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Article

Services are Different: Job Characteristics, Working Conditions and Pay Levels in OECD Countries

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DICE REPORTS*

SERVICES ARE DIFFERENT: JOB CHARACTERISTICS, WORKING CONDITIONS AND PAY LEVELS IN OECD COUNTRIES

The share of employment in services continued to rise in virtually all OECD countries during the 1990s. This coincided with significant changes in the types of jobs being created. The rise in the number of “atypical” jobs, such as part-time and temporary jobs has led to a debate about the quality of jobs, especially in the service sector. Do job characteristics, working conditions and pay levels in the service sector differ from those in the goods producing sector?

Job characteristics

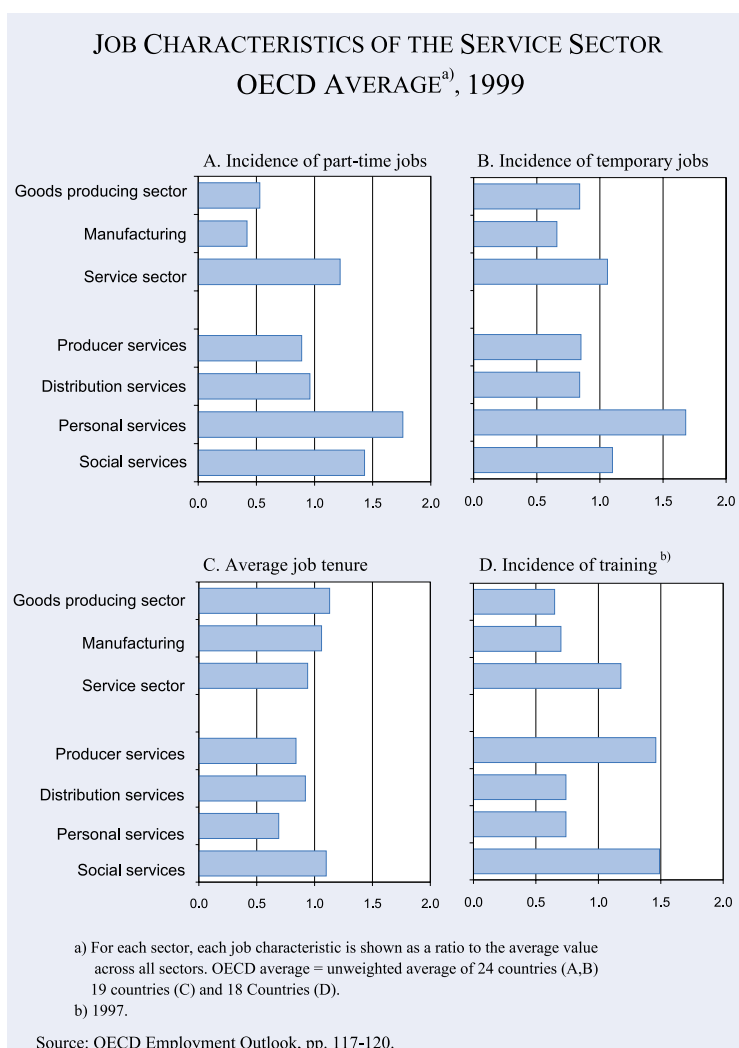
On average of the OECD countries, part-time work is much more common in the service sector than in the goods producing sector. The incidence of part-time work is highest in personal services (domestic services, recreation and cultural services, hotels and restaurants etc.) and social services (see Chart 1).

Temporary jobs are more evenly spread across both the goods-producing and the service sector. Within the service sector, the incidence of tempo-

rary work in personal services is well above the respective national average. It is also above the national average in social services (education, health etc) and in retail trade but lower in the other distributive service sectors. Temporary employment covers fixed-term contracts, seasonal and casual work, and working on contract for a temporary work agency. These different work arrangements do not imply the same degree of precariousness (see Chart 1).

Another aspect of job quality is the average job tenure which is measured by the length of time

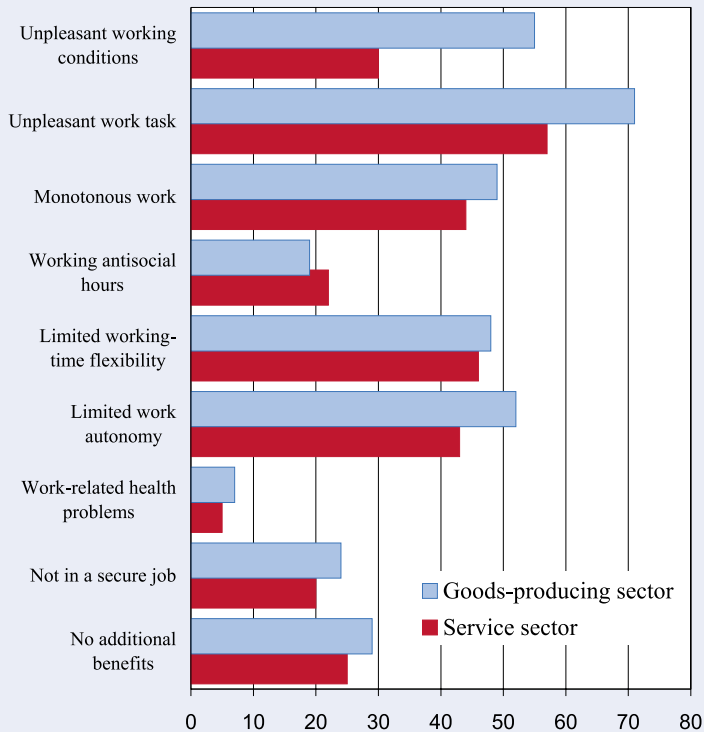
Chart 1



* DICE = Database of Institutional Comparison in Europe (www.cesifo.de).

Chart 2

WORKING CONDITIONS IN THE EUROPEAN UNION BY BROAD SECTOR, 1995^{a)}



a) A higher value indicates less favourable working conditions.

Source: Second European Survey on Working Conditions, OECD Employment Outlook 2001, p. 100.

Working conditions

The various job characteristics described so far provide only indirect measures of job quality. More direct measures are provided by the European Survey on Working Conditions. Generally, working conditions are less favourable in the goods-producing sector than in the service sector. Working conditions and work tasks are more unpleasant, work autonomy is more limited and jobs are perceived as less secure. Apart from, “antisocial” hours of work, the other aspects of working conditions appear less favourable, too (see Chart 2).

Within the service sector, the hotel, restaurant, transport and communications industries stand out as generally having less favourable working conditions than other service industries. At the other end of the scale, workers in financial services and in public administration appear to have some of the most favourable working conditions.

workers have been in their current job or with their current employer. There may be a relationship between a low turnover on the one hand and higher earnings as well as job security on the other. But not all long-tenure jobs are good jobs. Average tenure is lower in the service sector than in the goods-producing sector and is particularly low in personal services (see Chart 1).

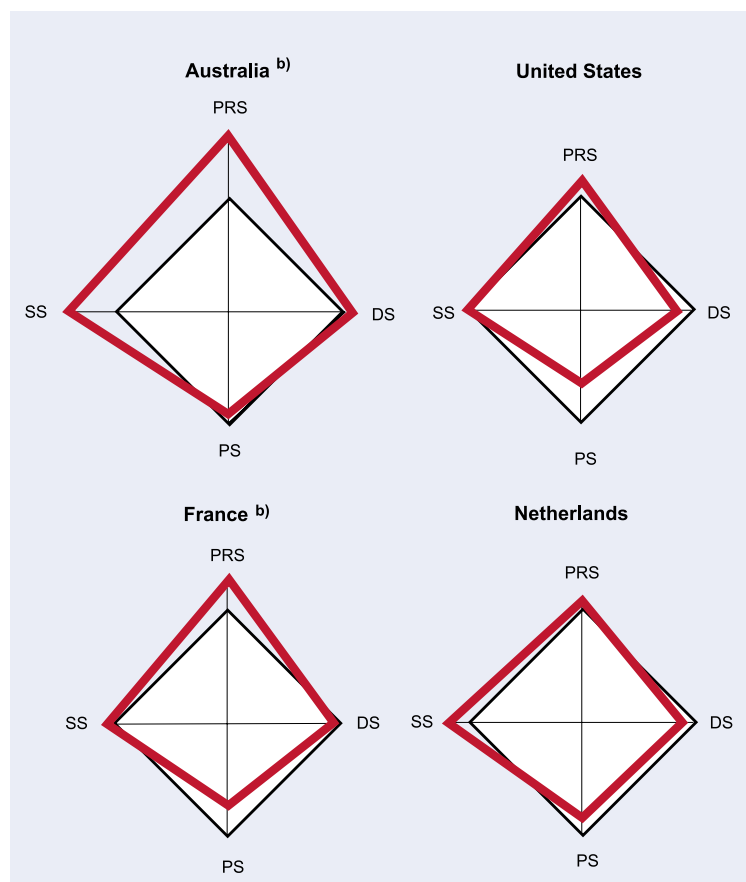
The incidence of continuing vocational training, an indicator of opportunities for career development, on the other hand, is higher in the service sector, especially in producer services and social services. One reason for the higher incidence of training in the service sector may be the higher level of educational attainment of workers in this sector. Another reason may be the greater retraining requirements imposed by IT technology which is intensively used by producer service firms and government agencies (see Chart 1).

Pay levels

Another important job characteristic that is linked to job quality is the rate of pay that is associated with a job. Rates of pay are highly correlated with the level of skill required in the job. Higher-paid employees tend to have better working conditions than lower-paid employees in the sense of working in less physically demanding or noisy jobs and/or with greater autonomy regarding their work schedules.

Chart 3 provides earnings differentials of service sectors relative to manufacturing in four OECD countries. Average earnings in the service sector are higher than in manufacturing in Australia, around the same in France and the Netherlands and lower in the United States. Within the service sector, jobs in producer services record the highest average earnings in Australia and France,

Chart 3
EARNING DIFFERENTIALS BY SERVICE SECTOR^{a)}, 1999



PRS: Producer services
PS: Personal services

DS: Distributive services
SS: Social services

a) Ratio of average earnings in each sector to average earnings in manufacturing.
b) 1998.

Source: OECD Employment Outlook 2001, p. 106.

of Australia and the United States). Within the service sector, producer services and social services have a higher job quality than distributive and personal services. Further disaggregation reveals even more pronounced differences in job quality.

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whereas social services pay best in Australia and the Netherlands. Average earnings are lower in distributive services and lower still in personal services.

Conclusion

Comparisons of job quality, based on measures of job characteristics, working conditions and pay, reveal no simple dichotomy between the goods-producing and the service sector. Good jobs are not primarily located in the former and bad jobs in the latter. Part-time work and temporary work are more common in the service sector, average job tenure is shorter, the incidence of continuing vocational training is higher than in the goods-producing sector. Working conditions are more favourable in the service sector. Average earnings are about the same as in manufacturing (with the exceptions