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Reviewing the literature on pay and non-standard employment taking a cross sector perspective

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Background

Despite the recent increases in total employment in the UK there remain concerns about increases in non-standard, insecure, poor quality jobs. These are jobs that do not fit the traditional model of full time permanent positions because they are part time or temporary with low pay, poor conditions and few training and career prospects. Kalleberg (2009) for example, has argued for over a decade that we are seeing a rise in labour market inequality with an increasing polarisation of ‘good’ jobs that are well paid with fringe benefits, job security and opportunities for advancement and even high levels of intrinsic reward and worker control, and ‘bad’ jobs that are low waged with little security or prospects and little meaning or autonomy for the worker. (Kalleberg 2011) Beck’s (1992) de-standardization of labour thesis, suggests the old divisions between blue collar and white collar workers are being replaced with a new division between full time employment and ‘risk-fraught’ flexible individualised non-standard arrangements These themes play out in Ritzer’s discussion of ‘Mcjobs’ (1998); Beynon’s review of what he calls hyphenated jobs (1997), debates on flexibilisation of the workforce, precarious work and the creation of a precariat class (Standing 2011; Savage et al 2013). Some commentators see this polarisation as having a long trajectory related to wider socio economic changes and the emergence of global capitalism creating a new stage in the commodification of labour (Gortz 1999) Kalleberg (2009) identifies a convergence of processes related to neoliberal globalisation from the 1970s onwards that resulted in work intensification, increased competition, outsourcing and declining representation that has spread to all sectors of the economy and created the environment for a degrading of pay and conditions.
These debates and the trends that they highlight have ongoing relevance and resonance particularly in light of recent economic crises that draw attention to the poor situation of some groups of workers. Labour market research in the UK has begun to focus on the 2008/9 recession and the period of economic austerity that followed in order to understand the particular effects that these events are having on the nature and patterning of employment (Warren, Rubery and Rafferty 2013, Bell and Blanchflower 2013, Gregg and Wadsworth 2010, Felstead 2011). Research has engaged with the extent to which recessions create particular forms of deterioration in job quality and whether this has affected particular groups of employees more than others. Early findings have shown that whilst there has been a significant increase in unemployment during the 2008/9 recession it has not been as significant as expected. Commentators have argued that a significant crisis was averted by increases in involuntary part time work (underemployment) and pay freezes that enabled employers to maintain staff levels whilst cutting costs (Bell and Blanchflower 2013; Gregg and Wadsworth 2010; Felstead 2011). In other words the recession appears to have impacted on job quality for those in work.

The recession has also thrown a spotlight on the sector of ownership (i.e. public, private or third/voluntary) of employers since there have been some sector differences in recessionary impacts. The National Council for Voluntary Organisations (NCVO) Almanac tells us that whilst the third sector’s workforce is significantly smaller than the other two sectors it has grown substantially over the past 20 years from 2% in 2001 to peak at 2.7% in 2010. The private sector suffered much bigger job cuts than the public and third sector immediately following the recession whilst the number employed in the third sector continued to increase year on year until 2010 (Moro and Mckay 2010), whilst the public sector continued to expand until 2010. However, the ongoing austerity measures, particularly widespread cuts to public spending in the UK, are likely to have hit the public and third sectors much harder than the private sector. This suggested that both the public sector workforce and those in third and private sector delivering contracted public services would be vulnerable to job loss and employment downgrading. Certainly employment in the private sector started to rise again in 2009, whilst jobs in the third sector fell briefly in 2011 but recovered after a period of stability. The number of the public sector jobs has been falling progressively since 2010. However, a more detailed understanding of the differential impacts of the recession on the workforce in different sectors is not yet possible as there is little systematic cross sector analysis available.

Indeed more generally whilst the issue of job quality has been central to academic debates about the changing nature of work it has not been explored in terms of differences between sectors. Commentators have, historically, paid little attention to the economic sector within which workers and jobs are located. Almond and Kendall (2001) argue that despite the growth of the third sector’s paid workforce and the increasing recognition of its importance by policy makers, mainstream economics has largely ignored it. Recent studies on the impact of the recession have also failed to explore sector differences. Where sector is included in the analysis there is a tendency to only compare the public

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1 The almanac provides a yearly account of the scope, character and trends affecting the sector’s paid workforce that also compares across sectors based on analysis of the UK Labour Force Survey
2 The third sector constituted 2.6% of the UK workforce in 2011 (http://www.3rdsectorworkforce.org.uk/how-many-people-work-in-the-voluntary-sector/) compared to the private sector (72%) and the public sector (25%) (Figures from Annual Population Survey)
and private sectors and it is often unclear whether the third sector has been subsumed into the public sector in the analysis or whether it is being omitted entirely. The result has been little understanding of the scope and character (quantity, quality and sustainability) of employment in the sector at all and in particular how it compared to other sectors.

Whilst the third sector tends not to feature in mainstream economics or sociological studies of the labour market the third sector studies literature suggests some interesting issues in relation to job quality in the sector. Almond and Kendall’s analysis of pooled LFS data 1995-1997 highlighted significant demographic variations in the workforce of different sectors. The third sector was found to be more dominated by women than the public sector with the private sector having the lowest number of female employees. Third sector workers were found to be markedly better qualified with more than a quarter (25.6%) educated to degree level compared to 22.7% in the public and 10.1% in the private sector. These findings were echoed in the later NCVO analysis of the LFS data for the almanac (NCVO 2013). Others have identified higher levels of job satisfaction amongst third sector workers than those in the other two sectors although three has also been some convergence in these trends over the last 20 years (Donegani et al 2012). In the US, a number of studies have focused on third sector wage differentials and in the UK a predominantly qualitative body of research has focused on the increasingly formalised role of the third sector in delivering public services and the impact of these developments on the sectors workforce. Whilst the third sector studies highlight important issues facing the sector’s workforce they are relatively narrow in scope and often lack a sector comparative dimension which means they tend to isolate the third sector workforce from wider debates about changing labour markets, changes in the nature of work and the rise in poor quality jobs.

**Aims**

In this working paper we review the literature and evidence on the position of the third sector workforce compared with the public and private sector workforces in relation to poor quality jobs. We seek to establish what we do know about ‘bad’ or poor quality jobs in the third sector; what we do know about how the third sector compares to other sectors in this regard and what we know about the trends in relation to job quality across the three sectors. This review is conducted in order to highlight particular issues and gaps in our knowledge and so inform future studies of job quality and sector difference.

As the introduction makes clear the definition of a bad or poor quality job is multidimensional and not necessarily easy to operationalise and measure. For this review we have chosen to limit our search to two important proxies for bad jobs: low pay and non-standard employment. The first of these pay is a significant dimension of job quality but also taps into a particular sector specific debate about wage premiums and penalties. The second captures an important dimension of insecure employment; a key factor in ‘poor quality ‘ jobs. These two indicators provide a starting point for interrogating the literature and highlighting particular sector related issues and gaps. Later in the paper we discuss limitations of choosing low pay and non-standard employment as the indicators of bad jobs.
The review was guided by three questions:

- What do we know about pay and non-standard jobs in the third sector and how does the sector compare to the public and private sector?
- To what extent has there been a worsening of pay and an increase in non-standard jobs in the third sector in the UK and how does it compare to other sectors?
- To what extent might these trends be linked to recent recession and austerity periods in the UK?

The review involved searches using Google Scholar and university online databases. Search terms included pay, insecurity, non-standard employment public, private, third and voluntary sector, bad jobs, recession, flexible work. The aim was not to provide an exhaustive account of available literature on poor quality jobs but one which identified key texts issues, evidence and debates and highlighted important gaps in relation to job quality and sector. Summarising this literature would enable us to suggest hypotheses for further data analyses and research. The search exercise produced a list of articles and books from a range of disciplines, primarily the sociology of work, business and management, third sector studies, and economics. We summarise the key findings in three sections; firstly what we know about the scope and character of third sector’s workforce and how it compares to the public and private sector workforces; secondly what we know about pay in the sector, and thirdly what we know about non-standard jobs in the sector. We draw together some emerging issues and questions in the conclusion and suggest some hypotheses that we propose to test with analysis of trends in the Labour Force Survey (LFS) in the future.

### Comparing pay and non-standard employment across sectors

#### Pay

The literature provides a comparative perspective on pay across different sectors but also reveals substantial complexity resulting from differences in what is being measured and how that is disaggregated by socio demographic characteristics. Most studies measure rates of hourly or weekly pay across sectors but others have looked specifically at the likelihood of an individual being low paid in different sectors. In an example of the latter approach Almond and Kendall identified a lack of a cross sector analysis of Low Pay in the UK literature arguing that mainstream economic theory tended to focus on a particular set of indicators (i.e. occupation, industry, age, gender and employment status). To counter this deficit their analysis of the LFS data pooled for 1996/7 sought to establish the probability of being low paid for given categories of worker (gender, age and occupation) by sector. Defining low pay as at or below the minimum wage they found a substantial gap between the high number of employees in the private and third sector in this category (20.2 and 16.8% respectively) compared to those in the public sector where only 6.3% were in this category. However they also show that sector patterns masked considerable variation for different categories of worker. For men the probability of being low paid was about the same in the third and private sector which were both higher than the public sector. Conversely a women working in the private sector has a 1 in 3 chance of being low paid compared to a women working in the third sector who has only a 1 in 6 chance. Whilst
the sector may have more highly qualified staff than other sectors they note that it also has the highest proportion of workers who are low paid within their qualification group. Consequently 'the third sector is the only case in which more than 1 per cent of workers are human capital rich but current wage poor: just under 2 percent of all third sector employees fit this description compared with 0.5 percent in the private sector and 0.2 percent in the public sector. (Almond and Kendall 2000 p62)

Analysis that compares general levels of pay across sectors has examined wage differentials; the apparent gap between overall rates of pay for workers in different sectors. In the US in the 80s and 90s for example studies that focused sector wage differentials looked particular occupations (Weisbrod 1983) and occupational types (Preston 1989) and revealed a substantial third sector wage discount. In other words third sector workers earned less than workers in other sectors in that particular industry or field. However, others looking across the three sectors as a whole found little evidence of a third sector discount overall (Leete 2001). Recent studies in the UK have highlighted a steady increase in earnings for the third sector’s workforce over the past 20 years with mixed and intermittent evidence of a public sector wage premium and third sector wage discount. Rutherford (2013), looking at wages across all three sectors by gender, found that for male workers in 1997 there was a public sector wage premium of 3.5% and voluntary sector wage discount of 12.5%. However, for female workers the public sector premium was 5.7% but there was no significant voluntary sector wage discount. Rutherford goes on to trace these differentials over a ten year period between 1997 and 2007 and found that they declined significantly as voluntary sector wages grew over this period faster than the private or public sector. The result was that the wage gap between sectors closed for men over the 10 years, while wage differences between sectors for female workers remained insignificant. (Rutherford 2013).

Whilst the trends outlined by Rutherford suggest a longer term convergence in wage differentials across the three sectors his analysis stops at 2007 so it is not clear what impact the recession and its aftermath have had. In fact NCVO analysis of the LFS data found that in 2011 whilst earnings continued to increase in the third sector, pay was lower than both the private and public sectors (NCVO 2013) although they also note that the gender pay gap (at 10%) was also substantially lower than the private sector (35%) and the public sector (19%). However there is no comparison of trends across all three sectors over the period of recession and austerity in the NCVO data.

Qualitative and smaller scale studies of the third sector workforce create further questions in relation to findings that pay in the third sector is increasing and that wages are becoming more in line with the other two sectors. These studies explore how restructuring of public services has led to shifts in the structure, funding and governance of third sector organisations that has in turn impacted on the working conditions of staff (Cunningham 2008; Cunningham and James 2009; Cunningham et al 2013; Baines 2004; Baines 2010) They find mostly negative issues for particular groups of workers including increases in job insecurity, salary reduction, casualization, work intensification and a ‘fragmentation’ of pay and conditions. For example Cunningham et al’s survey of third sector employers in Scotland undertaken in late 2010, found many instances of a degrading of pay with 76% introducing a pay freeze and 90% failing to awarded a cost of living increase both of which effectively broke links to public sector pay scales although he notes that not all organisations succumbed to
pressure to degrade terms and conditions. (Cunningham et al 2013 p178). A qualitative study of staff in a small number of social care organisations by Cunningham and James found problems with maintaining existing links to local authority pay scales as well as increased insecurity amongst staff resulting from restructuring and redundancy programmes (Cunningham and James 2009). The problem with the third sector focused studies is that only looking at the third sector organisations in the context of public service delivery means there is little scope to examine the extent to which these same pressures might be acting on the public sector itself or its private sector sub-contractors and their workforce.

Overall then the data suggests that pay in the third sector is not significantly different to pay in the other sectors although workers may be relatively low paid for their qualification, and there is no evidence of deterioration in this particular dimension of job quality at least at a broad sector level, In fact pay in the third sector appears to have improved over a 20 year period relative to the other two sectors. However there is a lack of evidence about the detail of pay trends across sectors, particularly over the recession and austerity period. Not only that but evidence from US and qualitative studies indicate that the broad sector picture is likely to disguise diversity and complexity at the industry, subsector and demographic level. The implication here is that to find low paid jobs in the third sector and indeed the public and private sector it is necessary to look at particular groups of employees in particular subsectors or industries.

**Non-standard employment**

We now focus on the other factor in our review of the evidence on job quality – insecurity and specifically non-standard jobs. The concept of work insecurity can be operationalised using a range of indicators. Kalleberg (2009) focusing on US data points to five different areas of empirical evidence that indicate a growth of precarious insecure work: 1) a decline in attachment to employers, specifically the length of time people spend with one employer; 2) the increase in long term unemployment; 3) a growth in perceived (subjective) job insecurity; 4) Growth of non-standard work and contingent and flexible work arrangements; 5) the shifting of risk in pensions and health insurance contributions to employees. It is the objective indicators that are the most straightforward to measure using existing surveys and it is Kalleberg’s 4th area of evidence that is most routinely used as a proxy for insecurity. Non-standard work, defined as the absence of a full time permanent contract rather than any specific characteristic of its own, is seen to include part time work and other non-standard working hours arrangements, and temporary work, such as fixed term contracts and seasonal work. These are not intrinsically or necessarily poor quality jobs – a freelancer might be extremely well paid for their six week commission. However, studies that have tested the link have consistently found a weakening of job quality in nonstandard jobs with lower pay comparatively, poorer benefits and fewer prospects. As Mcgovern et al note ‘part time jobs whether temporary or permanent and temporary jobs whether fixed term or casual or temp agency offer poorer conditions than the permanent full time standard (Mcgovern et al 2004 p239). Purcell asserts that ‘for workers on temporary contracts, insecurity is a deliberate and intrinsic component of the employment relationship (Purcell 2000 in Conley 2002 p725) see also Diwitte and Naswall 2003). Evidence shows that temporary employment contracts are
associated with a number of negative impacts on individuals. For example Booth et al (2002) used the BHPS to look at fixed term, casual and seasonal contracts. They found that these arrangements were associated with lower levels of job satisfaction, less training and lower wages compared to permanent staff.

Here then we look for the extent of non-standard forms of contract across all three sectors focusing primarily on part time work, and temporary work (including fixed term contracts, annualised and zero hours contracts). Analysis of these dimensions by mainstream literature has mostly either ignored sector completely or only compared public and private sectors. The exception is part time work which is well documented. We know that, in the UK, third sector employment has long been characterised by high levels of part time work compared to the other two sectors. Almond and Kendall’s analysis of pooled LFS data 1995-1997 found that as expected the third sector had proportionately more part time staff than the other two sectors (33.3% compared with 28% in the public and 22.1% in the private sector) More recently analysis of the 2011 LFS data by NCVO found 40% of the sector’s workforce were working part time, compared to the public and private sector workforce where it was 30% and 25% respectively. (NCVO 2013) They also note that part time work tends to be highly gendered in every sector, although nearly half (47%) of the women employed within the voluntary sector were employed part-time compared to 44% in the private sector and 40% in the public sector.

In terms of trends in part time work the NCVO data shows a small increase in part time workers in the third sector since 2002 mirroring a similar increase in full time workers in the sector over the same period. There is evidence that part time work has also been increasing in a number of occupations across the public and private sectors at least until 2008 (UKCES cited in Lyonnette 2010). These increases appeared to continue over the period of recession and austerity. There has certainly been an overall drop in average working hours since the onset of recession. (Gregg and Wadsworth 2010) The proportion working part time in the third sector increased by more than 2% between 2010 and 2011 (NCVO Almanac 2013) and also went up by ... in the public and private sector. This recent increase across all sectors appears to be related to an increase in involuntary part time work as a result of the recession and austerity period (Warren 2013). Overall 16% of third sector part time employees were part-time because they could not find a full-time job; a proportion that has risen from a low of 7% in 2004. This is higher than the public sector (13%) but lower than the private sector (18%) (NCVO 2013). This suggests that in relation to this particular issue the impact of the recession on the workforces of all three sectors have been broadly similar.

In the UK, data on temporary contracts is fragmented and mostly not disaggregated by sector. Almond and Kendall in their analysis of pooled LFS data 2006/7 found temporary employment was highest in the third sector at 10.4% followed by 9.9% in the public sector and much lower at 4.8% in the private sector. The nature of the temporary contracts also differed. The private sector had a broad mix of types; seasonal, fixed term, agency, casual and others. The third sector and public sector temporary contracts were predominantly fixed term. These were highest in the public sector at 71% of all temporary contracts, in the third sector it was 65% and in the private sector 37%. The third sector made less use of agency temping staff at 3.8% and seasonal workers at 3.4% of all temporary workers (Almond and Kendall 2000). Booth et al (2002) found that seasonal casual workers tended to
be in low skilled occupations and industries (sales, plant, catering and distribution) whereas most workers on fixed term contracts were in professional and technical occupations which might explain the higher wages for women on fixed term contracts compared to seasonal casual workers. However Booth et al only introduce a sector comparison in relation to analysing the exits from temporary to permanent work and here they find that women from the public and third sector are less likely to exit into permanent work than men or women in the private sector. More recently NCVO found that in 2011 89% of voluntary sector employees were on permanent contracts, less than the both the public sector 92% and the private sector 95%. (NCVO 2013) They note that the third sector had the same proportion of employees on fixed-term contracts as the public sector, but significantly more than in the private sector (NCVO 2013). However, there is little data available on the cross sector trends in temporary work.

There is also less evidence available on other types of temporary contract such as zero hours and annualised hours. Data on zero hours contracts are known to be unreliable but a recent note by BIS for parliament summarising the available evidence suggests that these contracts are used predominantly in two fields; the hospitality industry and social care (Pyper and McGuiness 2014). Given the large role that the third sector plays in the latter it might be assumed that this is where the bulk of this type of contract occurs for third sector workforce and indeed the public sector workforce but there is little data available to confirm this. Bell and Hart’s (2003) analysis of annualised hours does provide a breakdown by sector although they use a more fine grained definition of sector which reveals that local government and the university sector have the highest incidence of annualised contracts for both genders, the voluntary sector is much lower and similar to private companies and health authorities (Bell and Hart 2003).

These studies give us a broad picture of non-standard contracts across the three sectors which find that part time work is the dimension where the third sector is the most differentiated from the other two sectors. Its profile on temporary work is relatively similar to the public sector. However none of the available data provides us with a clear view of trends.

**Discussion**

In this paper we have set out to review the existing literature and find out what we can learn in answer to three questions. Question 1 asked what we know about pay and nonstandard jobs in the third sector and how it compares to the public and private sector? Our review has found that there is more in the existing literature and empirical evidence on third sector pay and how it compares to other sectors than other aspects of job quality. However despite this there is no coherent cross sector picture which finds that the third sector workforce are paid more or less than other sectors. Whilst some evidence points to a third sector wage discount alongside a public sector wage premium with the private sector positioned as the ‘norm’ between the two, these profiles appear to be out of date and in any case were only really operating within certain fields and occupations. There is much less evidence or discussion of nonstandard work in the third sector. We know that the sector has a higher rate of part time work than the other two sectors and has done for many years. We also know that it has relatively high levels of temporary work in the form of fixed term contracts and in this sense it
looks quite similar to the public sector. We also know that nonstandard work particularly part time work is differentially gendered across the three sectors.

Questions 2 and 3 ask about the extent to which there has been a worsening of pay and an increase in non-standard jobs in the third sector in the UK; how these trends compare to other sectors and to what extent they might be linked to recent recession and austerity periods in the UK? These are much harder questions to shed light on. The data shows that broadly in the UK third sector wages have over the past 20 years risen faster than the other two sectors and that whilst there are still sector wage differentials these are relatively minor. In other words we have seen a potential convergence in pay. But we do not have a detailed cross sector account of these longer term trends or pay differences over the recent recessionary period. Evidence on trends around non-standard jobs across sectors is also lacking. We know that part time work has increased in all sectors since the recession and this may be linked to an increase in underemployment (involuntary part time work) as a response to recession. We do not have any evidence on the trends in other forms of nonstandard employment such as fixed term contracts or agency work, or on Zero hours or particular forms of non-standard contract. Overall there is a lack of a nationally representative study of recent (since 2008) trends in pay and non-standard employment in the third sector and how these trends compare to the trends in the private and public sectors.

What we can say is that factors that give rise to poor quality jobs are not more likely to be found in the third sector than in the other two. In fact job satisfaction rating for the sector could probably have brought us to the same conclusion. However our data has been pieced together from different sources and there is an urgent need for some systematic cross sector analysis of the LFS that explores sector workforce differences across a series of criteria related to job quality. Poor quality jobs are likely to be found in particular occupations and industries within and spanning sectors. In addition to sector wide analyses, there is a need to look in more detail at pay and non-standard employment at the occupational and industry level across sectors (with gender being a compulsory dimension of analyses). Studies that focus on the outcomes for employees’ objective and subjective well-being of low pay and non-standard employment in the sectors: are there differences?
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About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The Third Sector Research Centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector’s capacity to use and conduct research.

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Workforce and Workplace

Whilst often associated with volunteering, the third sector employs at least 700,000 workers and this number has grown significantly over time. This work stream looks at the people, the relationships and the characteristics that define third sector employment, and analyses the implications of these. Working in partnership with NCVO and Skills Third Sector, we also provide timely statistics on the size and composition of the workforce.

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