

The Good Life: Comparing Job Quality Between the Private, Public and Voluntary Sectors¹

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Are jobs in the voluntary sector “good jobs”? We examine attitudinal data from the Workplace Employment Relations Survey (WERS) to estimate sector differences in unobserved job quality between the private, public and voluntary sectors. We find evidence of lower job quality in the public sector, while the voluntary sector is more similar to the private sector in some dimensions and the public sector in others. Voluntary sector jobs appear of similar quality to the private sector when examined in the economy as a whole. However, when jobs are compared within the Health & Social Work industries, voluntary sector jobs appear significantly lower quality than the private sector.

JEL Codes: J28; J45; J81; L31

Introduction

Are jobs in the voluntary sector “good jobs”? The mission-motivated, nonprofit voluntary sector is seen as attracting workers who share the organisations’ goals, and gain a warm-glow utility as part of their compensation. Analysis of sector wage differences finds mixed evidence of voluntary sector wage discounts, and in key industries voluntary organisations pay a premium above the private sector. But these empirical studies examine worker data, and are not able to control for unobserved job heterogeneity. To the extent that there are systematic differences in job characteristics between sectors, this will bias estimates of sector differences. The difficulty is in controlling for differences in the product market, and in quality produced by the organisations. In the health and social work industries quality can be difficult to measure and even observe. In particular, private sector care providers may engage in cream-skimming, where motivated by profit they provide services to the “easiest” cases. In the voluntary sector, with a significant mission motivation, organisations may engage in the opposite, helping those most in need and who are most “difficult” to provide services to.

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In this paper we undertake an empirical analysis of several dimensions of attitudinal data to examine differences in “job quality” between the sectors. Within economics, job quality is usually equated with measures of wages, hours of work, and job security. There is also a small but growing economic literature examining subjective job satisfaction measures. We suggest that while these aspects are important, the analysis can be extended to other wider subjective measures that can capture other dimensions of job quality which workers experience. In particular, we examine measures of job-related stress to identify sector differences in the experience of carrying out a job.

We adopt a comparative approach: instead of trying to quantify a measure of actual job quality we measure comparisons between the three sectors.

Job Satisfaction and Job Quality

The economics of job satisfaction

The value of so-called “subjective variables” such as job satisfaction is a matter of debate amongst economists, despite their wide use in other social sciences. Freeman [Freeman, 1978 153 /id] described them as measuring “... ‘what people say’ rather than ‘what people do’.”, but went on to argue that these variables contain useful information for predicting and understanding behaviour. More recently there has been a resurgence in interest in measures of “happiness” and its relation to income [Blanchflower, 2004 157 /id].

Job satisfaction is a subjective variable that is often collected in surveys of workers, usually as a categorical variable on a multi-point scale. This is of interest to labour economists, who assume that reported satisfaction reflects the utility received from the job. This can be modelled as:

$$u = u(Ind, Job, Org)$$

Job satisfaction and the Voluntary Sector

There are two main economic explanations for the existence of nonprofit organisations. Firstly, the non-distribution of profits constraint facing nonprofits gives them a competitive advantage in providing services where quality is difficult to contract over, as the main incentive to exploit information asymmetry for profit is removed [Hansmann, 1980 56 /id]. Secondly, their nonprofit status and mission allows them to harness the motivation of individuals to donate labour to achieving a common goal [Rose-Ackerman, 1996 69 /id].

If workers are motivated through receiving utility from performing their job, then we would expect to see higher levels of job satisfaction reported after controlling for

other characteristics of the individual, organisation and job. This allows us to investigate the ‘warm glow’ theory [Andreoni, 1990 7 /id] of motivated workers.

Theories of ‘warm glow’ motivation predict that the extra utility of working in the voluntary sector will lead to a negative compensating differential, or lower wages, in this sector [Besley, 2005 6 /id]. However, the theory of nonprofit organisations suggests that they have a competitive advantage in providing quality that is difficult to measure. The potential to use efficiency wages, or a wage premium, to motivate workers in these types of jobs [Akerlof, 1986 128 /id] means that concrete predictions about whether wages in the voluntary sector will be higher or lower are difficult to make. Indeed, the empirical evidence is unclear [Leete, 2001 114 /id], finding wage discounts, premia or little significant difference, depending on industry.

Little empirical work has been carried out to examine potential sector differences in job satisfaction. Benz [Benz, 2005 166 /id /d] undertook one of the first analyses, using data from the National Longitudinal Study of Youth (NLSY) for the US and the British Household Panel Survey (BHPS) for the UK. He compared workers in the private for-profit sector with workers in the private nonprofit sector by estimating binary and ordered logit job satisfaction equations to control for worker and job characteristics. Benz found evidence of higher levels of job satisfaction in the nonprofit sector. He also narrowed his sample to “professional services” workers, a category which the majority of nonprofit workers fell into. Here Benz found smaller but still significant positive satisfaction effects for nonprofit workers.

Hypothesis

Our assertion in this paper is that the voluntary sector ‘warm glow’ need not be expressed through the characteristics usually associated with job quality in economics: namely wages and hours. Instead, workers committed to a cause could undertake tasks that are less pleasant, more stressful or requiring more effort than an equivalent job in a non-mission organisation. Our hypothesis is that a significant sector difference in key job characteristics will remain even after controlling for worker, job and organisational characteristics traditionally used to explain job quality.

The Dataset

This paper uses the UK Workforce Employment Relations Survey 2004 (WERS), the fifth in a series of surveys aiming to provide a nationally representative account of the state of employment relations and working life inside British workplaces. WERS is an employer-employee linked survey of organisations.

Organisation in Sample by Sector	Whole Workforce (Percentage of Sample)	Health & Social Work Sub-Sample (Percentage of Sub-Sample)
Private	1,614 (70.3%)	105 (29.6%)
Public	589 (25.7%)	201 (56.6%)
Voluntary	92 (4.0%)	49 (13.8%)
TOTAL	2,295	355

Figure 1: Employers in Sample by Sector

Figure 1 above shows the breakdown by sector of organisations in both the whole sample and the Health & Social Work sub-sample. Although voluntary organisations make up only 4% of the whole sample, over 50% of them operate in the HSW industries, and so voluntary organisations make up nearly 14% of the sub-sample.

Organisation in Sample by Sector	Whole Workforce (Percentage of Sample)	Health & Social Work (Percentage of Sub-Sample)
Private	14,683 (63.8%)	969 (26.1%)
Public	7,225 (31.4%)	2,178 (58.7%)
Voluntary	1,105 (4.8%)	565 (15.2%)
TOTAL	23,013	3,712

Figure 2: Employees in Sample by Sector

Figure 2 above shows the breakdown by sector of employees in both the whole sample and the Health & Social Work sub-sample. Although voluntary sector workers make up only 5% of the whole sample, over 50% of them work in the HSW industries, and so voluntary organisations make up over 15% of the sub-sample.

We examine two groups of worker-reported subjective measure of job quality.

- Characteristics of the Organisation
- Attitudes

Within these categories we examine individual worker questions. Sector differences are estimated in multivariate ordered logit equations with sector dummies, controlling for worker characteristics including gender, age, ethnicity, work hours, job status, organisation size, and tenure.

$$\Pr(Y_i = x_j) = \alpha + \beta_1 \cdot Ind_i + \beta_2 \cdot Job_i + \beta_3 \cdot Org_i + \beta_4 \cdot y_i + e_i$$

The explanatory variables used in the analysis of workers responses were:

- Age (age of employee in years)
 - Sex
 - Education (Highest Qualification)
 - Log Wage
 - Job tenure (length of time with current employer)
 - Total hours (weekly hours)
 - Job status (Permanent or temporary)
 - No. of Employees (No. of Fulltime Equivalent employees in workplace)
 - Sector (Private / Public / Voluntary)
- } Individual Characteristics

} Job Characteristics

} Organisation Characteristics

The regression is estimated with robust standard errors to account for fact that up to 25 workers are drawn from each employer, creating clusters by organisation.

Analysis of this data in a cross-sectional dataset means that problems of sample selection have not been directly tackled. However, Clark [Clark, 2001] argued that his analysis of job satisfaction attitudinal data showed that cross-sectional responses were a good predictor of future behaviour, justifying its analysis even in cross-section.

The results of the estimations are reported in the two groups outlined above.

Organisational Attitudes

Workers are responding to the following questions:

To what extent do you agree or disagree with the following statements about working here?

(Strongly Agree / Agree / Neither Agree or Disagree / Disagree / Strongly Disagree)

(1) I share many of the values of my organisation

(2) I feel loyal to my organisation

(3) I am proud to tell people who I work for

(4) In general, how would you describe relations between managers and employees here?

(Very good / Good / Neither good nor poor / Poor / Very poor)

Figure 3 shows the results of the Organisation Characteristics equation estimates.

Whole Workforce

In the Whole Workforce sample, there is little difference between the private and voluntary sectors, with most of the sector variation explained by gender and industry

differences. Voluntary sector workers are more likely to agree that they share the values of their organisation, but this is only significant at the 10% level. Public sector workers report feeling less loyal and proud of whom they work for than private sector workers. There are no significant sector differences in perceptions of management relations.

Income is again strongly positively correlated with all characteristics, as is being female. Workers in the HSW industries are also more likely across all sectors to report sharing values, feeling loyal, and taking pride in their employer.

Health & Social Work Industries

In the HSW sample, voluntary sector workers are not significantly different from private sector workers in agreeing on sharing organisational values or feeling loyalty; although the estimated coefficients are positive. However they are more likely to agree that they are proud to tell people who they work for, but only at the 10% level. Public sector workers are less likely to agree that they share values, feel less loyal, and are not proud to tell people who they work for compared to those in the private sector. They are also significantly likely to rate the relationship between management and employees as being worse than the other sectors.

Whole Workforce

	(1) sharevalues	(2) loyalty	(3) pride	(4) relations
main				
Public Sector	-0.0681 (0.0979)	-0.182 (0.0939)*	-0.334 (0.0966)***	-0.0658 (0.0917)
Voluntary Sector	0.309 (0.159)*	0.139 (0.136)	0.106 (0.154)	0.0106 (0.124)
logsalarymid	0.540 (0.0497)***	0.446 (0.0506)***	0.435 (0.0512)***	0.252 (0.0489)***
sex	0.138 (0.0492)***	0.364 (0.0478)***	0.321 (0.0488)***	0.195 (0.0511)***
Health & S.W.	0.590 (0.134)***	0.347 (0.124)***	0.546 (0.133)***	0.300 (0.128)**
<i>N</i>	9995	10231	10234	10239
pseudo <i>R</i> ²	0.042	0.029	0.029	0.038

Health & Social Work Industries

	(1) sharevalues	(2) loyalty	(3) pride	(4) relations
main				
Public Sector	-0.814 (0.189)***	-0.760 (0.166)***	-0.787 (0.191)***	-0.436 (0.177)**
Voluntary Sector	0.231 (0.205)	0.226 (0.170)	0.371 (0.200)*	0.112 (0.224)
logsalarymid	0.393 (0.132)***	0.114 (0.146)	0.0674 (0.121)	0.303 (0.126)**
sex	0.204 (0.133)	0.487 (0.126)***	0.322 (0.139)**	0.178 (0.141)
<i>N</i>	1641	1671	1673	1669
pseudo <i>R</i> ²	0.062	0.053	0.048	0.049

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Additional explanatory variables in regression include: age, tenure, organization size, working hours, job status, qualifications, ethnicity and industry.

Figure 3: Organisational Attitudes

Workers Emotions and Job-Related Stress

Workers are responding to the following questions:

Thinking of the past few weeks, how much of the time has your job made you feel each of the following?

(All of the time / Most of the time / Some of the time / Occasionally / Never)

- (1) Tense
- (2) Calm
- (3) Relaxed
- (4) Worried
- (5) Uneasy
- (6) Content

Figure 4 shows the results of the Attitude equation estimates.

Whole Workforce

In the Whole Workforce sample, voluntary sector workers differ from private only in reporting that they spent more time worrying about their jobs and less feeling relaxed. Public sector workers reported spending more time feeling tense, less calm, less relaxed, more worried, more uneasy, and less content than those in the private sector.

Female workers are also more likely to report feeling tense and worried, and less feeling calm and relaxed. Income is significantly positively correlated with negative emotions and negatively correlated with positive emotions.

Health & Social Work Industries

In the HSW sample, voluntary sector workers are more tense, less calm, less relaxed, and more worried than those in the private sector. Public sector workers reported spending more time feeling tense, less calm, less relaxed, more worried, more uneasy and less content than those in the private sector.

Female workers report spending more time feeling tense, worried, and content. Wages are positively correlated with feeling tense, worried and uneasy.

Whole Workforce

	(1)	(2)	(3)	(4)	(5)	(6)
	stress_tense	stress_calm	stress_relaxed	stress_worry	stress_uneasy	stress_content
main						
Public Sector	0.269 (0.0820) ^{***}	-0.350 (0.0760) ^{***}	-0.391 (0.0713) ^{***}	0.248 (0.0750) ^{***}	0.187 (0.0667) ^{***}	-0.334 (0.0706) ^{***}
Voluntary Sector	0.103 (0.0979)	-0.104 (0.0977)	-0.174 (0.0944) [*]	0.182 (0.106) [*]	0.0305 (0.0906)	0.0858 (0.106)
logsalarymid	0.328 (0.0438) ^{***}	-0.101 (0.0408) ^{**}	-0.133 (0.0433) ^{***}	0.387 (0.0404) ^{***}	0.206 (0.0397) ^{***}	0.0610 (0.0429)
sex	0.329 (0.0469) ^{***}	-0.119 (0.0459) ^{***}	-0.144 (0.0463) ^{***}	0.336 (0.0463) ^{***}	0.0342 (0.0466)	0.0682 (0.0460)
Health & S.W.	0.124 (0.0956)	0.346 (0.0929) ^{***}	0.400 (0.0933) ^{***}	0.274 (0.105) ^{***}	0.135 (0.0910)	0.438 (0.0951) ^{***}
<i>N</i>	10293	10245	10248	10279	10257	10250
pseudo <i>R</i> ²	0.028	0.023	0.023	0.035	0.022	0.019

Health & Social Work Industries

	(1)	(2)	(3)	(4)	(5)	(6)
	stress_tense	stress_calm	stress_relaxed	stress_worry	stress_uneasy	stress_content
main						
Public Sector	0.589 (0.129) ^{***}	-0.860 (0.117) ^{***}	-0.677 (0.123) ^{***}	0.513 (0.161) ^{***}	0.484 (0.130) ^{***}	-0.634 (0.127) ^{***}
Voluntary Sector	0.225 (0.117) [*]	-0.242 (0.135) [*]	-0.218 (0.130) [*]	0.387 (0.154) ^{**}	0.0804 (0.135)	0.135 (0.172)
logsalarymid	0.281 (0.120) ^{**}	0.0658 (0.114)	-0.0511 (0.117)	0.537 (0.128) ^{***}	0.236 (0.122) [*]	-0.174 (0.115)
sex	0.334 (0.130) ^{**}	-0.00628 (0.138)	-0.113 (0.136)	0.254 (0.148) [*]	0.0419 (0.137)	0.235 (0.132) [*]
<i>N</i>	1676	1665	1667	1672	1671	1667
pseudo <i>R</i> ²	0.043	0.042	0.039	0.049	0.037	0.034

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Additional explanatory variables in regression include: age, tenure, organization size, working hours, job status, qualifications, ethnicity and industry.

Figure 4: Attitudes in the Health & Social Work Industries

Evaluating Job Quality in the Voluntary Sector

Analysis of the job characteristics suggests that both public and voluntary sector workers feel under more pressure in their jobs, particularly in the HSW industries.

Figure 5 summarises the findings for the Whole Workforce sample.

	Public Sector	Voluntary Sector
Organisational Attitudes	Less likely to feel loyal or proud	More likely to share values
Job-Related Stress	More tense, worried and uneasy, and less calm, relaxed, and content	More worried and less relaxed, but not very significant

Figure 5: Job Quality in the Whole Workforce, compared to the Private Sector

In the expressed attitudes, voluntary sector workers were more worried, but many of the measures were not significantly worse than the private sector.

Figure 6 summarises the findings for the HSW industries sub-sample. They suggest that for both the public and voluntary sectors jobs are significantly more stressful than those in the private sector. This remains the case even after controlling for differences in hourly wages, suggesting that workers are not compensated for all of this additional stress through their wages.

	Public Sector	Voluntary Sector
Organisational Attitudes	Less likely to share in goals, loyalty and pride; less happy with management relations	Higher pride, but no other significant differences
Job-Related Stress	Significantly more tense, worried and uneasy, and less calm, relaxed, and content	Significantly more tense, and worried, and less calm, and relaxed

Figure 6: Job Quality in the Health & Social Work industries

Conclusion

It should be noted that these findings are mainly descriptive, and subject to the limitations of a cross-sectional dataset with potential for sector-selection. However, they do paint a strong quantitative picture of more stressful job experiences that supports the existing qualitative research on job quality, particularly within the HSW industries.

It also lends some support to a model of warm-glow motivation driving workers in the public and voluntary sectors. While a compensating differential wage equation approach is subject to many limitations in analysing warm-glow wage discounts, this study suggests that workers in these sectors are experiencing jobs that are “harder” without receiving additional pay.

