

An Anglo-German Foundation Report

# **Job opportunities for whom? Labour market dynamics and service-sector employment growth in Germany and Britain**

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## **Executive Summary**

This report examines structural change in employment and the development of service-sector jobs in Germany and Britain between 1993 and 2002. During this period the British labour market was buoyant, while the employment situation in Germany can only be described as dismal. There is much political interest in the potential for creating new jobs in the service sector. But these developments raise a number of controversial issues when this involves the potential expansion of low-skill, low-wage service jobs, especially in a country such as Germany which has traditionally enjoyed a high-skill, high-wage equilibrium.

The project was designed to compare the characteristics of service employment, using comparable longitudinal data from the British Household Panel Survey and the German Socio-Economic Panel. The analysis covered the different patterns of growth in service occupations and industries in the two countries and the quality of these jobs in terms of wages and working hours. We were interested in finding out what kind of jobs had been growing and what kinds of people have been taking them up. In particular, we were interested in tracking transition patterns between non-employment and employment, as well as in examining how far, and for whom, service employment is precarious.

These are our principal findings:

- The service sector offers both 'high-end' and 'low-end' jobs in terms of wages and skill levels. Managerial and professional jobs in services have grown the most in recent years, especially in Germany. These service jobs are easier to access in Britain than in Germany, partly because access is less dependent on formal training and qualifications. In both countries professional and managerial occupations account for well over 30 per cent of all employment, the highest percentage of all categories of employment.

## JOB OPPORTUNITIES FOR WHOM?

- In any 12 months unemployed men and women are more likely to find a job in Britain than Germany, and this job is more likely to be in the service sector.
- Distribution and consumer services are now one of the largest source of jobs, accounting for well over 20 per cent of employment. However, wages in this sector are among the lowest in both countries. Health and education and business services are the next largest groups, accounting for about 20 and 15 per cent of all jobs in both countries. Wage rates in these sectors tend to be better than in consumer services.
- British workers experience more turbulence in the labour market than German workers. This means that there is more scope for both upward and downward mobility within the labour market in Britain than in Germany. In Germany transitions are more clearly associated with exits rather than with a change in occupational status.
- Service-sector jobs are the main destination for young people who secure employment in both countries; and even more so for young women.
- Young people entering the labour market are more likely than the unemployed to find work in sales and personal services, especially in Britain. Sales and personal service jobs are also a more significant source of work for women than men in both countries. These jobs 'mop up' both upward and downward transitions, though again more so in Britain than in Germany. However, more people drop out of work from this sector than from any other, especially in Germany. Skilled and unskilled manual service jobs have high exit rates in Germany.
- The better educated you are, the more likely you are to secure a job in services. Job prospects for other lower-income groups are inferior. People from poorer households are more likely to exit service employment. Service jobs are rarely a destination for displaced industrial workers, who are more likely to find a job in non-services, if they find one at all.
- The relative wage conditions and inequalities between service occupations vary markedly between the two countries. In Germany, average wage conditions are similar for jobs in sales, personal services and skilled manual work in services; clerical jobs are better paid. In Britain women working in sales and in personal services are paid much less than other service workers.
- The expansion of service-sector jobs is accompanied by a wider range of working-time patterns than are found in non-service jobs. Service-sector workers are more likely to work outside the 'standard' full-time range of 35 to 44 hours. They are also more likely to be working part-time or long full-time (45 hours-plus) than people employed in non-services. Only in public-sector administration do more people work 'standard' full-time hours (35 to 44 per week) in both countries.
- The number of short part-time (less than 18 hours per week) or marginal jobs has increased with the expansion of the service sector, especially in Germany in recent years. This form of employment now accounts for 10 per cent of all employment in Germany and 13 per cent in Britain. Marginal part-time work is particularly common in distribution and consumer services. Employment in marginal part-time jobs is more unstable than other working arrangements and is often followed by a labour market exit, particularly in Britain. People in 'midi' jobs (between 19 and 25 hours per week) in Germany were less likely to exit employment.
- German mothers, particularly those with very small children, had lower employment rates and were less likely to return to employment in a 12-month period than British mothers. In both countries, and especially Germany, women who returned when

their youngest child was under two were more likely to be returning to a professional or managerial service job than those mothers who returned when their youngest child was older. German women returners may be slower to resume employment, but a higher proportion of those that do return enter the higher quality professional or managerial service jobs than in Britain.

- Young women who enter employment in Germany are much more likely to secure managerial or professional service jobs than young women in Britain or young men in either country.

In conclusion, the British economy creates more jobs and openings for entering employment than the Germany economy. But the quality of many of these jobs is problematic. The key policy issue is how to create decent paid jobs and career paths, especially for the less well qualified. Given the gender differences observed in rates of entry into and out of service jobs, and the type of occupations pursued, a gender perspective on the impact of alternative policy routes is another key consideration in the debate.

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### **Notes to the editor:**

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