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# **Precarious employment in the public and private sectors: comparing the UK and Germany**

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## Precarious employment in the public and private sectors: comparing the UK and Germany<sup>1</sup>

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### Introduction

In the industrialized world, the service sector accounts for by far the largest share of employment and new job creation in recent decades. This growth raises concerns about the quality of employment, however. The service sector does offer significant opportunities and high quality employment, but it is also the sector of low quality, precarious employment (Kemekliene et al. 2007) and, as an earlier study on service employment in Germany and the UK concludes, it is also characterised by increasing polarisation and growing inequality (Fagan et al. 2005).

One factor that seems important for quality of employment is whether it is in the public or the private sector. Indeed, it is well established that wages and working conditions are, on average, of higher quality and less polarised in the public than in the private sector (for example, Ponthieux and Meurs 2005; Lucifora and Meurs 2006). But the extent to which they can be attributed to an independent public–private sector effect, or rather to structural differences between the two sectors, remains a question of debate (*ibid.*).

This policy brief aims to clarify these issues by addressing two core questions: (i) the extent to which the incidence and characteristics of precarious employment differ between the public and private service sectors, and how this has changed in the last decade; and (ii) the extent to which these differences can be attributed to the ownership factor as such or to differences in terms

of educational levels, share of female employment, age structure, NACE sectors or enterprise size. The focus is on the UK and Germany and the analysis is based on data from the German Socio-Economic Panel Study (SOEP) and the British Household Panel Survey (BHPS).

### The UK and Germany: different reform paths

In both the UK and Germany important reforms of labour market institutions have taken place in the last decade.

In Britain, until 1997, the long rule of the Thatcherite Conservatives had resulted in a profound deregulation of the labour market, in the public and private sectors alike. Since 1997, however, consecutive Labour governments have ‘introduced a programme of legislation establishing, for the first time, a comprehensive framework of minimum employment standards’ (DTI 2005).

These standards include many elements of working conditions, work–life balance and collective labour relations. Paramount among them is the minimum wage, introduced in 2000 and today the third-highest statutory minimum wage in Europe. As a result of these re-regulation efforts, legislation has obtained a much more comprehensive role in setting minimum standards, and these standards affect all employees, independent of whether they are unionised or covered by a collective agreement (Dickens and Hall 2006).

Nevertheless, unionisation and collective agreement coverage remain important determinants of wages and working conditions and are both much higher in the public than in the private sector. This is important for the present study since collective bargaining is positively associated with compressing pay at workplace level, reducing the incidence of low pay, and with the existence of fringe benefits (Kersley et al. 2006: 196–201).

<sup>1</sup> This paper is a substantially shortened version of a full paper (Leschke and Keune, forthcoming). This shortened version will not present all data, methodology and theoretical considerations, for which the original paper can be consulted.

In Germany, labour market reforms in recent years have gone in the opposite direction from those in the UK. Germany in the mid-1990s was a comparatively highly regulated and coordinated economy, in terms of both labour legislation and a much higher coverage of collective agreements, mainly at the sectoral level. In the last decade a number of changes have taken place, however. The Hartz reforms introduced a number of changes aimed principally at deregulation and the increased use of flexible and marginal employment forms (Leschke forthcoming). In terms of collective bargaining, a process of decentralisation and differentiation can be observed in which the importance of sectoral agreements is declining while that of company agreements is increasing; in addition, there is less coordination of collective bargaining between and within sectors (Bispinck 2006; Seifert and Massa-Wirth 2005). As in the UK, trade union membership is higher in the public than in the private service sector, as is the coverage of collective agreements (Goerke and Pannenberg 2007; Addison et al. 2006).

In this context, what is to be expected concerning the differences in wages and working conditions between the public and private sectors in the two countries, and how did this change in 1997–2005? As argued above, we start from the hypothesis that wages and working conditions are of a higher average quality and less polarised in public sector services than in the private sector. We assume, however, that these differences are not stable or static over time.

For the UK we expect Labour's re-regulation efforts to lead to some improvement of the quality of employment across the board but also, for example, to lead to a stronger decline of temporary contracts in the private sector, where their incidence in the 1990s was higher than in the public sector.

For Germany, the general trend is expected to be the reverse, namely towards a worsening of employment quality, following deregula-

tion and flexibilisation of the labour market. This process is expected to affect both public and private employment, but to be stronger in the private service sector, considering the lower trade union density and collective agreement coverage. Since the public sector is expected to offer better quality employment on average, less precarious employment is likely to be found here than in the private sector. However, the question here remains whether this is due to the ownership factor, or to other differences between the two sectors.

## **Descriptive analysis**

### **The UK, 1997 and 2005**

The shares of the public and private sectors in total service employment did not change in the period 1997–2005: the public sector share remained at about 35%. Education levels are higher and workers are older in the public than in the private sector, the public service sector clearly is a 'female sector' while the private service sector has a much more balanced gender profile, and organisations are on average considerably smaller in the private than in the public sector.

Table 1 presents a comparison of working conditions in the two sectors. A number of important differences emerge. First, average monthly pay of full-time employees is about 10% lower in the private service sector, in both 1997 and 2005. Also, in the private sector the percentage on low wages (that is, below 60% of the overall median) is much higher for both years and, while this percentage declined over the eight-year period, probably linked to the introduction of the minimum wage, it declined faster in public services than in private ones. Moreover, pay is much less equally distributed in private services, which have an 80/20 labour income quintile share ratio<sup>2</sup> of 4.4 for 1997

<sup>2</sup> Ratio of total labour income received by the 20% of employees with the highest labour income (top quintile) to that received by the 20% of employees with the lowest labour income (lowest quintile).

and 4.0 for 2005, compared to 3.2 and 2.8, respectively, in the public sector. Hence, on all pay indicators the two sectors differ substantially.

This is much less the case where types of contract are concerned. The percentage of em-

ployees on permanent full-time ('standard') contracts and on part-time contracts is virtually the same for both years. The percentage on non-permanent contracts is slightly higher in the private sector but after a generalised decline over the eight-year period the difference is no longer significant.

**Table 1: Working conditions in the public and private service sectors in 1997 and 2005, UK\***

	1997					2005			
	Total	Public	Private	Public/ Private		Total	Public	Private	Public/ Private
	<b>Gross pay</b>					<b>Gross pay</b>			
Average pay (full-time workers) £	1449.5	1538.6	1397.0	1.1	1958.1	2106.2	1876.1	1.1	
Average pay (full-time workers) €	2093.7	2221.6	2017.9	1.1	2863.6	3080.1	2730.5	1.1	
Share that earns less than 60% of (overall monthly) median	28.3	19.2	33.2	0.6	25.0	15.9	31.0	0.5	
80/20 (overall) labour income quintile share ratio	4.1	3.2	4.4	0.7	3.6	2.8	4.0	0.7	
	<b>Contract type</b>					<b>Contract type</b>			
Permanent full-time	77.2 (n.s.)*	79.0 (n.s.)	76.2 (n.s.)	1.0	75.7	75.9	75.6	1.0	
Part-time (less than 30 hours) (perm. + fixed)	27.0 (n.s.)	25.0 (n.s.)	28.1 (n.s.)	0.9	26.5	25.7	26.9	1.0	
Non-permanent	10.7	9.8	11.1	0.9	6.2 (n.s.)	5.9 (n.s.)	6.4 (n.s.)	0.9	
Seasonal/temp. job	6.9	3.9	8.5	0.5	–	–	–	–	
Fixed-term contract	3.8	5.9	2.6	2.3	–	–	–	–	
Share seasonal in non-permanent	–	–	–	–	7.8	1.3	11.1	0.1	
Share fixed-term in non-permanent	–	–	–	–	29.4	54.3	16.7	3.3	
Share TWA in non-permanent	–	–	–	–	15.3	14.0	16.0	0.9	
Share casual in non-permanent	–	–	–	–	28.5	13.4	36.1	0.4	
Share other in non-permanent	–	–	–	–	19.1	17.0	20.1	0.8	
	<b>Working time</b>					<b>Working time</b>			
Average full-time (excluding overtime and meal breaks)	38.4	37.1	39.1	0.9	37.8	36.5	38.6	0.9	
Average part-time (excluding overtime and meal breaks)	15.2	16.4	14.6	1.1	15.9	16.7	15.4	1.1	
%>48h (excluding overtime and meal breaks)	5.3	2.7	6.7	0.4	4.7	2.6	6.1	0.4	
% less than 15 (excluding overtime and meal breaks)	13.0	10.7	14.1	0.8	10.5	7.9	12.3	0.6	
	<b>Participation in training (1998)</b>					<b>Participation in training</b>			
Training – yes	32.3	41.9	27.6	1.5	34.5	43.4	29.7	1.5	
	<b>Interest representation</b>					<b>Interest representation</b>			
Trade union membership	27.0	51.2	13.8	3.7	23.3	46.0	10.9	4.2	
Active in trade union	6.1	12.1	2.8	4.3	3.9	7.3	2.1	3.5	
Union or staff association at workplace	51.2	92.1	28.2	3.3	52.4	93.0	29.1	3.2	

\* n.s. stands for 'not significant'. It is displayed in the respective cell when the results of the Pearson chi-square test are not significant at the 0.5 level. Pearson chi-square controls for the hypothesis that the rows and columns in a two-way table are independent. For the variables income and average working time confidence intervals were used.

Source: Own calculations based on weighted BHPS data, several years.

Average full-time working hours declined overall during the period studied and so did the percentage of workers working very long (>48) and very short (<15) hours. However, differences between public and private services remain fairly stable: for both years, the full-time working week is about two hours shorter in the public sector, the percentage working very long hours in the public sector is less than half the percentage in the private sector, and the percentage working fewer than 15 hours is substantially lower in the public sector and declining faster over time than in the private sector.

The public sector also performs much better in terms of providing workers with training: over 40% of workers in the public sector receive training, while this percentage remains below 30% in the private sector. And while in both sectors this percentage increases slightly, the difference between the two remains almost the same.

Trade union membership is 4.2 times higher in the public sector and the difference between the two sectors increased between 1997 and 2005. The overall decline in union density of 3.7 percentage points over these years was thus proportionally stronger in the private than in the public sector. Also, a higher percentage of public sector workers are active in a trade union, even though in both sectors this group is diminishing strongly over time. Moreover, in more than 90% of workplaces in the public sector a union or staff association is active, compared to less than 30% in private services.

From this brief description it emerges that working conditions are clearly better in the public than in the private sector and this remains valid over time.

### **Germany 1997 and 2005**

In contrast to the UK, in Germany the weight of the private sector in total service employment increased from 54.5% to 60.4% between 1997 and 2005. Hence, it is coming closer to the stable UK level. The structural

differences between the two service sectors are very similar to the UK ones. Where gender differences are concerned, however, contrary to the UK, it is in private services where the share of women is higher, even though women are in the majority in both sectors.

Table 2 presents a comparison of working conditions in both sectors. First, as in the UK, the monthly pay of full-time employees is about 10% lower in the private service sector in both years. Also, in the private sector the percentage on low wages is much higher for both years and pay is much less equally distributed in private services. Contrary to the UK, however, both the percentage of workers earning a low wage and the labour income 80/20 quintile ratio increased over time for both sectors. Hence, while the UK is reducing low pay and becoming more equal, Germany is increasing low pay and becoming less equal. What is more, in 2005 the share of service sector workers earning a low wage was higher in Germany than in the UK and inequality reached almost UK levels.

In the public sector the share of permanent full-time employment is higher in both years but also declining faster: in 1997 this type of employment affected 79.6% of public sector workers, falling to 71.8% in 2005; the respective percentages for the private sector are 69.5% and 65.9%. Regular part-time contracts increased slightly for both sectors and are somewhat more common in the private sector. At the same time, marginal part-time contracts doubled for both sectors over these eight years, but they occur almost four times more frequently in the private sector. Temporary contracts seemingly declined in importance over time and affected about 13% of workers in both sectors in 2005. But only in 2005 was a separate question asked in the SOEP about temporary work agency employment, amounting in both sectors to some 3.5%, which more than cancels out this apparent decline.

**Table 2: Working conditions in the public and private service sectors in 1997 and 2005, Germany\***

	1997				2005				
	Total	Public	Private	Public/ private	Total	Public	Private	Public/ private	
<b>Gross pay</b>					<b>Gross pay</b>				
Average pay (full-time worker) €	2298.6	2421.5	2178.2	1.1	2877.8	3080.2	2713.3	1.1	
Share that earns less than 60% of (overall monthly) median	19.5	11.94	26.1	0.5	26.4	13.7	35.7	0.4	
80/20 labour income quintile share ratio	2.4	2.0	2.7	0.7	3.1	2.3	4.0	0.6	
<b>Contract type</b>					<b>Contract type</b>				
Permanent full-time	74.1	79.6	69.5	1.1	68.3	71.8	65.9	1.1	
Regular part-time (perm + fix)	22.4	19.8	24.6	0.8	25.7	24.8	26.3	0.9	
Marginal part-time (perm + fix)*	4.4	1.8	6.5	0.3	9.1	3.3	13.0	0.3	
Temporary contract	14.5	15.7	13.5	1.2	13.1 (n.s.)**	12.9 (n.s.)	13.1 (n.s.)	1.0	
TWA (Leiharbeit/Zeitarbeit)* (can be either permanent or temporary)	Not asked	Not asked	Not asked	–	3.5 (n.s.)	3.2 (n.s.)	3.8 (n.s.)	0.8	
<b>Working time</b>					<b>Working time</b>				
Average hours (full-time) (excluding overtime)	40.7	39.8	41.7	1.0	41.0	40.5	41.5	1.0	
Average hours (reg. part-time) (excluding overtime)	22.4	24.1	21.3	1.1	23.9	25.5	22.9	1.1	
%>48h (excluding overtime)	7.5	4.8	9.8	0.5	7.4	6.5	8.0	0.8	
% less than 15 (excluding overtime)	7.5	4.1	10.3	0.4	10.3	4.5	14.3	0.3	
<b>Participation in training (1993)</b>					<b>Participation in training (2004)</b>				
Training – yes	36.4	44.1	27.5	1.6	34.6	43.0	29.0	1.5	
<b>Interest representation (1998)</b>					<b>Interest representation (2003)</b>				
Trade union member	19.4	28.2	12.4	2.3	16.9	24.5	11.4	2.1	
Professional association member	8.7	13.9	4.6	3.0	9.7	14.5	6.3	2.3	
Works/staff council member	Not asked	Not asked	Not asked	–	4.0	6.2	2.5	2.5	

\* Marginal part-time employment is currently defined as work yielding income of less than 400 euros. Until 2003 the income threshold was lower and there was an additional hours rule – only part-time work of fewer than 15 hours falls under the marginal employment category. Marginal workers – unlike their employers who pay a global contribution and a global tax – do not pay social security contributions and have only limited rights to social security.

\*\* n.s. stands for ‘not significant’. It is displayed in the respective cell when the results of the Pearson chi-square test are not significant at the 0.5 level. Pearson chi-square controls for the hypothesis that the rows and columns in a two-way table are independent. For the variables income and average working time confidence intervals were used.

Source: Own calculations based on weighted SOEP data, several years.

Full-time employees in the private sector work more hours than those in the public sector, although the difference between the two fell to 1 hour in 2005. The percentage working more than 48 hours increased over time in the public sector and decreased in the private sector, the 2005 percentages being quite close: 6.5% for the public sector and 8% for the private sector. Reflecting the higher percentage of marginal part-time employment in the private sector, this sector also has a higher and increasing share of

workers working fewer than 15 hours (10.3% in 1997 and 14.3% in 2005). In the public sector the share remained relatively small, at around 4%.<sup>3</sup>

As in the UK, in the public sector workers receive training more often than in the

<sup>3</sup> Comparison of working hours in Germany with those in the UK is difficult because whereas in the UK they clearly exclude breaks, in Germany this remains unclear.

private sector. However, the shares are slightly declining in the public sector and slightly increasing in the private sector. For both sectors in 2005 the percentages receiving training were more or less equal to those in the UK. Overall trade union membership in Germany is declining and is substantially lower than in the UK, the difference being particularly large for the public sector where it was about half the UK figure in 2005. German public sector workers were about twice as likely to be union members as private sector workers in 2005, but membership declined somewhat faster in the public sector.

Overall, whereas working conditions are improving on most accounts in the UK, they are worsening on most accounts in Germany, reflecting the different reform paths. The two countries are now much more similar in terms of working conditions than they were in 1997. As in the UK, working conditions are better in the public sector than in the private sector in Germany, although the differences are often smaller than in the UK and they are decreasing.

#### **4. Multivariate analysis: Is there really a ‘public sector effect’?**

##### **Accumulation of precarious working conditions**

In this section we will present a multivariate analysis to determine the extent to which differences in the incidence of precariousness between the public and private sectors can be attributed to the ownership factor as such or to differences in terms of educational levels, share of female employment, age structure, NACE sectors or enterprise size. First, we briefly review the extent to which different factors that make jobs precarious accumulate and the extent to which they do so differently in the public and private sectors. Due to data limitations, we restrict ourselves to three dimensions that capture important dimensions of precariousness:

‘low pay’, ‘very short or long working hours’ and ‘temporary contracts’.<sup>4</sup>

In the UK, 21.4% of service sector jobs are precarious on only one of these three dimensions. This percentage is substantially higher in the private sector (24.6%) than in the public sector (16%). In the public sector 3.2% of jobs are precarious on two of these dimensions and 0.1% on three dimensions. The respective figures for the private sector are much higher: 7.9% and 2.3%.

In Germany almost 30% of jobs in the service sector are precarious on one of the dimensions. This is true for more than one third of all jobs in private services and 21% of jobs in public services. Differences between the public and private sectors are similarly pronounced if we look at combinations of two dimensions of precariousness; this is the case for about one fifth of workers in the private and about every 12th worker in the public sector. Similar to the UK very few people have jobs that incorporate all three dimensions of precariousness; the shares amount to 1.2% in the public and 1.7% in the private sector.

Hence, the percentages of employed persons with one or two dimensions of precariousness are substantially higher in Germany than in the UK. But in both countries workers in the private sector are on average much more likely to be in an employment relationship that is precarious on at least one of the three dimensions. They are also more likely to accumulate different dimensions of precariousness. Does this result prove true in a multivariate setting that controls for

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<sup>4</sup> Low pay is defined as 60% of the median hourly wage. In line with the common definition of marginal employment working times of less than 15 hours a week are defined as low hours. In our definition excessive working hours concern weekly working hours above 48 hours. Temporary contracts are all contracts concluded for a limited duration. These can be, for example, fixed-term contracts, temporary work agency contracts, seasonal contracts and casual contracts.

different profiles of both sectors, namely gender, age and educational composition, as well as economic activity (NACE) and organisation size?

Analysing first the UK and then Germany, in a first step we test whether there are sectoral effects on low wages, low/excessive working hours and temporary contracts if we control for worker and organisation characteristics. In a second step, a regression model is calculated on a dependent variable that contrasts employment relationships that are not precarious on any of our three

dimensions with those that accumulate at least two dimensions of precariousness.

### The UK models

In the UK, for the three dimensions of precariousness a genuine public–private sector effect can be detected only for low wages. The results show that when controlling for workers' and organisation characteristics employees in the private sector are three times more likely to have low hourly wages than employees in the public sector (Table 3).

**Table 3: The effect of working in the private sector on low wages, low/excessive hours and having a temporary contract, UK, 2005**

	Low wages	Low/excessive hours	Temporary contract
<b>Private sector</b>	<b>2.99**</b>	<b>1.25</b>	<b>0.72</b>
<b>P values</b>	(0.000)	(0.136)	(0.119)
<b>p<sup>2</sup>MF</b>	0.2286	0.0786	0.1309
<b>Prob&gt;chi2</b>	0.0000	0.0000	0.0000
+ significant at 10%; * significant at 5%; ** significant at 1%			
Besides the public/private sector effect, the models control for gender (reference: male), age (reference: 25–54 years), education level (reference: low qualified), sector of activity (reference: public administration) and firm/organisation size (reference: 1000+ employees).			

Source: Own calculations based on BHPS data for 2005.

We now accumulate the three dimensions of precariousness and contrast jobs that are not precarious on any dimension and jobs that are precarious on at least two dimensions. Controlling for characteristics of workers and organisations, the effect of the private sector on the accumulation of precariousness is not significant at the 5% level (Table 4). But if we take full-time students out of the sample the private sector effect becomes positive and significant: regular workers (non-students) in the private sector are significantly more likely than those in the public sector to suffer from accumulated precariousness. This is confirmed by the relationship between precariousness and NACE sectors. Concerning economic active-

ties we use public administration and defence as the reference category since it most clearly represents the public sector. In all other sectors except financial intermediation, though not significantly, the accumulation of precarious working conditions is more likely (Table 4). In particular, bad working conditions in terms of precariousness are observed in the hotels and restaurants sector, but also in education and private households. The organisation size effect is significant and positive only for organisations with fewer than 24 workers, where the odds of accumulating precariousness dimensions are 2.5 times larger than in organisations with more than 1000 workers.

**Table 4: Logistic regression model on precarious working conditions, UK, 2005**

Dependent variable: precarious on two or three dimensions (contrast precarious on zero dimensions)	Odds ratio
Private sector	1.50+
Female	1.15
REFERENCE: 25–54 years	
16–24 years	8.41**
55–64 years	1.50+
REFERENCE: Low education level	
Medium education level	1.21
High education level	0.43**
REFERENCE: Public administration, defence	
Wholesale and retail; motor and household goods	7.42**
Hotels and restaurants	17.27**
Transport, storage and communications	3.92*
Financial intermediation	0.27
Real estate, renting, business act.	4.62*
Education	14.21**
Health and social work	5.90**
Other community, soc. and pers. service	8.49**
Private households	13.44**
REFERENCE: Organisation size 1000+ workers	
0–24 workers	2.53**
25–99 workers	1.65
100–199 workers	1.11
200–999 workers	1.30
<b>p<sup>2</sup>MF</b>	0.2925
<b>Observations</b>	4220
<b>Prob&gt;chi2</b>	0.0000
+ significant at 10%; * significant at 5%; ** significant at 1%	

Source: Own calculations based on BHPS data for 2005.

### The German models

In Germany, we detect a genuine effect of the public–private sector variable on both low wages and low/excessive working time if we control for worker and organisation characteristics, although the explanatory power of the latter model is weak (Table 5).

As in the UK, the effect of the sector variable on holding a temporary contract is not significant.

**Table 5: The effect of working in the private sector on low wages, low/excessive hours and having a temporary contract, Germany, 2005**

	Low wages	Low/excessive hours	Temporary contract
Private sector	2.23**	1.61**	0.81
P values	(0.000)	(0.000)	(0.126)
p <sup>2</sup> MF	0.2571	0.0568	0.2088
Prob>chi2	0.0000	0.0000	0.0000
+ significant at 10%; * significant at 5%; ** significant at 1%			
Besides the public/private sector effect, the models control for gender (reference: male), age (reference: 25–54 years), education level (reference: low qualified), sector of activity (reference: public administration) and organisation size (reference: 2000+ employees).			

Source: Own calculations based on SOEP data for 2005.

We now contrast those not precarious on any dimension with those precarious on at least two dimensions again. After controlling for individual worker and organisation characteristics, the odds of accumulating precariousness are almost twice as big in the private than in the public sector and the results are highly significant (Table 6). Concerning economic sectors, with public administration and defence as the reference category, hotels and restaurants fare worst, followed by

education and other community, social and personal services. The effects for the other sectors are not significant. The ranking of economic sectors was similar in the UK regression model but effects in reference to public administration and defence were considerably stronger than in Germany. As in the UK, the odds of accumulating precariousness are larger in smaller organisations.

**Table 6: Logistic regression model on precarious working conditions, Germany, 2005**

Dependent variable: precarious on two or three dimensions (contrast not precarious)	Odds ratio
Private sector	1.78**
Female	1.33**
REFERENCE: 25–54 years	
16–24 years	16.33**
55–64 years	0.73
REFERENCE: Low education level (ISCED 1–2)	
Medium education level (ISCED 3–4)	0.47**
High education level (ISCED 5–6)	0.24**
REFERENCE: Public administration, defence	
Wholesale and retail; motor and household goods	1.30
Hotels and restaurants	4.24**
Transport, storage and communications	1.17
Financial intermediation	0.67
Real estate, renting, business act.	1.35
Education	2.20**
Health and social work	1.27
Other community, soc. and pers. service	2.18*
Private Households	0.97
Services (no economic classification)	1.12
REFERENCE: Organisation size 2000+ workers	
0–20 workers	3.33**
20–100 workers	2.70**
100–200 workers	1.34
200–2000 workers	1.33
Observations	4122
p <sup>2</sup> MF	0.3072
Prob>chi2	0.0000
+ significant at 10%; * significant at 5%; ** significant at 1%	

Source: Own calculations based on SOEP data for 2005.

## Conclusion

In Europe the UK and Germany traditionally represent the ‘archetypal’ examples of the liberal market economy and the coordinated market economy, the two main varieties of capitalism distinguished in the literature. But the characteristics of labour market institutions in the two cases have changed in

the past decade in the opposite direction, with the UK demonstrating a process of (limited) re-regulation (for instance low pay, inequality and average working time are declining) and Germany one of progressive deregulation (low pay, inequality and marginal employment are increasing). As a

result, the two cases have become more similar over time, even though important differences remain, in particular where the coverage of collective agreements is concerned. Indeed, looking at the reform paths of the two countries in the last decade, the two cases appear less and less to be two radically different models of capitalism as far as the labour market is concerned.

Comparing public and private service employment, as has been demonstrated, in both countries the public sector performs better in terms of working conditions in general and

precarious employment in particular. In fact, the multivariate analysis showed that even if we control for structural differences in terms of age, education, organisation size and sectoral distribution, working in the private service sector significantly contributes to the likelihood of being in precarious employment. This autonomous public–private sector effect prevails independently of the model of capitalism. This finding is important for the European debate on privatisation since it suggests that privatisation is likely to result in a deterioration of working conditions and an increase in precariousness.

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