

Briefing Paper 74

A dimming of the 'warm glow'? Are non-profit workers in the UK still more satisfied with their jobs than other workers?

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Introduction

Work is one of the most important components of human life. Different disciplines have studied the topic of well-being at work and in particular sociologists and industrial psychologists have focused on job satisfaction. Only more recently has job satisfaction attracted attention from applied economists. Freeman (1978) argued that job satisfaction is a meaningful variable to look at because it sums up a wide range of job characteristics and reflects aspects of the workplace not captured by standard 'objective' variables. Job satisfaction expresses workers' utility derived from their work, which is the common focus of economists' studies, both theoretical and empirical.

The aim of this paper is to investigate to what extent job satisfaction in the non-profit sector is different from job satisfaction in other sectors and whether the non-profit sector advantage in job satisfaction, as found previously in the literature, still holds. This premium is sometimes known as the 'warm glow' (Andreoni 1990).

We use 17 years' data from the British Household Panel Survey (1992 to 2008). Regression analyses shows a clear differential in job satisfaction between different job sectors. Using the Blinder-Oaxaca decomposition technique, we analyse these differences in more detail in order to

investigate the explained and unexplained parts of the gap in job satisfaction between job sectors.

The literature

In common with much of the existing empirical literature, the explanatory variables in our analysis belong to three different areas: personal, job and organisational characteristics.

Personal characteristics

These include gender, age, education and marital status. Most studies on job satisfaction have looked separately at men and women because the latter have consistently reported higher levels of job satisfaction. In respect of age, empirical literature has found that there is a positive relationship between age and job satisfaction (Warr, 1992). Job satisfaction is quite high among young workers who are new entrants to the labour market. It tends to decline during the first few years of employment, reaching a low point when employees are in their late twenties or early thirties. After that, job morale climbs steadily with age because people seem to come to terms with their occupational role. The empirical literature also shows that job satisfaction decreases with education: more educated workers are less satisfied (Clark, 1996).

Job characteristics

Focusing on job-related factors, controls for the hourly wage are generally included in the analysis because monetary motivations are relevant to determining worker satisfaction. Not only absolute but also relative wage (Clark, 1996), comparison income (Clark and Oswald, 1996) and wage growth (Clark, 1999) have been investigated. Throughout the empirical literature it has been found that workers' individual well-being depends on the satisfaction they derive from their working hours. Green and Tsitsianis (2005) found that in Britain and West Germany, working too many hours has a higher negative effect on job satisfaction than working too few hours, while in East Germany the converse is true. Also in Blanchflower and Oswald (1999) working hours accounted significantly for the decline in job satisfaction registered in the US. Lastly, the nature of the job contract which can be seasonal, temporary, casual or for a fixed period of time (Clark, 1997; Serrano 2011) and the contractual relation (full time or part time) are both taken into account.

Organisational characteristics

Moving to organisation-related characteristics, Idson (1990) was one of the first researchers to study the effect of firm size on job satisfaction. Serrano (2011) focused his attention on the potential impact of the work environment on job satisfaction and the diverging effects of working conditions and the structure of work by firm size using a Spanish sample. His findings were that workers in larger firms face a worse work environment and working in large firms significantly reduces job satisfaction when no controls for working conditions are included. If he instead considered working conditions in the regressions, the differentials across size categories were statistically insignificant.

Work in the non-profit sector

Workers in non-profit organisations tend to believe they have greater autonomy and involvement in the running of the organisation. Analysis of the 2006 Skills Survey found that those working for non-profits were much more likely to believe they had a large element of choice in how their job was done, and that they would be involved in any decisions that affected the nature of their job. They also thought that they were inspired by the organisation, and that they shared similar values – to a much greater extent than in the public and private sectors.

Analysis

Following this line of work and making use of these variables, this paper investigates whether the advantage in job satisfaction found in previous literature still holds, in a model which contains detailed information on individual characteristics, economic factors and work environment.

This work addresses job satisfaction issues with respect to Britain in the past two decades. It examines job satisfaction using 17 waves of British Household Panel Survey (BHPS) data, from 1992 to 2008. Given the longitudinal nature of the data, we investigate trends in job satisfaction over time.

Even after controlling for important explanatory variables belonging to the three areas mentioned above (personal, job and organisational characteristics) we still expect to find unexplained variation between the sectors. We therefore take a second step, not previously investigated by the literature, which consists of trying to explore any apparent discrepancy in job satisfaction among job sectors using the Blinder-Oaxaca decomposition technique. This is an econometric technique that breaks down the difference in job satisfaction into one part that is due to working in the third sector and another that is the result of differences in hours worked, size of organisation and other relevant variables

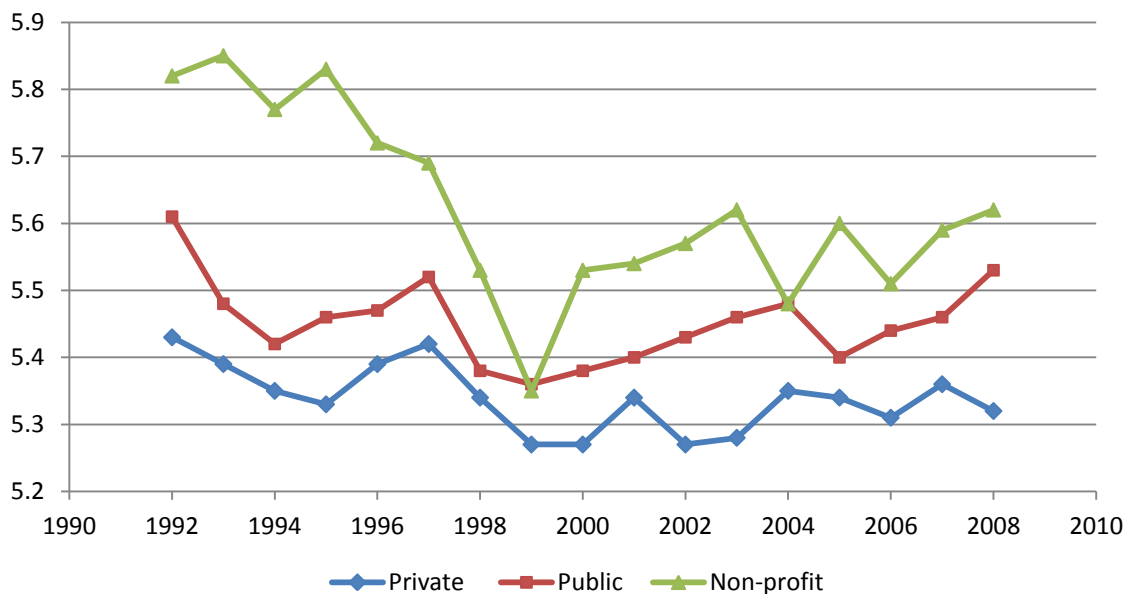
Results

The figure below shows overall job satisfaction among the different sectors. There are clear differences in levels of satisfaction between the sectors. Workers within non-profit sector report higher levels of satisfaction at workplace than employees within both private and public sector. However, the gap seems to be closing. The voluntary sector premium in job satisfaction seems to be falling especially if we compare the non-profit and public sectors.

From the empirical analyses undertaken in this section (using both the econometric techniques, fixed effects and ordered logit models) we found some key results, which are

in line with the literature. Women report higher levels of job satisfaction. Job satisfaction is decreasing in education; as the individual's financial problems worsen, the reported job satisfaction decreases while higher income leads to higher job satisfaction. In respect of the job hours, they have a significant and negative impact on reported job satisfaction as expected. As far as the size of the organisation is concerned, the bigger, the less job satisfaction. However, the strongest and most remarkable finding is that job satisfaction is higher for people who work within the non-profit sector. We believe that it is worthwhile further analysing this differential, as we do in the next section using a decomposition approach.

Overall job satisfaction by job sector (1992-2008). Weighted average data.



The unexplained factor

Estimates reveal evidence of a remarkable gap in overall job satisfaction between job sectors after controlling for personal, job and organisation characteristics. These differences are statistically significant at 1% and they hold if we analyse the other four facets of satisfaction at the work place. We therefore seek to go further in the analysis by decomposing inequality in job satisfaction using the Blinder-Oaxaca decomposition

technique (Blinder, 1973; Oaxaca, 1973). This allows us to get the value and the weight of three different components of the differential, i.e. the 'explained' part by group differences, the second component which cannot be accounted for by such differences in job satisfaction determinants.

The Blinder-Oaxaca decomposition technique is firstly applied to job satisfaction differences between two groups: non-profits and the 'private and public' sector. As the 'explained'

component is little and negative and the interaction term is negative as well, the second term (the 'unexplained part') is therefore extremely relevant and it is also significant. As a second step the Blinder-Oaxaca decomposition technique is applied separately to job satisfaction differences between two groups (non-profit and the 'private' sector and non-profit and 'public' sector). In the first case the endowment component is negative; the interaction is very low and now not significant though. The 'unexplained part' is therefore the element which completely accounts for the satisfaction gap between non-profit and private sector employees. In the analysis repeated after isolating the public sector, the endowment and interaction components play a minor positive role in explaining the satisfaction gap between non-profit and public sector employees (they are not statistically significant as well). Again it is the coefficient component that is responsible for the gap.

These consistent results throughout the three analyses related to job sectors strengthen the hypothesis that the 'unexplained part' may be linked to the 'warm glow theory', suggested by (Andreoni, 1990) who defined 'warm glow' as 'the utility derived from the act of giving'. We believe that this utility may be a possible reasonable explanation of the unexplained part of the satisfaction gap found in the above estimates.

Conclusion

This paper analysed BHPS data from 1992 to 2008 focusing on the overall job satisfaction of a representative sample of workers within Britain. Regressions were run in line with the existing empirical literature in order to identify the determinants of job satisfaction in models which contained detailed information on individual, job and organisational characteristics. The most remarkable results

are the higher levels of job satisfaction reported by women and by employees within the non-profit sector, after controlling for the three sets of features. The longitudinal nature of the data allowed us to investigate job satisfaction change levels over time: we found a reduced non-profit premium in job satisfaction.

The novelty of this piece of work is that it applies the Blinder-Oaxaca decomposition technique to an in depth analysis of the gap differential in overall job satisfaction between people working in different sectors. This technique was implemented to provide an in-depth study of discrepancies in the reported level of job satisfaction between workers within the 'non-profit' and the private and public sectors. In both cases, the findings were that the differences are mostly and significantly accounted for in the 'unexplained component'.

In respect of these differences in the reported level of job satisfaction between non-profit sector and private and public sectors, the robust results seemed to support the 'warm glow theory' (Andreoni, 1990). Another possible explanation refers to the self selection of third sector workers, who are expected to be more motivated and who may share the values of the organisations they work for and commit to their mission. A further rationale for this finding may be related to the conditions of the workplace within the non-profit sector organisations. These findings also suggest further challenging research into mainly two implications: the economic impact of job satisfaction within the 'non-profit sector' on one hand and on the other the economic cost of people not that satisfied with their job in both the private and public sectors. It would also be interesting to isolate within the sample the 'sector switchers', i.e. people who move between sectors.

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