Socio-Economic Differences in the Perceived Quality of High and Low-Paid Jobs in the EU

K. Pouliakas & I. Theodossiou

Centre for European Labour Market Research (CELMR), University of Aberdeen Business School, UK
“… we must meditate on what brings happiness, since if we have that, we have everything. And if we have not, all our energies are directed at gaining it.”

Epicurus (Letter to Menoeceus: The Happy Life)

Societal and Economic Effects on Quality of Life and Well-being: Preference Identification and Priority Setting in Response to Changes in Labour Market Status

Project coordinator:- Ioannis Theodossiou
Project’s www: www.abdn.ac.uk/epicurus/
Project financed within the Key Action Improving the Socioeconomic Knowledge Base
Partnership

- Centre for European Labour Market Research (CELMR), University of Aberdeen, Scotland and University of Macedonia, Greece.
- Partners:
  - Aarhus School of Business (ASB), Denmark.
  - The Research Institute of the Finnish Economy (RIFE), Finland.
  - Université Panthéon-Assas (Paris 2) (UNIP2), ERMES UMR CNRS, France.
  - Laboratorio de Economia Experimental, Universitat Jaume I, Spain.
  - University of Macedonia, Greece.
  - Amsterdam Institute for Advanced Labour Studies, University of Amsterdam, (UVA-AIAS), The Netherlands.
Presentation Overview

- ‘Job Quality’ as an policy-objective.
  - Defining quality in work.
- A look at previous literature.
  - Data.
- Econometric methodology.
  - Empirical results.
QUALITY IN WORK

- There are challenges arising from the shift to a flexible labour market economy.
- This led to the development of ‘atypical’ and flexible forms of employment.
- Concerns were expressed about the downsides for job quality (security, work-life balance, training, safety) and the fostering of a ‘two-tier labour market’ in Europe.
THE ‘TWO-TIER’ EUROPE

- Dual labour markets (Commission, 2001):
  - “upper tier: decent pay, job security, career prospects, good working conditions;
  - low tier: unemployed, low pay, precarious employment, lack of education and career prospects”;
  - limited mobility between sectors
QUALITY IN WORK

- Improvement of job quality is advocated following evidence of close link with unemployment and social exclusion.
- Better quality in work results in higher productivity.
- The full potential of job creation cannot be achieved if the jobs on offer are unattractive.
- For these reasons the EU has sought for more jobs through better jobs.
DEFINING JOB QUALITY

- Quality of work is a relative and multifaceted concept.
- Commission: 10 dimensions of job quality.
- Economists: self-reported job satisfaction (JS) data as a surrogate for overall quality of work, *as perceived by individual worker*.
- Subjective assessments are strong predictors of worker behaviour (quits, absenteeism etc.) + abundant psychological evidence.
- Caveats: experienced, decision, remembered utility
- Adaptation phenomena
Low well-being of unemployed & ‘scarring’ effect (Clark & Oswald, 1994; Theodossiou, 1998).

Adaptation with higher income and importance of relative wages (Clark & Oswald, 1996; Easterlin, 2001).

Paradox of ‘content female worker’ (Clark, 1997).

Lower satisfaction of more educated and union workers (Sloane & Williams, 1996; Drakopoulos & Theodossiou, 1997).

U-shaped age effect (Blanchflower and Oswald, 1999).
PREVIOUS LITERATURE

- LP workers in UK had higher average JS than HP in early 1990s (Leontaridi and Sloane (2004)).
- JS in low-wage economy of Wales not lower than rest of UK (Jones and Sloane (2004)).
- LP lower JS than H, except UK. Pronounced in Southern EU (Serrano and Vieira (2005)).
- Risk of Job Loss decreases Job Satisfaction (Theodossiou & Vasileiou (2007)).
- Satisfaction with the type of the job is the main criterion by which workers evaluate their job for both the short and the long term (Skalli, Theodossiou, Vasileiou (2008)).
In the ECHP respondents report their satisfaction with their main activity status and seven facets of their jobs on a 1-6 scale – 1 “not satisfied” 6 “fully satisfied”.
Sample restricted to those in paid employment, aged 16-65, working 15 hours a week or more.
Low Paid: Individuals with wages < 2/3 median gross hourly wage
DATA & DESCRIPTIVES

- 20,785 obs (5,314 individuals - 3,162 males & 2,152 females).

- Low pay incidence: (a) Ireland (21.18%), UK (20.16%), Spain (17.70%) and Greece (17.51%), (b) Denmark (9.96%), while Austria (14.84%), France (14.37%), (c) Belgium (11.80%), Finland (10.78%), Italy (10.91%) and lie somewhere in the middle.

- Risk of low wage employment concentrated on same types of workers and jobs in GR as in other countries – women, young, low educated, part-time, private sector, non-permanent contracts, manual occupations.
FIGURE 1 Mean Job Satisfaction of Employees in Selected EU Countries (2001)

<table>
<thead>
<tr>
<th>Country</th>
<th>Mean Job Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT</td>
<td>5.00</td>
</tr>
<tr>
<td>DK</td>
<td>4.86</td>
</tr>
<tr>
<td>NL</td>
<td>4.74</td>
</tr>
<tr>
<td>IE</td>
<td>4.63</td>
</tr>
<tr>
<td>FI</td>
<td>4.54</td>
</tr>
<tr>
<td>BE</td>
<td>4.43</td>
</tr>
<tr>
<td>FR</td>
<td>4.41</td>
</tr>
<tr>
<td>UK</td>
<td>4.34</td>
</tr>
<tr>
<td>ES</td>
<td>4.23</td>
</tr>
<tr>
<td>PT</td>
<td>4.07</td>
</tr>
<tr>
<td>IT</td>
<td>3.98</td>
</tr>
<tr>
<td>GR</td>
<td>3.89</td>
</tr>
</tbody>
</table>
Mean Job Satisfaction

Waves

Graphs by nation

low-paid
high-paid

Denmark
Belgium
France
Ireland

Italy
Greece
Spain
Portugal

Austria
Finland
UK

Waves

3 3.5 4 4.5 5

2 4 6 8
METHODOLOGY

- OLS estimates of low pay are likely to be biased due to selectivity (e.g. LP more intrinsically motivated, low expectations).
- A “random effects” model has been employed.
- This neglects the correlation that may exist between the random component and one or more explanatory variables.
- Hence, the Mundlack correction (Mundlack (1978). This amounts to adding in the regressions the mean of the variables of interest.
- Van Praag and Ferrer-i-Carbonell (2004) show that the variable itself measures the transitory component and the mean the permanent component.
METHODOLOGY

- The *Probit OLS* (POLS) approach is utilized, which approximates the ‘true’ evaluations of respondents with ‘conditional mean’ transform (Van Praag and Ferrer-i-Carbonell (2004).
- The method yields approximately the same estimates as the ordered probit, apart from a multiplying factor that stems from a different normalisation.
EMPIRICAL RESULTS

- The results are generated by applying \textit{exactly} the same model specification on all countries.
- Low-paid employees are significantly less satisfied with their jobs compared to those who are high-paid in Greece, Spain, Portugal, Ireland and Italy.
- An insignificant difference in the satisfaction of high and low wage workers in the UK, France, Belgium, Finland and Austria,
- For low-paid employees are found to be significantly happier in Denmark.
Insofar as job satisfaction is a reasonable proxy for the overall ‘quality’ of jobs:

No universal evidence that low paid jobs are perceived jobs of low quality.

The EU itself has been divided into two-tiers;

(a) in the lower group (notably those in the Mediterranean basin) low wage workers have suffered from both low-paid and bad quality jobs and

(b) in the upper group where market and/or institutional mechanisms have ensured a degree of well-being amongst the lower-paid workforce
EMPIRICAL RESULTS

- ‘Transitory’ changes in individuals’ wages exert a significant positive effect on job satisfaction in all eleven countries.

- The Permanent component in UK and Denmark reduce job satisfaction (additions to wages that are accompanied by corresponding rises in expectations reduce job satisfaction).

- In Greece, Italy, France, Finland the long-term effect of wage increase effects enhance the utility from work.
EMPIRICAL RESULTS

- In the UK, Belgium and Denmark part-time workers are more satisfied with their jobs than full-timers (where part-time employment now accounts for over 20% of total employment (European Commission, 2004))
- In Greece and Portugal part-time workers are less satisfied with their jobs (where a full-time job is considered to be the main avenue towards achieving income security and career progression).
- The instability and uncertainty associated with temporary and casual work leads to lower job satisfaction everywhere but in Belgium, Finland and Denmark
The satisfaction enjoyed by part-time/temporary employees in some countries highlights the possibility that the ultimate effect on employee well-being may depend on the extent to which individuals who work on non-standard contracts do so by choice rather than compulsion and/or the institutional arrangements that protect these workers (social security, transferable pensions, compensation when not in work.)
EMPIRICAL RESULTS

- The “education paradox” that has been reported for the UK, whereby higher-educated individuals are significantly less satisfied with their jobs compared to those with fewer qualifications, is more or less confirmed across some countries.
- Greece and Portugal escape the common trend as the low educated report a lower level of job satisfaction than those with superior education.
Discussion

*Flexicurity* can be defined as a policy strategy that attempts, *synchronously and in a deliberate way*, to enhance the flexibility of labour markets, the work organisation and labour relations, and to enhance the security, employment security and social security – notably for weak groups inside and outside the labour market (Wilthagen et al., 2003).
FIGURE 2 Mean job satisfaction of low-paid workers vs. MT mobility index by country

- Denmark
- Austria
- Netherlands
- Belgium
- France
- Ireland
- Finland
- UK
- Spain
- Portugal
- Italy
- Greece
Discussion

MT index: a measure of the degree of mobility between alternative economic statuses (non-employment; temporary work; permanent work; self employment; and education/training).
Discussion

The low-wage workers in the ‘Southern’ group are likely to be significantly dissatisfied with their jobs due to the belief that they do not have the prospect of a career that evolves over time, neither access to the resources needed to ensure lasting employability. By contrast, in the ‘Northern’ group low-paid jobs are likely to be perceived as stepping stones for positions higher up the pay distribution.

Consequently, for those economies with dual job markets active policies and social protection systems need to be adapted to support mobility in the labour market and facilitate transitions between different contract statuses (job-to-job insurance).
Cross-country differences may reflect that:

- In some countries flexible employment policies have been matched to some degree by active reintegration focused on the low-paid, which have enhanced their long-term employability.

- Other economies, instead, have directed all of policy efforts on deliberately seeking to reduce the unit labour costs of low-paid employees without taking into account the repercussions in terms of well-being of this already vulnerable group of the workforce.

- For the latter countries policies that centre on the quality of jobs would therefore be of equal importance to those that focus on the level of pay.
CONCLUSIONS

- Self-reported JS data were used, that proxy overall quality of work as perceived by individual workers.
- Low-paid jobs in Greece are also jobs of ‘bad quality’ ➡ L pay a ‘double penalty’.
- Since Greece is a low wage economy, policies that centre on quality of jobs are vital.