economies, often offer unsafe working conditions given that are more difficult for governments to regulate compared to large firms.<sup>34</sup> Small businesses are also less likely to offer health insurance and pension plan benefits.<sup>35</sup> Even in countries where maternity leave is mandated for larger companies, small businesses are often exempted, and even when not exempted, enforcement tends to be lax.<sup>36</sup> An ILO report summarizes the difficulties of decent work within SMEs: they tend to offer “lower wages, lack of social security, poor occupational safety and health, and weaker industrial relations” than their larger peers.<sup>37</sup> A different ILO literature review also found that avenues to express wants and concerns outside the company (such as unions) are being found effective, yet are fairly uncommon in developing economy SMEs.<sup>38</sup>

While small businesses generally perform poorly on the objective dimensions of decent work, there is some evidence that the growth-oriented subset of these firms – what ANDE terms “small and growing businesses” – may create higher-quality jobs. An examination by the World Bank of growth-oriented entrepreneurs in developing economies found that “jobs created by growth entrepreneurs tend to pay higher wages than national averages, and employees report higher levels of job satisfaction,”<sup>39</sup> though other studies focused on developed economies have found that wage premiums in start-ups are concentrated among only the fastest-growing firms.<sup>40</sup> However, young start-ups are inherently at greater risk of failure or temporary setbacks, so even such growth-oriented small businesses offer less stability than more established large companies.<sup>41</sup>

### SUBJECTIVE DIMENSIONS OF JOB QUALITY

On subjective dimensions of job quality, the story is considerably more positive for both SMEs in general and growth-oriented start-ups in particular. Studies have found an inverse relationship between job satisfaction and firm size, with employees of small firms showing the highest level of self-reported satisfaction.<sup>42,43</sup>

What might be some drivers of this higher scoring when it comes to employee satisfaction through self-assessments? A common explanation for SMEs outperforming large enterprises in this area relates to feelings of meaningfulness of the work and the employee’s role in company decision making.<sup>44</sup> This may reflect the fact that smaller firms are less formalized, allowing for closer relations between

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- 34 Croucher, R. et al. (2013). [Can better working conditions improve the performance of SMEs?](#) International Labour Organization.
- 35 Litwin, A. and Phan, P. (2013). [Quality over Quantity: Reexamining the Link between Entrepreneurship and Job Creation.](#) ILR Review.
- 36 Lewis, S. et al. (2014). [Maternity protection in SMEs.](#) International Labour Organization.
- 37 (2019). [The Power of Small: Unlocking the Potential of SMEs.](#) International Labour Organization.
- 38 Croucher, R. et al. (2013). [Can better working conditions improve the performance of SMEs?](#) International Labour Organization.
- 39 Olafsen, E. and Cook, P. (2016). [Growth Entrepreneurship in Developing Countries: A Preliminary Literature Review.](#) World Bank Group.
- 40 Block, J. (2018). [Quantity and quality of jobs by entrepreneurial firms.](#) Oxford Review of Economic Policy.
- 41 Brummond, P. and Connolly, L. (2018). [Who Creates Stable Jobs? Evidence from Brazil.](#) IZA Institute of Labor Economics.
- 42 Storey, D. et al. (2010). [Linking HR formality with employee job quality: The role of firm and workplace size.](#) Human Resource Management.
- 43 Garcia-Serrano, C. (2011). [Does Size Matter? The Influence of Firm Size on Working Conditions.](#) Scottish Journal of Political Economy.
- 44 de Kok, J. et al. (2011). [Do SMEs create more and better jobs?](#) EIM Business & Policy Research.

employees and managers.<sup>45</sup> One study found that the hiring of an HR professional is correlated with lower self-reported job quality,<sup>46</sup> and multiple studies found that there is a tradeoff between formalizing HR practices and the employees' perceived work experience.<sup>47,48</sup> This does not necessarily mean that the presence of HR professionals is not helpful; in fact, a study of Malaysian SMEs found that those with better HR practices (namely employee training, adequate compensation, and information sharing) had better firm performance on average<sup>49</sup> – but perhaps that the benefits of HR departments are outweighed by the feelings of connection to core business leaders. Leadership styles also play an important role in job satisfaction. In entrepreneurial firms, in particular, the leadership of the founder/manager has the ability to increase worker commitment, job satisfaction, and job embeddedness (conditions incentivizing employee retention).<sup>50</sup>

Mental health is another area in which smaller enterprises outperform large enterprises. Employees of small firms have been found to have better mental health than those at larger firms due to better perceived working conditions.<sup>51</sup> SMEs in Spain already had higher reported job quality compared to large firms prior to 2008, but this gap actually increased after the financial crisis, with this particular sample of SMEs maintaining healthier work levels, better workplace safety, and a better work-life balance.<sup>52</sup> However, this is not to say that SME employees do not struggle with job stress. A study of SMEs in the UK examined the positive and negative influences on work stress and how these differ by firm size, finding that “quantitative work overload, job insecurity and poor promotion opportunities, good work relationships and poor communication are strongly associated with job stress in the small and medium-sized enterprises, whereas qualitative work overload, poor job autonomy and employee engagements are more related with larger enterprises.”<sup>53</sup> In a study of employees in Taiwan, those working for SMEs reported less burnout; however, SME employees had poorer job security and less promising career trajectories within the business (both of which are associated with work-related stress).<sup>54</sup>

For growth-oriented start-ups, the type of employee may also be a driver of job satisfaction. A study of American workers in science-based entrepreneurial firms found that compared to workers at

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- 45 Tsai, C. et al. (2007). [When and why is small beautiful? The experience of work in the small firm](#). *Human Relations*.
- 46 Storey, D. et al. (2010). [Linking HR formality with employee job quality: The role of firm and workplace size](#). *Human Resource Management*.
- 47 *Ibid.*
- 48 Garcia-Serrano, C. (2011). [Does Size Matter? The Influence of Firm Size on Working Conditions](#). *Scottish Journal of Political Economy*.
- 49 Subramaniam, C. et al. (2011). [Linking Human Resource Practices and Organisational Performance: Evidence from Small and Medium Organisations in Malaysia](#). *Jurnal Pengurusan (UKM Journal of Management)*.
- 50 Yang, J. et al. (2019). [Entrepreneurial Leadership and Turnover Intention in Startups: Mediating Roles of Employees' Job Embeddedness, Job Satisfaction and Affective Commitment](#). *Sustainability*.
- 51 Encrenaz, G. et al. (2018). [Psychosocial risks in small enterprises: the mediating role of perceived working conditions in the relationship between enterprise size and workers' anxious or depressive episodes](#). *International Journal of Occupational Safety and Ergonomics*.
- 52 Diaz-Chao, A. et al. (2017). [Did small and medium enterprises maintain better jobs during the early years of the recession? Job quality multidimensional evidence from Spain](#). *European Management Journal*.
- 53 Lai, Y. et al. (2013). [Job Stress in the United Kingdom: Are Small and Medium-Sized Enterprises and Large Enterprises Different?](#) *Stress & Health*.
- 54 YEH, W. et al. (2018). [Exploring the public-private and company size differences in employees' work characteristics and burnout: data analysis of a nationwide survey in Taiwan](#). *Industrial Health*.

traditional firms, start-up employees “place lower importance on job security and salary but greater importance on independence and responsibility.”<sup>55</sup> Start-ups have also been found to be more likely to hire previously-disadvantaged workers,<sup>56</sup> suggesting that even if wages are lower relative to traditional firms, these workers may not have the same range of options for traditional employment. The drivers of relatively high rates of subjective job quality measured among small businesses and start-ups, therefore, seem to be a combination of the nature of these jobs and the type of worker that tends to pursue these jobs.

55 Saueremann, H. (2017). [Fire in the belly? Employee motives and innovative performance in start-ups versus established firms.](#) *Strategic Entrepreneurship Journal*.

56 Fackler, D. et al. (2018). [Do Startups Provide Employment Opportunities for Disadvantaged Workers?](#) *Industrial and Labor Relations Review*.

# SGBs and the Gig Economy

**While SMEs can take many forms, the fastest-growing of these businesses in developing economies are typically tech-enabled and often focused on some aspect of what has been termed the “gig economy.”**

For example, Jumia, which is the largest e-commerce platform in Africa and a so-called unicorn (valued at over \$1 billion USD), relies on over 10,000 commission-based sales agents for its operations in Nigeria.<sup>57</sup> In Latin America, Rappi, founded in 2015, also quickly achieved unicorn status by deploying an army of contracted delivery drivers through its app.<sup>58</sup>

Much of the conversation around the promise and peril of the gig economy has focused on developed economies, where these new jobs represent a shift away from the formalized employment that has traditionally been available for most workers. However, in developing economies, the labor force is already highly informal, with many jobs already having characteristics of the gig economy, such as irregularity and high income volatility.<sup>59</sup> In this sense, the more structured platforms of the tech-enabled gig economy can represent an “onramp to formalization” for workers<sup>60</sup> by providing visibility and record-keeping of their labor. Research on the realities of gig economy jobs in developing economies has found that these jobs offer a number of benefits, particularly flexibility and autonomy, though they also tend to involve low pay, social isolation, irregular hours, and overwork.<sup>61</sup>

Overall, the quality of gig economy jobs in developing economies is often low when compared to formal employment but may represent an improvement or at least the possibility of an improvement over existing informal employment options. Whether and how policies are created to recognize and regulate these jobs in order to mitigate their more negative characteristics will be a key determinant of job quality as start-ups continue to drive the growth of the gig economy in developing economies.

57 CDC Group. [Can the gig economy help to create jobs in Africa?](#) Accessed September 15, 2021.

58 Bandeira, L. July 2, 2019. [The gig economy is a double-edged sword for migrant workers.](#) BBC WORKLIFE article.

59 Ng'weno, A. and Porteous, D. (2018). [Let's Be Real: The Informal Sector and the Gig Economy are the Future, and the Present, of Work in Africa.](#) Center for Global Development.

60 *Ibid.*

61 Wood, A. et al. (2018). [Good Gig, Bad Gig: Autonomy and Algorithmic Control in the Global Gig Economy.](#) *Work, Employment, and Society.*

# Approaches to Improving Job Quality and Firm Performance in SGBs

**Job quality has implications not only for individual wellbeing but also for business growth. Researchers have established a clear link between worker satisfaction and worker productivity,<sup>62</sup> and there is evidence that job quality is positively related to firm profitability.**

An international literature review by the ILO notes that while causal relationships between job quality improvements and SME profitability have not been clearly established in the literature, there is “indicative” evidence pointing to positive outcomes such as “reduced employee turnover, higher discretionary contributions by employees to enterprise capacities, improved productivity and profitability and higher levels of customer satisfaction and sales.”<sup>63</sup>

These takeaways should incentivize donors, policymakers, and other stakeholders to prioritize initiatives to improve job quality in SMEs. However, more information is needed on what approaches are effective not just at improving worker wellbeing but also increasing firm productivity and profitability. Currently, there is limited evidence of the effectiveness of interventions to improve job quality in SMEs. Described below are three examples of evaluations of job quality interventions.

## PERU:

### **ILO’s SCORE training improves working conditions and firm performance**

The ILO’s Sustaining Competitive and Responsible Enterprises (SCORE) training combines standardized curriculum as well as in-firm consulting to improve working conditions and boost the performance of SMEs.<sup>64</sup> The training includes five modules: “(1) workplace cooperation, (2) quality management, (3) clean production, (4) human resource management, and (5) occupational safety and health.”<sup>65</sup> In Peru, an evaluation was conducted of the training on 52 firms over the course of two years and found that participating firms reported improved management practices, fewer accidents at work, and better self-reported employee satisfaction.<sup>66</sup> While this was not an experimental study (there was no control group which presents challenges in claiming causality), this study is an indication that interventions

62 Abdullah, A. et al. (2012). [Small and Medium Sized Construction Firms Job Satisfaction and Performance Evaluation in Nigeria](#). *International Journal of Social Science and Humanity*.

63 Croucher, R. et al. (2013). [Can better working conditions improve the performance of SMEs?](#) International Labour Organization.

64 [The SCORE Programme](#). International Labour Organization. Accessed September 15, 2021.

65 *Ibid.*

66 (2020). [Impact of ILO SCORE Training on management practices, working conditions and business results in Peruvian SMEs](#). International Labour Organization.

to improve working conditions can have a positive effect on not just job quality but also firm performance.<sup>67</sup> Similar outcomes were reported for SCORE trainings in India, Ghana, and Vietnam.<sup>68</sup>

### UNITED STATES:

#### “People-centered” consulting boosts job quality in manufacturing SMEs

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The Genesis initiative was started in 2014 by the Illinois Manufacturing Excellence Center (IMEC) to provide consulting services to Chicago-based manufacturing SMEs. The consulting centers on a “People-Process-Product” philosophy, with the premise that working conditions and employee satisfaction are drivers for increased efficiency and profitability.<sup>69</sup> The consulting emphasizes the role employees play in company decision making, such as improving existing products and creating new products/services. An evaluation team, including the Aspen Institute’s Workforce Strategies Initiative and academic researchers, conducted an evaluation of 22 participating firms over the course of three years and found that firms receiving Genesis support saw benefits for both the company and their employees. As stated in the evaluation, “Benefits for workers came in the form of improved job stability and security, safer operating procedures, clearer job descriptions and advancement pathways, and improved wages and benefits. Companies realized benefits in production efficiencies, cost savings from reduced injuries, improved adherence to customer quality standards, improved sales retention, and increased profitability and growth.”<sup>70</sup>

### DOMINICAN REPUBLIC:

#### Workers at Fairtrade certified banana plantations report greater job satisfaction

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Certification is a common way for businesses to communicate to consumers that their products are produced ethically. Fairtrade is a globally known certification that guarantees fair prices, living wages, and safe working conditions.<sup>71</sup> This has particular relevance for waged workers, who are especially vulnerable to unfair compensation and poor working conditions. A team of academic researchers surveyed waged workers on their compensation and job satisfaction in both Fairtrade certified and non-certified banana plantations in the Dominican Republic. While the study found no significant advantage for certified plantations regarding wages, employees of certified plantations had observably better social benefits, such as “in-kind benefits, a sense of job security, household savings and the number of leave days.”<sup>72</sup> Workers at certified plantations also reported greater job satisfaction and reported

67 (2020). [Impact of ILO SCORE Training on management practices, working conditions and business results in Peruvian SMEs](#). International Labour Organization.

68 McGregor, K. and Ulrich, S. (2017). [Boosting SME productivity: How to evaluate the impact of SME training programmes – Evidence from Ghana, India and Vietnam](#). International Labor Organization.

69 Jain, R. et al. (2019). [Genesis at Work: Evaluating the Effects of Manufacturing Extension on Business Success and Job Quality](#). The Aspen Institute.

70 *Ibid.*

71 [What Is Fairtrade?](#) Fairtrade International.

72 Rijn, F. et al. (2020). [Does certification improve hired labour conditions and waged worker conditions at banana plantations? Agriculture and Human Values](#).

feeling more secure and represented. While this is not a typical intervention (firms self-select to become certified), this does provide a positive indication that certification has positive implications for job quality, even in cases where wages do not also increase.



# Conclusion and Call for Additional Research

Research on job quality is broad and overlaps numerous fields of academic study, including psychology, organizational science, and economics. The current evidence base indicates that, in general, SMEs tend to underperform on objective dimensions of job quality relative to larger firms, offering lower wages, fewer social security and insurance provisions, and more limited occupational health and safety measures.

However, SME employees report higher than average job satisfaction, likely indicative of a better sense of connection to the company's mission, greater autonomy, and better work-life balance. Overall, SMEs face significant constraints in providing high-quality jobs but also have advantages that can be built upon to help achieve the "Decent Work" goals of SDG 8.

While the research cited in this report lays a foundation of knowledge on how to understand job quality within SMEs and, in particular, growth-oriented small businesses, significantly more research is needed to understand the most effective ways to improve employment in these businesses and the impacts these improvements have on social and economic growth.

## Specifically, additional research is needed on the following topics:

- + **The effectiveness of interventions to improve job quality within SMEs**, in particular, studies that differentiate between traditional SMEs and high-growth startups.<sup>73</sup> Policymakers, donors, and business development providers need specific guidance on how to encourage job quality improvements in SMEs and to understand how these improvements can contribute to increased firm efficiency and profitability.
- + **Opportunities for job quality improvement in the new era of work.** Restrictions related to COVID-19, expanding digitalization, and the rise of the gig economy have introduced new challenges (and opportunities) for improving job quality worldwide. Further research is needed to understand the implications of these changes on worker satisfaction, particularly mental and physical health.<sup>74</sup>

73 Studies are underway which will help bridge this gap, including evaluations of the [H-WORK project](#) to improve mental health in employees of SMEs, the Youth Business International [Accelerating Youth-led Businesses in the Digital Era program](#) which encourages youth entrepreneurs to adopt decent work practices, and the [Business in Mind](#) program which seeks to improve the mental health of managers and its impact on supervised employees.

74 Schreibauer, E. et al. (2020). [Work-Related Psychosocial Stress in Small and Medium-Sized Enterprises: An Integrative Review](#). *International Journal of Environmental Research and Public Health*.

- + **Country-specific measures of SME job quality in developing economies.** Most peer-reviewed academic studies on job satisfaction are based on data collected in the United States and Europe. Similar studies that apply these research methodologies to developing economies will inform stakeholders on how job quality considerations differ country-by-country and, therefore, what interventions may be most effective in a given economic or regional context.



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