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

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## JOB OPPORTUNITIES FOR WHOM?

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## Authors' notes

Our analysis is based on data from the British Household Panel Survey (BHPS) and the German Socio-Economic Panel (GSOEP). These data sets are a representative sample of households, and their members are surveyed repeatedly each year (panel wave). The first GSOEP panel wave started in 1984. There are approximately 13,000 individual respondents living in 6,968 households. The BHPS's sample consists of approximately 9,000 individuals living in 5,000 households. The first wave of the BHPS contains the survey results from 1991, including work-history data for the previous year.

Retrospective data about employment career since the end of full-time education and information about employment status between the panel surveys are integrated into one file in the BHPS. For the GSOEP this information has to be constructed from various files and is only available since the beginning of the survey in 1984. Data management and processing were carried out using STATA. In both panel data sets the longitudinal files only contained a small number of personal characteristics. Cross-sectional information from each wave was merged with the episode data set.

Following the reunification of Germany in 1990, the GSOEP's original western German sample (which included foreigners) was expanded to include the former East Germany. Most of the analysis presented in this report focuses on unified Germany between 1993 and 2002. A long time series since 1984 is presented in chapter 2 which spans the industrial restructuring in pre-unified West Germany through to unified Germany. For simplicity we refer to Germany throughout, except where it is relevant to emphasise that we are talking about the west or east.

Throughout this report we refer mainly to Britain rather than the UK (Great Britain plus Northern Ireland), largely because we use the British Household Panel Survey for most of the statistical analysis. However, the UK is the political unit within the European Union and for the European Labour Force Survey, which we draw on to provide an overview of trends in the opening chapter. The broad economic trends reviewed do not vary significantly between the UK and Britain. When we refer to the UK, we do so in order to be faithful to the particular survey source; no significance is attached to the territorial distinction.



## 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.
- 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

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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.

# 1 Introduction: problems and policy debates

In recent decades most new jobs in Europe and the USA have been created in the service sector (Anxo and Storrie 2001). The changing composition and structure of employment in advanced industrial countries has generated controversial debates about the future of work. In Germany, in particular, there has been much scepticism about these developments and concern for the viability of the traditional industrial model of employment (Kitschel and Streeck 2004). This is because proportionately more people still work in industry in Germany than in the USA or in most other member states of the European Union.<sup>1</sup>

Much of the debate about the under-development of the German service sector has ignored Germany's relative success in maintaining an industrial workforce and focuses instead on the lower employment rate generated by the service sector (Table 1). Initially, debate centred on whether Germany really had a service-sector gap (*Dienstleistungslücke*) compared with the USA and the UK, or whether this is purely a statistical artefact, with some service jobs being located in industry and so 'hidden' in statistical comparisons (Haisken-DeNew et al. 1996, Wagner 1998, Streeck and Heinze 1999, Bosch 2000, Freeman and Schettkat 2000).

**Table 1**  
**Employment trends and levels in the service and non-service sectors, Germany and Britain**

	Percentage employment growth 1998–2003	Percentage employment rate in 2003
<b>Germany</b>		
Agriculture	–11.9	1.5
Industry	–7.9	20.5
Services	6.3	43.0
Total economy	0.9	64.9
<b>Britain</b>		
Agriculture	–22.2	0.8
Industry	–6.7	16.9
Services	11.1	53.8
Total economy	5.7	71.7

Source: European Commission (2004a) chapter 3, annex 6.5.

Note: The employment rate refers to the proportion of the 'working age' population (15–64 years) who are employed in a particular sector.

<sup>1</sup> The industry sector employment rate (i.e. the number of people employed in industry as a proportion of the population) is 20.5 per cent in Germany, 12.6 per cent in the USA and 16.9 per cent in the UK. Only Austria, the Czech Republic, Portugal, Slovakia and Slovenia have higher industry employment rates in the EU 25 (see European Commission 2004a, chapter 3; table 41).

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Widespread job losses in the post-unification period followed by persistently high levels of unemployment in Germany have increasingly focused attention on the potential for stimulating job creation in the service sector. There have been many varied, and controversial, policy recommendations. One explanation for the gap is that high wages and non-labour costs in Germany make creating low-productivity jobs prohibitively expensive (Streeck and Trampusch 2005). One controversial set of policy remedies focused on wage costs. Klös (1997) suggested reducing unemployment and welfare benefits so as to push wage reductions into the labour market. Alternative proposals advocate the introduction of tax credits, as in the UK and USA, together with wage subsidies to compensate people who take up lower paid jobs or to reduce the social contributions they make (Fels et al 1999). Erlinghagen and Knuth (2004) outline how some of these measures have, without great effect, been adopted under the Hartz reforms.<sup>2</sup> In contrast, Freeman and Schettkat (2000) dismiss the argument that wages or other labour costs are the key factor in explaining Germany's service-sector gap. This opinion is now shared by the Directorate of Employment and Social Affairs of the European Commission following an extensive comparative research programme on the services sector of the EU and the USA (European Commission 2004a, chapter 4).

Distinct institutional systems, policy debates and government agendas have led Britain and Germany to manage structural adjustment very differently (Hall and Soskice 2001). Britain's employment rate is higher for both sexes and for older workers, even when calculated on a 'full-time equivalent basis' to take account of the slightly higher rate of part-time employment in Britain (Table 2). This higher level of employment is more heavily concentrated in services than in Germany. Measured in these terms, the 'liberal' UK model appears, at the moment, to be outperforming the more regulated corporatist German model, which is shackled with historically high levels of unemployment and a lower proportion of employed people. The growth of service jobs in Britain, as in the USA, has occurred at both ends of the job hierarchy: high-skilled/high-wage and low-skilled/low-wage (Freeman and Schettkat 2000, Anxo and Storrie 2001, European Commission 2004a).<sup>3</sup> Because of this, policy evaluations in Britain and the USA have focused on the consequences for people taking, or encouraged to take, insecure, low-paying jobs (Goos and Manning 2003, Mishel et al 2005). In Germany the debate has focused on whether it is possible and/or desirable to generate more of these jobs.

Low pay is more prevalent for women than men in both Germany and Britain. By contrast, low-waged work in the USA, for example, is less feminised and more dispersed across employment sectors (Freeman and Schettkat 2000). Policies directed at the low paid tend to reflect underlying assumptions about the income-generating responsibilities of men and women in society. These assumptions are very different if the low paid include male breadwinners who are unable to support themselves and their family, or are predominantly women (or young people) who are judged to be earning a component wage as a second-earner in the household. In Germany poorly paid jobs are largely a female domain and are concentrated in particular service sectors. In the UK government policy identifies widespread low pay for male breadwinners and for female-headed

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<sup>2</sup> The Hartz reforms, which began in 2002, were largely concerned with reforming labour market provisions and benefits systems.

<sup>3</sup> Although EU countries have more associate professionals than the USA, they produce fewer high-skilled jobs in business services, education, health and social services and also fewer lower-status jobs in retail and catering. There are fewer managers, clerical, service and sales workers in the EU than in the USA (European Commission 2004a).

**Table 2**  
**Key employment indicators, Germany and the UK, 2003**

	<b>Germany</b>	<b>UK</b>
<b>Percentage of employment concentration in services</b>		
Male employment	58.6	70.5
Female employment	83.9	91.8
Total	70.3	80.4
<b>Percentage employment rate (population aged 15–64 years)</b>		
Male employment rate	70.6	78.1
Female employment rate	58.8	65.3
Total	64.9	71.7
<b>Percentage older person's employment rate (population aged 55–64 years)</b>		
Older men's employment rate	47.5	64.8
Older women's employment rate	31.2	46.4
Total	39.3	55.5
<b>Percentage full-time equivalent (FTE) employment rate</b>		
Male FTE employment rate	68.9	74.0
Female FTE employment rate	46.2	50.7
Total	57.5	62.0
<b>Percentage of total employment that is part-time</b>		
Male part-time employment	6.0	9.9
Female part-time employment	41.4	44.0
Total	22.4	25.2
<b>Percentage unemployment rate (for the labour force aged 15-plus years)</b>		
Male unemployment rate	10.0	5.5
Female unemployment rate	9.2	4.3
Total	9.6	5.0

Source: European Commission (2004a) chapter 3, annex 6.5. The part-time employment rates for men and women in Germany are taken from Federal Republic of Germany (2004) *National Action Plan for Employment Policy*, Diagram 2.

Note: The employment rate refers to the proportion of the 'working age' population (15–64 years) who are employed in a particular sector.

single-parent households as a key reason for high rates of child poverty. Framing the problem in terms of low-paid male (or single-parent female) breadwinners generates different types of policies to help low-paid men or women with families; for example, tax credits for low earners have been introduced and extended in the UK (Working Families Tax Credits) and the USA (Earned Income Tax Credit), but not in Germany. We can also expect that, where significant numbers of male breadwinners hold low-paid jobs, there will be measures to encourage their wives/partners to find paid work, thereby raising women's employment rate, often in part-time work, as in the UK. Where, as in Germany, low pay is a predominantly female issue, the women concerned live with partners who have well paid jobs, and the tax system provides a significant subsidy for couples supported by one (male) breadwinner, the issue of component wage earners can be presented as a lower priority.

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At the heart of this debate about the 'service jobs deficit' in Germany lies a political choice. The traditional German model is high-quality diversified production (Streeck 1992) associated with a high-wage, high-skill equilibrium (Soskice and Finegold 1988) in well protected sectors of male employment (Gottfried and O'Reilly 2002) which support a 'male breadwinner' arrangement for family life. Can this model continue to be sustained while at the same time promoting low-wage, marginal service jobs that are more often associated with generating higher levels of female employment (Fels et al 1999, O'Reilly and Bothfeld 2002)? Or is there another route to generate service jobs?

In this research we set out to examine if there is a deficit in service jobs in Germany. We examine and compare the characteristics of service employment in Britain and Germany in terms of occupations and skills, wages and working hours. The aim of this analysis is to identify the types of jobs that have grown in recent years and the quality of this employment. We then explore a further aspect of the precariousness associated with service employment by focusing on transitions into and out of these occupations and sectors in both countries.

## 2 The evolution of service-sector employment in Britain and Germany

### 2.1 Defining service-sector jobs: industry versus occupational definitions

Defining service-sector employment is not quite as straightforward as one might initially assume. The simplest approach is to take sectoral definitions as given in established data sets. The problem with this is that many manufacturing firms in Germany provide services in-house, while sub-contracting is used more extensively in the Anglo-Saxon economies (Haisken-DeNew et al 1996). As a result jobs classified as part of the service sector in Britain are likely to be categorised as industrial jobs in Germany. Erlinghagen and Knuth (2003:11) argue that sectoral definitions underestimate the extent of tertiarisation of the service economy in Germany. Researchers therefore tend to prefer an activity-based, i.e. occupational, definition, to an industry-based approach.

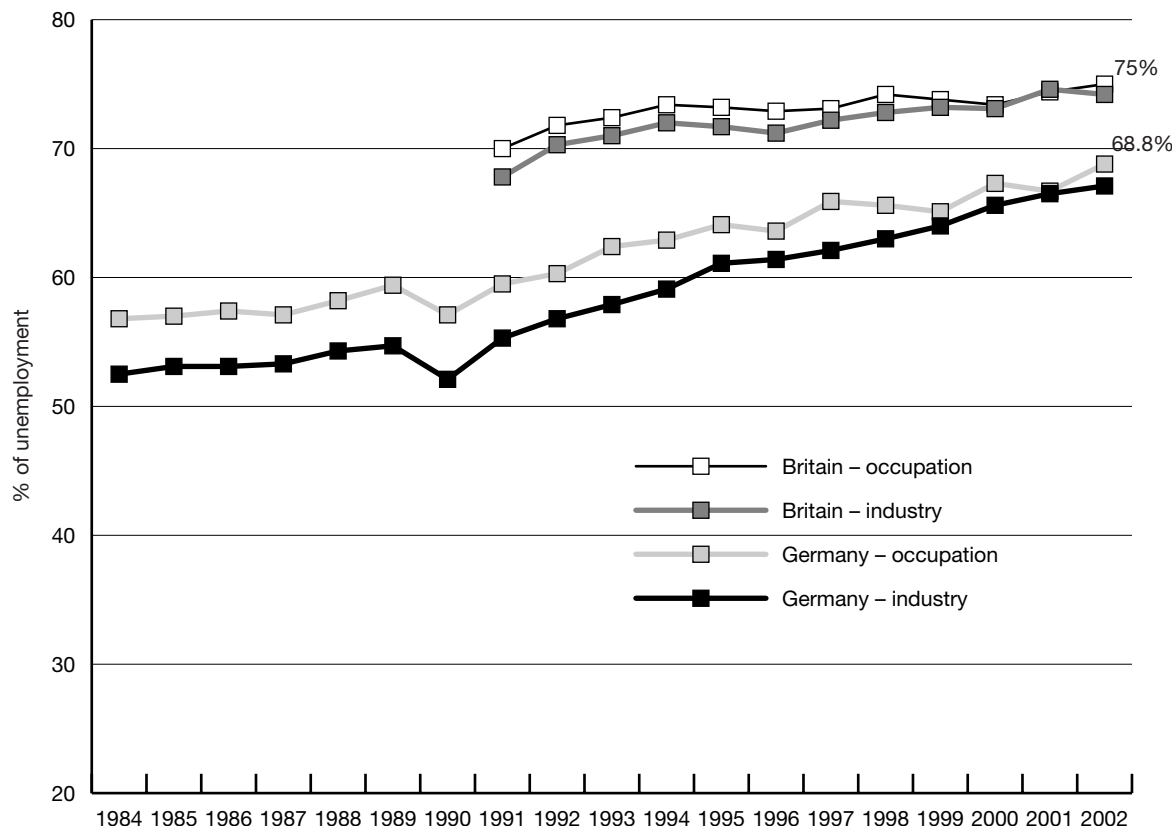
In our research we categorise service-sector employment in terms of both occupation and industry location in order to avoid this under-representation. Nevertheless, as Figures 1 and 2 indicate, we find that, although the proportion of German employment that is in service-sector jobs has grown steadily but slowly since 1990, there are still proportionately fewer of these jobs than in Great Britain. This trend in Germany partly stems from the integration of the former East German economy in the unification process. This economy featured a higher rate of industrial and public-sector employment than in West Germany, and the widespread job losses following unification were particularly concentrated on industry in the east.

The service sector can be defined on the basis of occupation or industry.<sup>4</sup> The former is preferable if we think that the growth in service activities is taking place in non-service industries; it also enables us to distinguish between the growth in these activities and corporate restructuring, such as the outsourcing of service functions. In both countries the

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<sup>4</sup> The occupational data in both surveys are coded using the International Standard Classification of Occupations (ISCO-88). Industry is classified differently in the two datasets. The German Socio-Economic Panel (GSOEP) uses NACE throughout, while the British Household Panel Survey (BHPS) uses Britain Standard Industrial Classification (1980) (SIC80). However, in waves 4, 7 and 11, the BHPS also uses the 1992 SIC, which is compatible with NACE. We have used this to cross-reference the sector breakdown based on SIC80, and have made it as compatible as possible with NACE. We get about 95 per cent agreement in the three years where SIC80 and SIC92 are both available, and find that inconsistencies are partly because of coding problems (e.g. the same case coded to retail in SIC80 coded to wholesale in SIC92) and partly because of incompatibilities in the 4-digit categories. We decided where occupations clearly fitted into either services or non-services. Where this was indeterminate we coded the occupation according to how it had been allocated in the NACE/SIC classification. The NACE classification is at: [http://www.fifoost.org/database/nace/index\\_en.php](http://www.fifoost.org/database/nace/index_en.php)  
The SIC classification is at: <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=17&Lg=1>

proportion of employment in services defined by industry is higher than that defined by occupation. Comparing trends over time (Figure 1), we find a pattern of continuous growth, with a convergence, on both measures, in 2002, when service jobs accounted for 75 per cent of all employment in Britain and 68.8 per cent in Germany.<sup>5</sup>



**Figure 1**  
**Service jobs as a proportion of all employment using industrial and occupational definitions, Britain and Germany, 1984–2002**

Source: British Household Panel Survey (BHPS) and German Socio-Economic Panel (GSOEP), weighted cross-sectionally.

## 2.2 The composition of employment in the service sector: sub-sectors of activity

Given the heterogeneous nature of services, we differentiate between various sub-sectors. These are:

- distribution and consumer service (retail, hotels, catering etc)

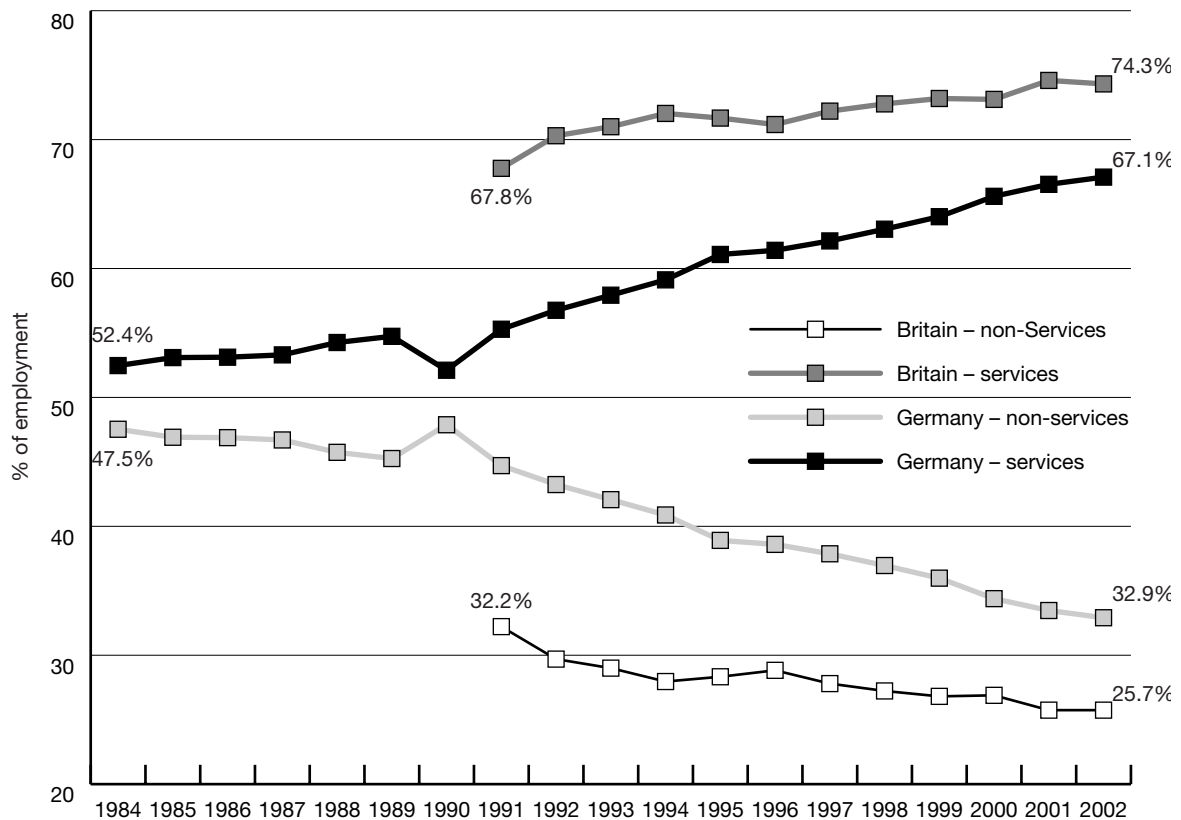
<sup>5</sup> This analysis largely corresponds to EU data for 2003 reporting an employment share in services in Germany at 66.2 per cent and in the UK at 75.0 per cent (European Commission 2004a: 108).



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- transport
- business services
- public administration
- health, education and social services (including voluntary organisations).

The biggest job losses in both countries (Figure 2) have been in the traditional production sector. Here employment fell by 31 per cent in Germany between 1984 and 2002 (mostly from 1990 onwards) and by 20 per cent in Britain between 1991 and 2002.



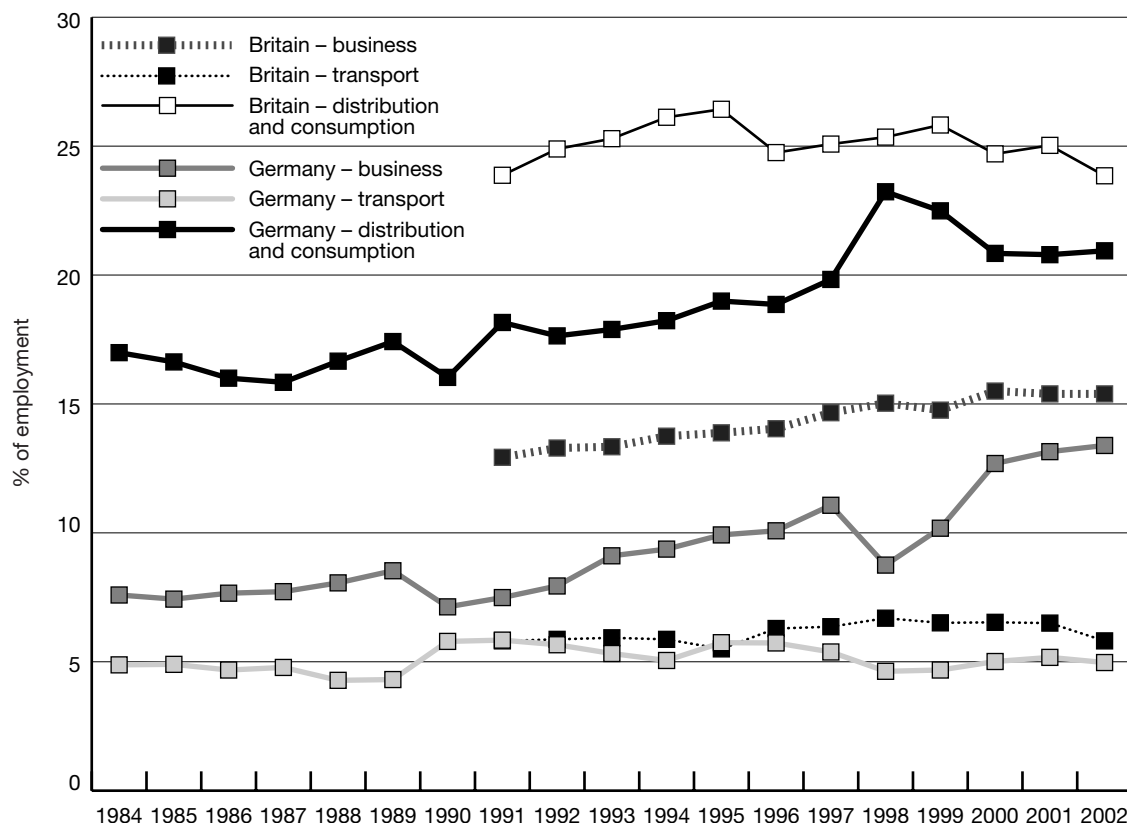
**Figure 2**  
**Employment change, Britain and Germany, 1984–2002**

Source: see Figure 1.

In both countries, and especially in Germany, the biggest increases in jobs occurred in business services, which in general provide higher paid and higher skilled work. Business services are now the second largest service-sector employer, accounting for just over 15 per cent of jobs in Britain and 13 per cent in Germany in 2002 (Figure 3). At the beginning of the 1990s this sector was more developed in Britain. In Germany it has expanded significantly in recent years; in 1999 business services accounted for 9 per cent of all employment in 1999, in 2003 for 14 per cent, a growth rate of 56 per cent over four years.

From a longer perspective, the German business services sector has nearly doubled its share of employment since 1984. These increasing shares reflect absolute job increases in this sector. (See also European Commission 2004a, Chapter 3, annex 6.5.)

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**Figure 3**  
**Share of employment concentrated in consumption, business and transport services, Britain and Germany, 1984–2002**

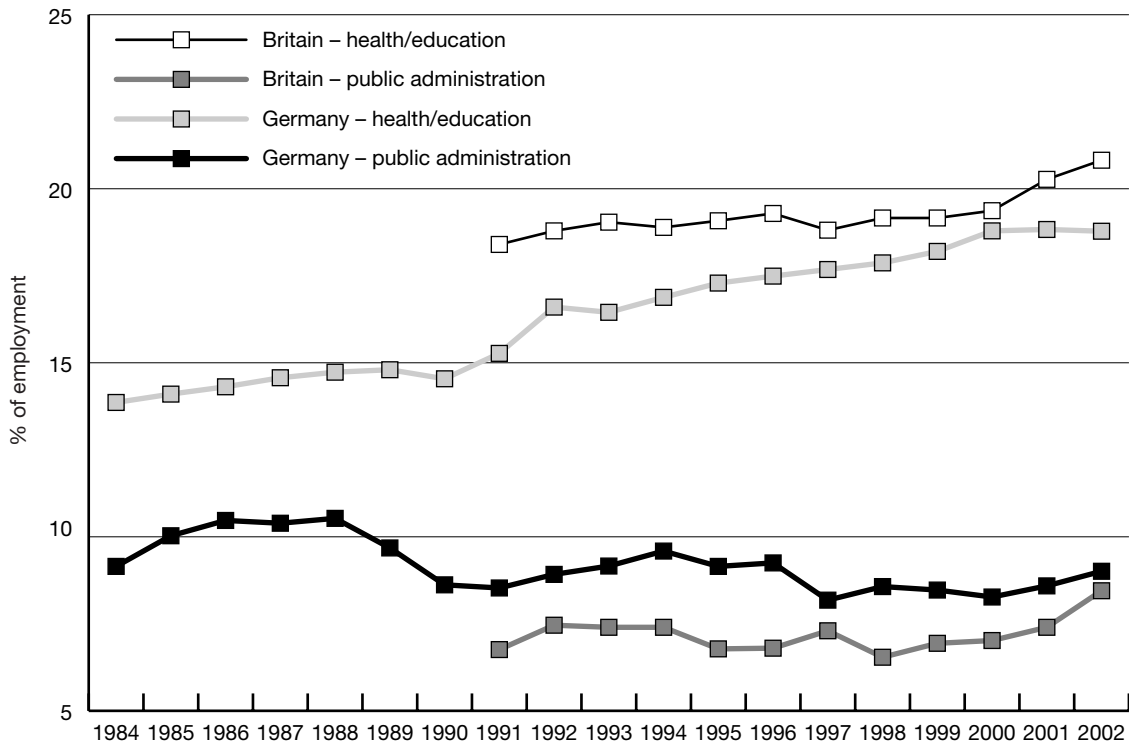
Source: see Figure 1.

Distribution and consumption (which includes jobs in retail, catering and hotels) accounts for most jobs in both countries: just over 20 per cent of employment in Germany and nearly 24 per cent in Britain in 2002. However, in both countries the relative level of employment in this sector has fallen marginally since 1999–2000, although the number of jobs created has continued to expand. Transport accounts for about 5 per cent of total employment, as it has done since the mid-1980s.

Health and education account for about 20 per cent of total employment in both countries (Figure 4). During the 1990s Britain had a higher proportion of the workforce employed as health and education workers, although it is widely known that in these sectors Germany has more professionals, such as doctors (Table 4). Since 1992 employment in these fields has increased more sharply in Germany; this may be because of the absorption of former East German workers following the reunification of Germany. Public administration's share of employment, 8 to 9 per cent overall, fell marginally in Germany and rose a little in Britain.

By 2002, the sector profile of employment in both countries showed more signs of similarity than at the beginning of the 1990s, despite continuing structural differences and the larger role played by the industrial sector in Germany.

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**Figure 4**  
**Share of employment concentrated in health, education and public administration, Britain and Germany, 1984–2002**

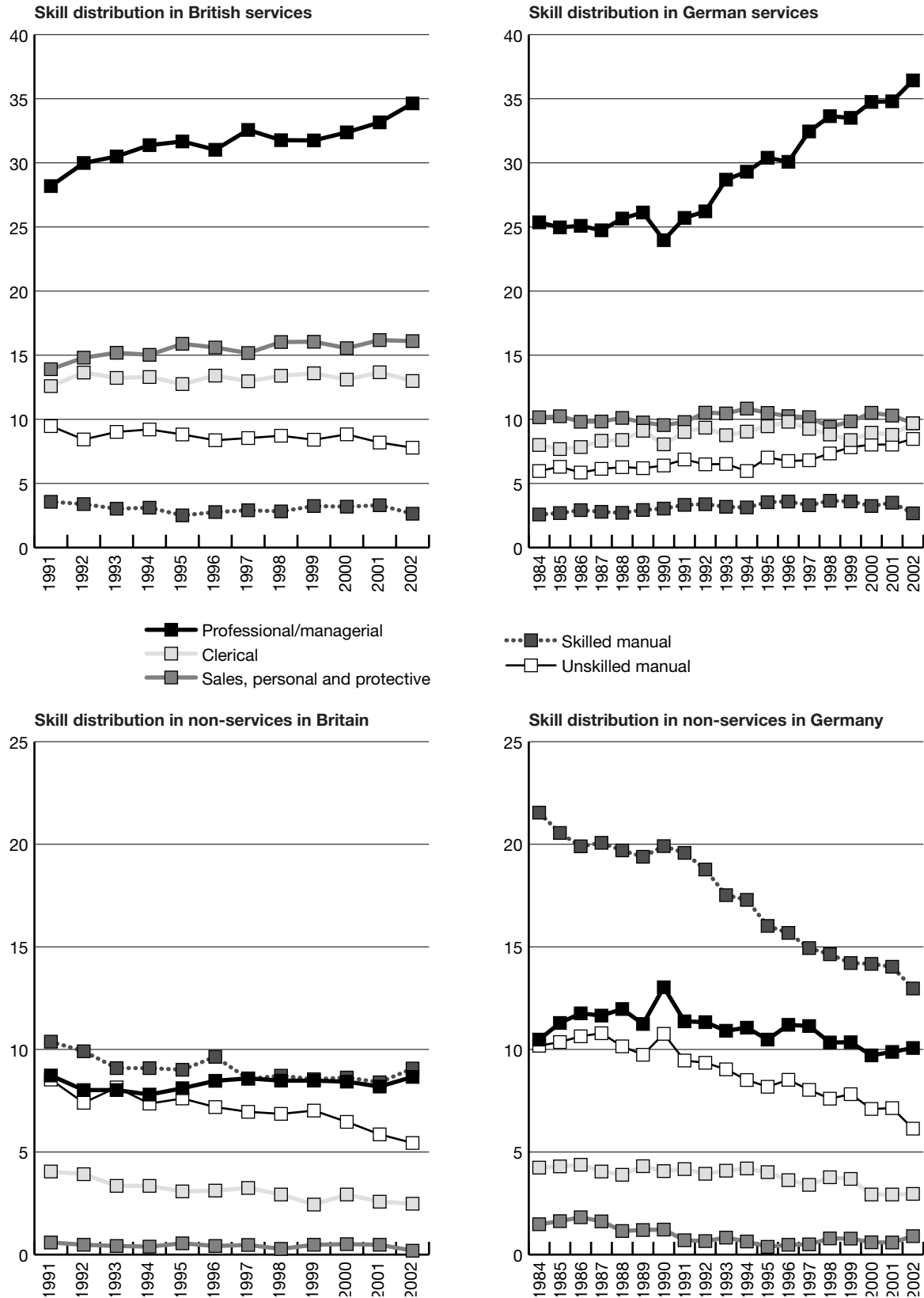
Source: see Figure 1.

### 2.3 The occupational composition of employment

Figure 5 illustrates three major characteristics of the changing occupation distribution in Britain and Germany:

- The massive decline in skilled and unskilled manual jobs in non-service employment in Germany has not been compensated for by any notable increase in equivalent jobs in the services sector. This is a major area of concern for policy-makers keen to integrate displaced workers into employment. In Britain there was a similar but much more modest loss during this period; most of the 'shake-out' of manual jobs in manufacturing occurred after the recession of the mid-1970s.
- In both countries, the biggest growth in employment has been in professional and managerial service jobs, especially more recently in Germany. These high-skilled service jobs account for approximately 35 per cent of all employment in each country.
- In Britain, a significantly higher proportion of people work in clerical, sales, personal and protective service jobs than in Germany. These jobs provide an important 'sponge' in the British economy, helping to integrate the non-employed and absorbing both downward and upward occupational mobility (Fagan et al 2005). Nevertheless, these jobs are often at the bottom of the earnings hierarchy, thereby potentially perpetuating and augmenting growing income disparities.

# JOB OPPORTUNITIES FOR WHOM?



**Figure 5**  
**Changing skill distribution of employment in services and non-services, Germany and Britain, 1991/1984–2002**

Source: see Figure 1.  
 Note: The percentages shown refer to all employment

## 2.4 Growing occupations

Professional and managerial jobs account for over 35 per cent of all employment in both Germany and Britain – and for over 40 per cent if non-service jobs are included, as shown in Table 3. In Britain corporate managers are the largest single occupation in this category, at 10.7 per cent significantly higher than in Germany (3.9 per cent). In Germany ‘other associate professionals’ are the largest group, accounting for 12.6 per cent of all employment, compared with 7.3 per cent in Britain, where they are the second-largest group. (The ‘associate professional category includes such activities as securities, finance dealers and brokers, insurance representatives, estate agents, travel consultants, technical and commercial sales representatives, buyers, auctioneers and valuers, business service agents, legal professionals, bookkeepers and statisticians and mathematicians.)

Managerial status in Britain is not tightly controlled or defined. Companies use the title ‘manager’ liberally, which can lead to inflated numbers of employees with managerial status. In Germany the title is more likely to require specific qualifications. To discover whether the British data had disproportionately more managers than the German data we compared the distribution of managers within sectors (Tables 3 and 4).

British workers are more likely to define themselves as managers than employees in Germany, who are more likely to categorise themselves as professionals or associated professionals. This may reflect the fact that occupational status in Germany is more closely tied to educational achievement than to company hierarchy. If managers and professionals are grouped together, the discrepancy between the two countries falls, although it is still notable; 29.2 per cent of employed people in Britain are classified as managerial or professional, compared with 23.5 per cent in Germany. The differences between the two countries are much more apparent in the associate professionals category. In Germany more employees across all sectors, but especially in public administration and to a lesser extent health and education, are likely to be ‘associate professionals’ than in Britain, where the proportion of clerical workers is higher. German employees in public administration, health and education appear to be better qualified than in Britain, in so far as a higher proportion of the workers in these sectors have managerial, professional or associate professional level occupations.

When all three occupational levels – professional, managerial and associate professional – are combined in a single category, the difference between the two countries becomes less pronounced. This overall ‘managerial/professional’ category accounts for 42.1 per cent of all employment in Britain and 46.5 per cent in Germany.

The proportion of jobs in clerical, sales and personal services (largely sales, food services and personal care work)<sup>6</sup> declined during the 1990s in both countries (Table 5). However,

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<sup>6</sup> In the ISCO classification scheme all clerical jobs are coded to 41 or 42. Personal and protective services (ISCO category 51) encompass a wide range of personal services (travel attendants and related jobs; housekeeping, catering and waiting jobs; child care and other care workers not defined as professional because they do not require graduate-level education; hairdressing, beauticians and related personal ‘grooming’ services) and non-professional/non-graduate ranks of protective services (police, fire and prison services). Most sales jobs are coded to ISCO category 52; these are sales jobs that are shop-based and judged to be more highly skilled and formalised than street vendors or door-to-door sales. These latter sales jobs are defined as part of ISCO 91 (unskilled ‘elementary’ sales and service jobs), which is largely composed of cleaning, laundry and caretaking jobs, garbage collection, messengers and porters.

**Table 3**  
**Employment change in professional and managerial occupations, Britain and Germany, 1993-2002**  
 (percentage of all employment in the service and non-service sectors)

ISCO	Occupational title	Britain			Germany		
		1993	2002	% employment change 1993-2002	1993	2002	% employment change 1993-2002
11	Legislators and senior officials	0.36	0.44	22.22	0.16	0.07	-56.25
12	Corporate managers	7.79	10.72	37.61	3	3.86	28.67
13	General managers	6.5	5.58	-14.15	2.53	2.39	-5.53
21	Physical, mathematical and engineering science professionals	3.53	3.53	0	4.27	5.29	23.89
22	Life science and health professionals	0.68	0.89	30.88	1.03	1.3	26.21
23	Teaching professionals	4.16	4.72	13.46	3.13	4.11	31.31
24	Other professionals	3.39	4.08	20.35	4.71	6.24	32.48
31	Physical and engineering science associate professionals	2.93	2.81	-4.1	4.43	4.49	1.35
32	Life science and health associate professionals	2.71	3.03	11.81	2.94	4.01	36.39
33	Teaching associate professionals	0.09	0.14	55.56	1.22	1.75	43.44
34	Other associate professionals	6.26	7.31	16.77	11.87	12.62	6.32
	Total in 11-34	<b>38.5</b>	<b>43.29</b>	<b>12.44</b>	<b>39.29</b>	<b>46.13</b>	<b>17.41</b>

Source: see Figure 1.

Note: The total includes a small proportion of professionals in Britain who could not be coded to a two-digit classification.

**Table 4**  
**Distribution of occupations and skills in the service and non-service sectors weighted cross-sectionally, Britain and Germany, 2002**

Occupation (ISCO 1)	Distribution and consumer services				Transport		Business		Public administration		Health and education		Non-service		Total		
	Britain		Germany		Britain		Germany		Britain		Germany		Britain		Germany		
Managers	19.9	14.1	16.7	5.5	21.0	5.6	14.0	0.9	7.7	1.8	17.7	6.0	16.3	6.4			
Professionals	4.3	5.6	2.4	7.7	19.0	22.9	11.2	29.2	27.6	33.8	8.2	10.9	12.9	17.1			
<b>Managers and professionals</b>	<b>24.2</b>	<b>19.7</b>	<b>19.2</b>	<b>13.2</b>	<b>40</b>	<b>28.5</b>	<b>25.2</b>	<b>30.1</b>	<b>35.3</b>	<b>35.6</b>	<b>25.9</b>	<b>29.2</b>	<b>29.2</b>	<b>23.5</b>			
Associate professionals	4.9	18.5	7.1	10.9	21.3	29.1	17.4	38.6	23.4	36.1	6.7	13.6	12.9	23.0			
<b>All in managers/professionals</b>	<b>29.1</b>	<b>38.2</b>	<b>26.2</b>	<b>24.1</b>	<b>61.3</b>	<b>57.6</b>	<b>42.6</b>	<b>68.7</b>	<b>58.7</b>	<b>71.7</b>	<b>32.6</b>	<b>30.5</b>	<b>42.1</b>	<b>46.5</b>			
Clerical	13.0	14.3	30.3	31.0	23.3	26.8	28.0	6.3	8.8	5.2	9.4	9.0	15.0	12.7			
Sales and services	37.7	27.8	3.8	3.3	4.0	0.9	14.0	10.6	22.3	14.0	0.7	2.7	15.8	10.6			
Agriculture (skilled jobs)	0.7	1.0	0.0	0.0	0.0	0.2	0.0	1.3	0.5	0.1	3.3	3.0	1.1	1.3			
Craft and related	5.5	5.2	6.3	3.9	1.4	3.7	2.9	2.6	0.8	1.7	30.9	36.3	10.2	14.3			
Operating and assembly jobs	5.6	3.5	29.8	29.4	3.1	0.7	7.0	3.1	3.1	1.4	16.3	12.3	9.0	6.9			
Elementary occupations all sectors	8.4	10.0	3.7	8.2	6.9	10.2	5.5	7.4	5.9	6.0	6.9	6.3	6.7	7.7			
	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: see Figure 1.

**Table 5**  
**Employment change in clerical, personal and protective services, and sales jobs, Britain and Germany, 1993–2002**  
 (percentage of all employment in the service and non-service sectors)

ISCO	Occupational title	Britain			Germany		
		1993	2002	% employment change 1993–2002	1993	2002	% employment change 1993–2002
41	Office clerks	12.67	10.96	-13.5	11.18	10.35	-7.42
42	Customer service clerks	3.92	4.52	15.31	1.8	2.21	22.78
51	Personal and protective services workers	10.73	11.25	4.85	7.89	6.83	-13.43
52	Models, salespersons and demonstrators	4.87	5.05	3.7	3.64	3.94	4.52
		<b>32.19</b>	<b>31.78</b>	<b>-1.27</b>	<b>24.51</b>	<b>23.33</b>	<b>-4.81</b>

Source: see Figure 1.



a much higher proportion of employment is located in these types of jobs in Britain than in Germany: nearly one third of jobs compared with less than a quarter in 2002. The decline in office clerical jobs – secretaries, keyboard-operators, and library, mail and other clerks – probably stems from the growth of information technology, which is increasingly integrating these tasks into more senior managerial jobs. This was partly offset by some expansion in clerical employment in customer services (i.e. cashiers, tellers and information clerks) in both countries, though more so in Britain.<sup>7</sup> In Germany job openings in personal and protective services also contracted, while there was a moderate expansion in Britain. As we see in section 2.6, most of these personal and protective jobs are at the lower end of the skills and wages hierarchy.

Table 6 shows that the proportion of manual jobs, both skilled and unskilled, declined during the 1990s in both countries. In Germany the decline was largely in skilled manual jobs, while in Britain the contraction was mainly in unskilled jobs. In both countries the decline in manual jobs was largely in the manufacturing rather than the service sector (see Figure 5).

These occupational trends have a gender-differentiated dimension, for there is a high and persistent level of segregation between men and women's jobs (Rubery et al 1999). In both countries women's employment is more heavily concentrated in the service sector than men's (see table 2 above). In addition, women are disproportionately represented in particular occupations and among the low paid. So, more women are now working in particular managerial and professional areas, largely associated with education, health and social services and some business-related professions (such as law), but they continue to be under-represented among managers and in many professional areas such as engineering and ICT. Women dominate clerical work, many of the lower-paying jobs in personal services (hairdressing, childcare, cleaning etc.), and unskilled manual activities. The gender composition of sales jobs is fairly even, although men and women are typically segregated into different areas of sales (e.g. cosmetics rather than cars). Skilled manual (craft jobs) and protective services – which also includes some low-paid work (e.g. security guards, janitors) – remain largely male enclaves. Although there are some differences in the detail of segregation patterns in Germany and the UK (Rubery and Fagan 1993, Rubery et al 1999), the overall levels are similar.<sup>8</sup>

The associated overall gender wage gap is also quite similar. According to the EU's Employment Guidelines (European Commission 2004c), in 2000 women in Germany and in the UK earned an average 79 per cent of the gross hourly earnings of men in their country (Indicator EO5). In both countries employed women are also at greater risk of low pay. The UK has a higher incidence of low pay than Germany when those in mini jobs are excluded (i.e. working less than 18 hours per week), although the gap has narrowed in recent years (European Commission 2004a: table 51).

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<sup>7</sup> For a more qualitative analysis of the development of call centre work in Britain and Germany, see Rubery et al (2000). This research shows that the use of call centre workers is much more developed in Britain than in Germany, where there is a greater reluctance to use new forms of telecommunications, for example in financial transactions.

<sup>8</sup> The Employment Guidelines (2004) record an index of gender segregation by occupation at 25 per cent in the EU15, 26.4 per cent in the UK and 26.9 per cent in Germany (Indicator EO3); and by sector 17.7 per cent in the EU15, 18.8 per cent in the UK and 18.1 per cent in Germany (Indicator EO4).

**Table 6**  
**Employment change in skilled and unskilled manual jobs, Britain and Germany, 1993–2002**  
 (percentage of all employment in the service and non-service sectors)

ISCO	Occupational title	Britain			Germany		
		1993	2002	% employment change 1993–2002	1993	2002	% employment change 1993–2002
<b>Skilled manual</b>							
61	Market-oriented skilled agricultural and fishery workers	1.2	1.14	-5	1.29	1.37	6.2
71	Extraction and building trade workers	3.29	3.97	20.67	7.09	5.43	-23.41
72	Metal machinery and related trades workers	5.46	4.99	-8.61	7.85	5.86	-25.35
73	Precision, handicraft, printing and related trades workers	0.77	0.71	-7.8	1.5	1.23	-18
74	Other craft and related trades workers	1.4	0.89	-36.43	2.98	1.81	-39.26
		<b>12.12</b>	<b>11.7</b>	<b>-3.47</b>	<b>21.52</b>	<b>15.7</b>	<b>-23.28</b>
<b>Unskilled manual</b>							
81	Stationary plant and related operators	0.78	0.5	-35.9	1.88	0.94	-50
82	Machine operators and assemblers	4.25	3.05	-28.24	3.01	2.84	-5.65
83	Drivers and mobile plant operators	3.31	3.17	-4.23	3.52	3.12	-11.37
90	Elementary occupations	—	—	—	0.42	0.64	52.39
91	Sales and services elementary occupations	5.93	4.43	-25.3	3.64	4.3	18.13
92	Agricultural, fishery and related labourers	0.43	0.12	-72.1	0.36	0.18	-50
93	Labourers in mining, construction, Manufacturing and transport	2.47	1.95	-21.1	2.67	2.81	5.24
		<b>17.17</b>	<b>13.22</b>	<b>-23.01</b>	<b>15.5</b>	<b>14.83</b>	<b>-4.32</b>

Source: see Figure 1.

## 2.5 Full- and part-time jobs

Full-timers typically work longer hours in Britain, on weekly, annual and lifetime indicators. In Germany there has been a stronger corporatist process of negotiating a reduction in full-time working hours (Bosch et al 1994, O'Reilly 2003). Lee (2004) shows that between 1987 and 2000 the number of employees in Britain working long hours of 45 or more per week increased, despite the statutory maximum 48 hour-week introduced in 1988 by the European Working Time Directive. In Germany smaller numbers of people worked long hours, and their numbers remained relatively stable.

Men are more likely than women to work very long hours, i.e. more than 45, in both countries (Table 7). This gender-based pattern is found in all industrialised countries (Fagan 2004). Britain's long-hours men are either managers and professionals, or work in male-dominated low-paid manual jobs in agriculture, manufacturing and some parts of services (transport, security guards). In Germany, there is less variation in the number of hours full-timers work. The traditional manufacturing sectors in Germany offer more protection from long hours than many parts of the growing service sector. A key feature exposed by Table 7 is that German men, especially in transport and business services, are slightly more likely to work 45-plus hours than men in non-services; the reverse is the case in Britain, where men in non-services work longer hours. British men in transport, distribution, consumer and business services also worked longer hours than those employed in the public sector.

The longer hours worked by men in parts of the German service sector suggest that the growing number of jobs in services may be helping to extend the number of hours worked. This significant change is bringing German working-time patterns closer to those in Britain, even if Germany has some way to go in developing a comparable long-hours culture.

Comparing working hours across sectors shows that that service-sector workers are more likely than those in non-services to work outside the 'standard' full-time range of 35 to 44 hours, either part-time or in long full-time arrangements. In both countries workers in public administration have the highest rate of standard full-time hours.

Part-time employment encompasses a range of hours, so we distinguish between marginal 'mini' jobs of less than 18 hours per week and 'midi' jobs involving longer but less than full-time hours. Part-time employment in Britain is relatively high, at 13 per cent of all employment. Since the mid- to late 1990s, marginal part-time work has also grown significantly in Germany (O'Reilly and Bothfeld 2002). A particular strength of the GSOEP is that it is the best source for measuring the levels of employment in marginal mini jobs, particularly for the period before 1999, since these marginal part-timers were not recorded in official statistics at that time.

We calculate that between 1991 and 2002 the proportion of people employed in mini jobs rose from just over 6 per cent to nearly 10 per cent. Although there were vociferous complaints from both employers and employees when this type of work was incorporated into the social security system in 1999 (O'Reilly and Bothfeld 2003, Schmid and Gazier 2002), these reforms do not appear to have impeded the growth of mini jobs. Subsequent reforms in 2003, designed to promote midi jobs, have had only limited success to date (Maier 2004).

**Table 7**  
**Weekly working hours by gender and service sub-sector, Germany and Britain, 2002**

	Germany					Britain				
	Up to 18 hours	19-25 hours	26-34 hours	35-44 hours	45-plus hours	Up to 18 hours	19-25 hours	26-34 hours	35-44 hours	45-plus hours
<b>A Men</b>										
Distribution and consumer services	9.4	2.7	2.2	47.6	38.1	7.1	2.1	4	37.9	48.9
Transport	4.4	1.6	0.4	51.2	42.5	2.7	2.3	0.6	38.8	55.6
Business	5.0	4.2	2.2	46.4	42.2	3.4	0.4	1.2	55.2	39.9
Public administration	1.3	1.8	1.2	69.0	26.8	2.4	0.8	1.6	68.7	26.5
Health, education, social, voluntary	5.2	3.0	6.5	44.9	40.5	8.1	3.0	7.0	48.0	34.1
All services	5.1	2.6	2.5	51.8	38.0	4.7	1.7	2.9	49.7	41.0
Non-services	1.9	0.9	1.3	61.5	34.4	1.8	0.6	0.7	53.1	43.8
<b>B Women</b>										
Distribution and consumer services	24.6	14.1	11.3	34.9	15.1	22.3	19.4	15.3	28.8	14.2
Transport	21.5	16.6	11.7	36.8	13.3	10.0	12.8	11.0	51.5	14.7
Business	20.2	11.4	10.6	44.3	13.5	17.6	12.3	5.6	53.3	11.3
Public administration	5.7	17.7	11.8	51.9	12.9	8.3	12.5	14.8	55.2	9.2
Health, education, social, voluntary	13.2	16.3	14.1	45.4	11.1	19.1	15.1	15.9	33.5	16.4
All services	17.0	15.2	11.9	42.65	13.2	15.5	14.4	12.5	44.5	13.1
Non-services	10.1	13.4	7.2	55.8	13.4	11.5	10.2	8.7	58.7	11.0

Source: see Figure 1.

In Britain the government introduced a series of fiscal reforms during the 1990s to raise the earnings threshold, so allowing people with low weekly earnings, often part-timers, to earn more before starting to pay tax and social security contributions. This reduced the institutional incentives to organise part-time work into mini jobs by making it possible for part-time jobs to involve longer hours while still remaining below the thresholds, which remained stable over this period. In both Britain and Germany the proportion of midi employment scarcely changed during the 1990s.

Mini jobs are most common in distribution and consumer services, which in both Britain and Germany employ more people and pay lower wages than every other service sub-sector. Women are disproportionately employed in mini jobs in both countries: almost 25 per cent of German women, and 9 per cent of men, employed in distribution and consumer services held mini jobs; in Britain the comparable rates were 22 and 7 per cent.

Marginal part-time employment is often associated with inferior wages and social protection. Mini jobs may help students to finance their education and may provide a foothold in the labour market for other groups, but if they do not provide a transitional entry-point for advancing into longer hours and better paid work they do little to generate good-quality, sustainable employment (O'Reilly and Bothfeld 2002). Policy debates have drawn attention to the expansion of the 'working poor' who have been pushed into low-paid marginal jobs by welfare reform. In response, the UK government has expanded the tax credit system of 'in-work' benefits for low-income working families (Smith 2003). However, this strategy has been criticised as expensive and for encouraging and subsidising low-wage employers to compete on price rather than innovation (see Fagan et al 2004a for a review of the debates).

## **2.6 Wage relativities in the British and German economies**

As one indicator of job quality, we assess the relative hourly wages of jobs in different sectors in Britain and Germany. We also distinguish between men and women in order to assess the gender pay gap at both sector and occupational levels. Box 1 explains how the relative hourly wage indicator is calculated. This indicator expresses the average hourly income for each job category relative to the national hourly median for men employed full-time.<sup>9</sup> A score above 1 means that the average hourly income in this job category is above the national hourly median; the higher the score, the higher the average hourly income for the particular job category relative to other categories. This measure allows us to assess the relative average wage positions of job categories (as well as the wage dispersal) within each country – for example, whether sales jobs are better paid than clerical jobs – and thus to establish a rank order of jobs; it is not valid for comparing wage levels between Germany and Britain.

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<sup>9</sup> This is done for each year, to control for the effects of wage growth and inflation so that we look only at relativities (i.e. between sectors/occupations) and can therefore pool across years.

**Box 1**  
**Calculating the wage relativity indicator**

The wage data are for all employed persons (excluding the self-employed). Our wage relativity indicator is defined in the following steps

1. Gross personal income is divided by usual working hours.<sup>10</sup>
2. The relative mean wage is standardised and defined in terms of the median full-time (35 hours-plus) wage for employed men aged 20 to 49. We then use the mean to compare the standardised (or 'relative') wages across sectors.

The overall average is above 1, even for men, because the mean wage is higher than the median. We use the median wage as our reference because this measure is less affected by extreme values, particularly at the high end of the wage distribution, and is therefore more stable.

The gap between the highest- and lowest-paying sectors is much greater in Britain than in Germany (Table 8), reflecting the wider wage dispersion in the British economy. Distribution and consumer services pay the lowest rates of any sector, for both men and women, in both countries; wages are particularly low for women, especially in Britain. Business services is the highest-paying sector for men in both countries. Women are more likely to receive higher pay in health, education, public administration and business services.

In both Germany and Britain, women earn less than men in each sector. The gap is largest in business services: on average, women in each country earned about 30 per cent less than men in this sector. Women working in public administration in Germany earned on average 14 per cent less than men; this gap is lower than in every other sector (except for the minority of women employed in transport where the gender wage gap is 9 per cent) and much lower than in Britain, where it is 21 per cent. In distribution and consumer services, the lowest-paid sector, German women earn 21 per cent less than men, British women 26 per cent less.

Comparing occupational levels within services, we find (to no great surprise) that in both countries professional and managerial occupations are the best paid for both sexes, and that jobs outside the service sector pay second best. Unskilled manual work is the lowest-paid occupational group, again in both countries and for both sexes. Between the two extremes are significant differences between the two countries. In Germany, clerical jobs are better paid than sales or manual jobs and occupy an 'intermediate' position in the wage hierarchy for both sexes. Clerical jobs in Britain offer better wages to women than sales or unskilled manual service jobs, but pay less than the wages received by the small proportion of women who occupy skilled manual jobs. Men who work in clerical service jobs in Britain are paid less than men in skilled manual or sales jobs.

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<sup>10</sup> Note that this is personal gross income. This is the best comparable measure possible across the two datasets, as it is not easy to derive an alternative measure based for example on an accurate measure of gross labour income in a harmonised manner across both the GSOEP and the BHPS.

**Table 8**  
**Service-sector jobs ranked by mean relative wage levels for employed men and women by sub-sector and occupation, Germany and Britain, 1993–2002**

<b>A Service sub-sector – ranked in descending order</b>			
<b>Germany</b>		<b>Britain</b>	
<b>Men</b>	<b>Women</b>	<b>Men</b>	<b>Women</b>
Business services (1.35)	Health/education (1.01)	Business services (1.51)	Public administration (1.11)
Health/education (1.29)	Public administration (0.98)	Public administration (1.4)	Business services (1.07)
Public administration (1.14)	Business services (0.94)	Health/education (1.28)	Health/education (1.01)
<i>Non service sectors</i> (1.12)	<i>Non service sectors</i> (0.92)	<i>Non service sectors</i> (1.12)	<i>Non service sectors</i> (0.9)
Transport (1.09)	Transport (0.9)	Transport (1.1)	Transport (0.9)
Distribution/consumer services (0.96)	Distribution/consumer services (0.76)	Distribution/consumer services (0.9)	Distribution/consumer services (0.67)
<b>Range (highest–lowest) = 39</b>	<b>Range (highest–lowest) = 25</b>	<b>Range (highest–lowest) = 61</b>	<b>Range (highest–lowest) = 44</b>
<b>B Service occupational group – ranked in descending order</b>			
<b>Germany</b>		<b>Britain</b>	
<b>Men</b>	<b>Women</b>	<b>Men</b>	<b>Women</b>
Professional/managerial (1.37)	Professional/managerial (1.05)	Professional/managerial (1.54)	Professional/managerial (1.22)
<i>Non service jobs</i> (1.12)	<i>Non service jobs</i> (0.92)	<i>Non service jobs</i> (1.12)	<i>Non service jobs</i> (0.9)
Clerical (1.09)	Clerical (0.87)	Skilled manual (0.94)	Skilled manual (0.87)
Skilled manual (0.88)	Sales and personal services (0.68)	Sales and personal services (0.93)	Clerical (0.84)
Sales and personal services (0.87)	Skilled manual (0.63)	Clerical (0.89)	Sales and personal services (0.64)
Unskilled manual (0.81)	Unskilled manual (0.62)	Unskilled manual (0.78)	Unskilled manual (0.58)
<b>Range (highest–lowest) = 48</b>	<b>Range (highest–lowest) = 43</b>	<b>Range (highest–lowest) = 76</b>	<b>Range (highest–lowest) = 64</b>

Source: see Figure 1.

Wages are defined as gross income/usual hours. The mean relative wage is compared with the median full time (35-plus) wage for men aged 20 to 49 years. The wage data are pooled for the period 1993 to 2002, weighted cross-sectionally. Pooled data were used to increase reliability of the estimates

Interestingly, the gender wage gap is similar in both countries for managers/professionals (23 per cent in Germany, 21 per cent in Britain) and unskilled manual jobs (23 per cent in Germany, 26 per cent in Britain). However, the gender wage gap is much smaller in Britain than Germany for clerical jobs (6 compared with 20 per cent) and skilled manual (7 compared with 28 per cent) but larger for sales (31 compared with 22 per cent).

The analysis of these wage relativities has implications for how we later interpret transitions between different occupational levels within the service sector in terms of income advancement or loss (upward or downward wage mobility), depending on the gender of the person making the move and the country in which they are located. We return to this theme in section 3.4 below.

Male workers in mini jobs have significantly better relative wages than men working standard full-time hours (35 to 44 per week). This suggests that this small elite of men – only 5 per cent of all male workers in both Britain and Germany – enjoys a privileged form of part-time work (Table 9). These male part-timers mainly work in professional and managerial and non-service jobs in both countries and in clerical work in Britain. In contrast, there is no such premium for doing mini jobs in unskilled manual services, and men doing mini jobs in sales and personal services earn less than men working standard full-time hours. Men working long hours (45-plus) earn slightly less than their counterparts on standard full-time hours, except in clerical work and non-service jobs in Germany.

It is well-known that women who work part-time incur a pay penalty in most countries and that this negative impact has major consequences for pensions and social protection systems (Rubery 1998). The main reason for this penalty is that part-time jobs are concentrated in low-paid areas of the service sector, e.g. sales (Smith et al 1998). However, the wage penalty for working less than full-time is more pronounced in Britain than in many other countries (Rubery 1998). One aspect of the large wage penalty for part-time work in Britain is that the wages of women working part-time are lower than those of women employed 35 hours or more at most occupational levels (Table 9). In contrast in Germany, the average relative wage levels of women working part-time match or exceed those of women working full-time in comparable occupations for all categories except skilled manual (Table 9). Relative wages within occupational groups are very similar in Germany regardless of working time arrangements.

The main message from Table 9 is that in both countries women working part- and full-time in sales and related jobs and in manual service jobs receive particularly low pay. In Germany, hourly income levels in occupational groups are very similar regardless of the number of hours worked, with two exceptions. In managerial/professional occupations an elite of women employed in 'mini' jobs earns a higher hourly income than those who work longer hours; and mini jobs for women in skilled manual services are particularly poorly paid. In Britain there is also an elite of women employed in well-paid mini managerial and professional service jobs



**Table 9**  
**Mean relative wage levels by occupational group, working hours and gender for the employed, Germany and Britain, 1993–2002**

	Men (hours)				Women (hours)				
	Up to 18	35 to 44	45-plus		Up to 18	19 to 25	26 to 34	35 to 44	45-plus
<b>Germany</b>									
Professional/managerial	2.94	1.32	1.3		1.39	1.17	1.16	0.98	0.96
Clerical	1.03	1.01	1.25		0.91	0.92	0.86	0.86	0.81
Sales and personal services	0.71	0.94	0.81		0.77	0.71	0.71	0.68	0.51
Skilled manual service	1.42	0.89	0.83		0.49	0.65	0.66	0.67	0.61
Unskilled manual service	0.87	0.88	0.74		0.63	0.66	0.59	0.64	0.52
Non-service	2.72	1.08	1.14		0.94	0.99	0.84	0.9	0.97
Total	2	1.1	1.13		0.96	0.97	0.95	0.88	0.86
<b>Britain</b>									
Professional/managerial	2.98	1.54	1.5		1.48	1.23	1.18	1.22	1.16
Clerical	1.61	0.9	0.85		0.86	0.78	0.78	0.87	0.7
Sales and personal services	0.8	1.05	0.84		0.62	0.61	0.64	0.67	0.63
Skilled manual service	1.99	0.96	0.9		0.73	0.49	0.62	1.05	0.76
Unskilled manual service	0.87	0.82	0.76		0.58	0.55	0.54	0.65	0.52
Non-service	4.3	1.14	1.09		0.98	0.77	0.86	0.91	0.95
Total	2.02	1.21	1.15		0.83	0.82	0.84	0.98	1.01

Source: see Figure 1.

Wages are defined as gross income/usual or contracted hours. The mean relative wage is measured compared to the median FT (35 hours-plus) for males aged 20 to 49 years. The wage data are for the period 1993 to 2002, weighted cross-sectionally

### 3 Transition patterns: moving into and out of service-sector employment

What type of people enter service sector jobs, and what happens next? Do they experience upward or downward occupational mobility, or exclusion from work? Our analysis of transition patterns builds on the distinctions made by O'Reilly et al (2000) between integrative transitions, in which the non-employed (e.g. mothers, students and older workers) re-enter employment; maintenance transitions, for those who change or reduce their working time in order to sustain an employment contract and thereby remain in employment; and exclusionary transitions, where non-employed people return to non-employment after a period of work.

We focus on:

- integrative transitions that integrate the non-employed into employment and that lead to upward occupational mobility
- maintenance transitions associated with downward mobility to lower-status employment
- exclusionary transitions, leading to people dropping out of work.

We used two statistical techniques. First, we plotted descriptive year-on-year transitions into and out of service employment. Second, we used a statistical model (a proportional hazard rate) to assess the significance of characteristics associated with people making these kinds of transition. Box 2 explains the definitions of entry status and job destinations that we use.<sup>11</sup>

#### 3.1 Moving into employment

The majority of people remain in the same category as one year before. Table 10 presents the overall transition pattern, including people who did not find employment. Table 11 focuses on people who entered employment between 1993 and 2002. In Germany 69.1 per cent and in Britain 62.4 per cent of the non-employed were still without a job one year later. A minority of the employed lost their jobs between 1993 and 2002, but more in Germany (8.5 per cent) than in Britain (5.6 per cent), and a higher proportion of British workers ended up in service jobs.

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<sup>11</sup> At this stage we do not distinguish between full- and part-time work, which we examine in the hazard models.

**Box 2****Definitions of entry status and job destination used in the transition analysis**

<b>Status</b>	<b>Definition</b>
Young entrants	Under 25 years old and entering from education
Women returners entering from inactivity/unemployment: three categories	Returners include non-employed and unemployed women with young children
<ul style="list-style-type: none"> <li>• youngest child aged 0 to 2</li> <li>• youngest child aged 3 to 4</li> <li>• youngest child aged 5 to 11</li> </ul>	
Unemployed	Unemployed (ILO definition of job seeking) are those people who have not worked more than one hour during the short reference period, usually the previous week or day. In our subsequent analysis we also distinguish within this group the long-term unemployed who have been without work for 12 months or more.
Other non-employed	Entry from inactivity, including people aged 25-plus entering from education
All non-employed	The sum of all the above categories
Professional/managerial jobs	ISCO 1–3 occupations located in service sectors
Clerical jobs	ISCO 4 occupations located in service sectors
Sales and personal service jobs	ISCO 5 occupations located in service sectors
Skilled manual service jobs	ISCO 6–7 occupations located in service sectors
Unskilled manual service jobs	ISCO 8–9 occupations located in service sectors
Non-service jobs	Manufacturing, agriculture and construction jobs (SIC/NACE)

**The unemployed**

Germany had a higher proportion of long-term unemployed people (12 months-plus) than Britain (Table 10). After 12 months 71.8 per cent of men were still unemployed, compared with 63.4 per cent in Britain. German women were even more likely to remain unemployed a year later than British women: 75.9 per cent in Germany, 58.8 per cent in Britain.

Service employment absorbed much higher proportions of the unemployed in Britain than in Germany. In Britain 21.8 per cent of unemployed men and 36.5 per cent of unemployed women found a job in services; in Germany the proportions were 15.2 and 19.9 per cent (Table 10). The 'New Deal' labour market reforms in Britain actively sought to channel many of the unemployed into low-wage service jobs (Rubery et al 1998, Dickens et al 2003), created by a buoyant economy and sustained through the system of tax credits for low-income households (Working Families Tax Credits). In Germany, the relatively more generous levels of unemployment benefit insurance and the severer economic situation did not encourage such transitions (McGinnity 2004, Gangl 2003, Kemmerling and Bruttel 2005).

Although just over half of unemployed men found work in services, a higher proportion of unemployed men in Germany than in Britain got a job in non-services: 45.9 per cent of

**Table 10**  
**Overall transition patterns, Germany and Britain, 1993–2002**

Status in previous year	Germany			Britain		
	Not employed	Service-sector jobs	Non-service-sector jobs	Not employed	Service-sector jobs	Non-service-sector jobs
Non-employed people	69.1	23.8	7.1	62.4	31.6	6.04
Employed people	8.5	55.1	36.4	5.6	64.9	29.5
<b>All people</b>	<b>31.2</b>	<b>43.4</b>	<b>25.4</b>	<b>26.9</b>	<b>52.4</b>	<b>20.7</b>
<b>MEN</b>						
<i>All non-employed</i>	<b>79.2</b>	<b>12.0</b>	<b>8.9</b>	<b>80.6</b>	<b>12.9</b>	<b>6.6</b>
Employed	7.9	45.8	46.3	4.5	55.9	39.6
Unemployed	71.8	15.2	13.0	63.4	21.8	14.8
Young entrants	78.7	12.55	8.7	77.3	17.0	5.8
Other non-employed	83.7	9.8	6.5	91.6	5.7	2.7
<b>All men</b>	<b>24.9</b>	<b>37.7</b>	<b>37.4</b>	<b>21.3</b>	<b>46.4</b>	<b>32.3</b>
<b>WOMEN</b>						
<i>All non-employed</i>	<b>64.0</b>	<b>29.7</b>	<b>6.2</b>	<b>54.8</b>	<b>39.4</b>	<b>5.8</b>
Employed	9.6	71.4	19.0	7.3	80.1	12.7
Unemployed	75.9	19.9	4.2	58.8	36.5	4.7
Young entrants	78.3	18.0	3.7	76.1	20.9	3.0
Returner (child 0–2 years)	68.8	25.8	5.4	43.9	48.9	7.3
Returner (child 3–4 years)	57.2	35.1	7.8	45.9	46.6	7.5
Returner (child 5–11 years)	43.4	46.6	10.0	38.0	54.0	8.1
Other non-employed	89.7	9.0	1.3	89.0	9.9	1.1
<b>All women</b>	<b>38.2</b>	<b>49.5</b>	<b>12.3</b>	<b>32.6</b>	<b>58.4</b>	<b>9.0</b>

Source: Authors' calculations based on the BHPS and GSOEP panel data for the period 1993 to 2002, pooling all year-year transitions made for the working age population (16–64 years for men, 16–59 years for women).

See Box 2 for explanation of the definitions used for entry status and job destination.

**Table 11**  
**Moving into employment, Germany and Britain, 1993–2002**

Status in previous year	Service-sector jobs							Total
	Professional/ managerial	Clerical	Sales and personal services	Skilled manual	Unskilled manual	Non-service- sector jobs		
<b>GERMAN men</b>								
Young entrant	19.27	9.57	6.91	10.77	12.45	41.03	100	
Unemployed	18.72	3.37	6.51	8.52	17.01	45.87	100	
Other non-employed	28.81	7.32	7.13	4.34	12.74	39.65	100	
<b>All men entrants</b>	<b>27.64</b>	<b>4.88</b>	<b>4.99</b>	<b>5.41</b>	<b>7.32</b>	<b>49.76</b>	<b>100</b>	
<b>GERMAN women</b>								
Young entrant	34.92	14.61	25.77	2.16	5.66	16.88	100	
Returner (child 0–2 years)	50.69	10.39	15.49	0.96	5.31	17.16	100	
Returner (child 3–4 years)	43.13	15	17.07	0.97	5.7	18.13	100	
Returner (child 5–11 years)	39.74	13.44	18.67	1.39	9.11	17.64	100	
Unemployed	24.59	18.91	22.46	4.52	12.15	17.37	100	
Other non-employed	32.69	11.39	22.36	2.16	18.43	12.96	100	
<b>All women entrants</b>	<b>39.62</b>	<b>14.63</b>	<b>17.3</b>	<b>1.37</b>	<b>7.21</b>	<b>19.87</b>	<b>100</b>	
<b>All entrants in Germany</b>	<b>32.77</b>	<b>9.06</b>	<b>10.27</b>	<b>3.68</b>	<b>7.27</b>	<b>36.95</b>	<b>100</b>	

(continued)

**Table 11**  
**Moving into employment, Germany and Britain, 1993–2002 (continued)**

Status in previous year	Service-sector jobs						Total
	Professional/ managerial	Clerical	Sales and personal services	Skilled manual	Unskilled manual	Non-service- sector jobs	
<b>BRITISH men</b>							
Young entrant	19.03	13.32	24.96	6.28	10.97	25.44	100
Unemployed	19.35	9.62	8.36	6.43	15.92	40.32	100
Other non-employed	27.53	10.96	11.81	6.1	11.73	31.88	100
<b>All men entrants</b>	<b>31.74</b>	<b>6.7</b>	<b>6.38</b>	<b>5.16</b>	<b>8.98</b>	<b>41.04</b>	<b>100</b>
<b>BRITISH women</b>							
Young entrant	22.31	27.56	33.12	1.01	3.37	12.63	100
Returner (child 0–2 years)	40.79	20.47	19.4	0.57	5.85	12.93	100
Returner (child 3–4 years)	34.92	24.38	20.64	0.16	6.12	13.78	100
Returner (child 5–11 years)	30.75	19.38	28.04	0.52	8.28	13.03	100
Unemployed	25.87	25.08	26.93	0.45	10.26	11.41	100
Other non-employed	28.09	17.48	28.17	0.04	16.06	10.16	100
<b>All women entrants</b>	<b>35.93</b>	<b>21.22</b>	<b>22.31</b>	<b>0.52</b>	<b>6.65</b>	<b>13.36</b>	<b>100</b>
<b>All entrants in Britain</b>	<b>33.66</b>	<b>13.37</b>	<b>13.7</b>	<b>3.03</b>	<b>7.91</b>	<b>28.32</b>	<b>100</b>

Source: Authors' calculations based on the BHPS and GSOEP panel data for the period 1993 to 2002, pooling all year-year transitions made for the working age population (16–64 years for men, 16–59 years for women).

See Box 2 for explanation of the definitions used for entry status and job destination.

the transitions made by unemployed German men and 40.3 per cent by unemployed British men were into non-services. About 19 per cent of unemployed men in each country also moved into professional and managerial jobs, and 16 to 17 per cent into unskilled service jobs; the remainder took clerical jobs or jobs in clerical, sales, personal services or skilled manual services (Table 11). The proportion of unemployed women who took non-service jobs was considerably lower (17.4 per cent in Germany, 11.4 per cent in Britain); a higher proportion – about 25 per cent in each country – moved into professional and managerial work.

### **The non-employed**

Significantly more previously non-employed people moved into work in the services sector than into non-service work. In Germany the proportions were 24 and 7 per cent, in Britain 31 and 6 per cent.

Entry rates into professional and managerial jobs were somewhat higher for women than for men in both countries, although women tend to make more labour market transitions both into and out of employment than men, especially around the time they have children. More women went into professional and managerial jobs in Germany (39.6 per cent) than in Britain (35.9 per cent); in Britain 31.7 per cent of men moved into these jobs, in Germany 27.6 per cent. The entry rate into unskilled manual service jobs was similar for both men and women in both countries.

Half of German men (49.8 per cent) and a fifth of German women entrants (19.9 per cent) took up non-service sector jobs. In Britain the proportions were slightly lower (41 per cent of men, 13.4 per cent of women). In both countries more non-employed women moved into clerical and sales, personal and protective services jobs than men.

### **Young entrants**

Nearly three quarters of young entrants (those aged under 25) remained out of the labour market (Table 10). Of those that did move, a strikingly higher proportion of young German women entrants went into professional and managerial jobs compared with any other categories: over one third of the young German female entrants who moved went into these jobs compared with about one fifth of young German and British men and young British women (Table 11).

In Britain jobs in sales, personal and protective services were a major destination for young people of both sexes: 33.1 per cent of young women and 25 per cent of young men, compared with 25.8 per cent of young women and only 6.9 per cent of young men in Germany. Clerical jobs were also a popular choice for young women, especially in Britain. Young men, by contrast, were more likely to enter manual service jobs or non-service jobs. A similar proportion (19 and 22.3 per cent) of young men and women in Britain entered professional and managerial jobs. In Germany significantly more young women do so: 34.9 per cent compared with 19.3 per cent of young men. This is because of the large number of young men (41 per cent) who went into non-services, compared with 25.4 per cent of young men in Britain.

### **Women returners**

'Women returners' are mothers re-entering employment with children aged under 12.<sup>12</sup> German mothers in general, and those with very small children, were less likely to return to employment than British mothers. In Germany over two thirds of non-employed mothers with a child under two years old (68.8 per cent) were still not employed one year later, compared to 43.9 per cent in Britain (Table 10).

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 job than those mothers who returned when their youngest child was older. In Britain, mothers who returned when their children were older were more likely to enter jobs in sales, personal and protective services or clerical work. This reflects the general pattern across Europe, whereby their greater earning power and better career prospects leads highly qualified mothers to take fewer and shorter childbirth breaks. Highly qualified women are more career-oriented and adopt more egalitarian gender roles than those with fewer qualifications and more limited career prospects (Crompton 1999).

German women returners may be slower to resume employment, but a higher proportion of those that do enter professional or managerial jobs than in Britain. This applies to all returners in Germany, regardless of the age of their children. While a substantial proportion of women returners in Britain go into professional and managerial jobs, significant numbers are also more likely to enter sales, personal and protective services jobs or clerical jobs than in Germany.

Gottfried and O'Reilly (2002) have argued that the extension of parental leave rights in Germany since the 1970s has encouraged mothers to stay out of employment for longer, while also providing better protection for their right to return to their previous employment. If German mothers return, it seems to be to better jobs; the alternative is not to work at all.

### **'Other non-employed' people**

The 'other non-employed' category includes people registered as sick or disabled, older entrants, and people aged 26 and over entering work from education. In both Britain and Germany, 'other non-employed' men were less likely to enter employment than either the unemployed or young entrants (Table 10). The small number that did return to work took up professional and managerial jobs. The entry rate for 'other non-employed' women is similar, and much lower, in both countries and is comparable with that of men (89 per cent remain non-employed).

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<sup>12</sup> The profile measured here is based on employment status at two points in time. This simplifies the 'returner' profile somewhat by failing to capture temporary intervening spells of employment, or those who took maternity leave and initially pursued a continuous employment pattern. However, these aggregate patterns do capture the broad picture of exits and returns.



### 3.2 Downward mobility or dropping out?

One major criticism of the service sector is that jobs there are less secure. To assess this claim we looked at what happened to people over a 12-month period. The first column of Table 12 shows the percentage of people in different occupational categories who switched from working to non-employment. These 'drop-out transitions' were much more frequent in Germany than in Britain: overall, 8.5 per cent of people who had previously been employed were not employed 12 months later in Germany, 5.6 per cent in Britain. In all job categories there were higher proportions of Germans who ended up non-employed in this period, compared with those in Britain. The highest drop-out rates in Germany were in unskilled and skilled manual services and in sales, personal and protective services.

The shaded diagonal in columns 2 to 7 of Table 12 indicate the proportions remaining in each occupational category after one year. In both Germany and Britain the lowest retention rate was in skilled manual services (65.3 and 54.6 per cent). The highest retention rates were in professional and managerial occupations and in non-service jobs.

The figures above the shaded diagonal identify the people who moved 'down' the occupational ranking. While the overall proportion of 'downward movers' is relatively low, more workers moved down in Britain than in Germany. The contrast is especially marked among women: for example, in Germany 3.2 per cent of women left a professional or managerial job for a clerical job in Germany, compared with 7.1 per cent in Britain.

Not surprisingly, a lower proportion of people left professional/managerial jobs than any other category. When they leave a managerial job, British women tend to move to lower-status jobs in clerical work or sales, personal and protective services (10.7 per cent) rather than to drop out of employment (5.7 per cent). German women are more likely to drop out (7.4 per cent) rather than move to clerical or sales work (5 per cent). Male exits from high-status jobs in both countries are into non-employment (4.9 per cent in Germany, 3.7 per cent in Britain) or non-service jobs (3.7 and 6 per cent respectively).

Our findings support other research which shows that British workers are more likely to experience greater turbulence in the labour market than in Germany, where movement is more often linked to leaving employment altogether rather than to changes in occupational status (European Commission 2003 pp 135–7, Fagan et al 2004b, O'Reilly and Bothfeld 2002). In both countries women are more likely than men to experience downward occupational mobility, and a large proportion of manual service workers, especially men, are also likely to move to non-service employment. In Germany this does not imply downward mobility, since pay rates in this sector are relatively high (see Tables 14 and 15); in Britain, however, wages in this sector are moderate for those already in employment and not particularly good for those just entering.

**Table 12**  
**Transitions from previous year: outflow percentage tables (pooled data) for the employed population by gender and age**  
**(men 16-64, women 16-59), Germany and Britain, 1993-2002**

Status in previous year	Not employed	Service-sector employment							Total
		Professional/ managerial	Clerical	Sales and personal services	Skilled manual	Unskilled manual	Non-service sector jobs		
Professional/managerial	5.98	86.19	2.34	1.48	0.34	0.62	3.05	100	
Clerical	7.79	9.87	75.43	1.69	0.23	1.01	3.98	100	
Sales and personal services	10.88	6.87	1.36	76.27	0.34	1.61	2.68	100	
Skilled manual	10.54	2.95	0.9	1.3	65.33	2.33	16.64	100	
Unskilled manual	13.95	3.15	2.12	1.76	1.35	70.92	6.74	100	
Non-service sector jobs	8.84	2.75	0.81	0.51	1.62	1.28	84.19	100	
<b>All employed</b>	<b>8.5</b>	<b>29.47</b>	<b>7.77</b>	<b>8.27</b>	<b>3.52</b>	<b>6.06</b>	<b>36.41</b>	<b>100</b>	
<b>A GERMANY - ALL</b>									
Status in previous year	Not employed	Service-sector employment							Total
		Professional/ managerial	Clerical	Sales and personal services	Skilled manual	Unskilled manual	Non-service sector jobs		
Professional/managerial	4.5	82.01	4.64	2.39	0.87	1.07	4.51	100	
Clerical	6.16	15.15	68.29	3.29	0.46	1.94	4.72	100	
Sales and personal services	8.23	8.61	4.49	71.25	0.59	3.91	2.92	100	
Skilled manual	3.94	10.17	1.8	2.12	54.62	4.96	22.39	100	
Unskilled manual	8.1	4.73	3.53	6.16	1.95	66.7	8.83	100	
Non-service sector jobs	5	5.04	1.78	1.24	2.19	2.13	82.63	100	
<b>All employed</b>	<b>5.56</b>	<b>32.65</b>	<b>11.32</b>	<b>10.44</b>	<b>3.24</b>	<b>7.26</b>	<b>29.52</b>	<b>100</b>	
<b>B BRITAIN - ALL</b>									

(continued)

**Table 12**  
**Transitions from previous year: outflow percentage tables (pooled data) for the employed population by gender and age**  
**(men 16-64, women 16-59), Germany and Britain, 1993-2002 (continued)**

Status in previous year	Not employed	Service-sector employment						Total
		Professional/ managerial	Clerical	Sales and personal services	Skilled manual	Unskilled manual	Non-service sector jobs	
Professional/managerial	4.85	87.25	1.63	1.25	0.54	0.76	3.72	100
Clerical	8.14	11.64	73.37	0.44	0.57	1.89	3.94	100
Sales and personal services	6.38	9.49	0.7	77.13	0.53	2.19	3.57	100
Skilled manual	9.62	2.64	0.94	0.96	66.58	2.23	17.03	100
Unskilled manual	13.05	3.13	2.45	0.92	1.66	70.39	8.41	100
Non-service sector jobs	8.61	2.34	0.38	0.24	1.79	1.18	85.45	100
<b>All employed</b>	<b>7.86</b>	<b>25.76</b>	<b>4.43</b>	<b>4.48</b>	<b>4.88</b>	<b>6.27</b>	<b>46.32</b>	<b>100</b>
<b>D GERMANY – WOMEN</b>								
Status in previous year	Not employed	Service-sector employment						Total
		Professional/ managerial	Clerical	Sales and personal services	Skilled manual	Unskilled manual	Non-service sector jobs	
Professional/managerial	7.36	84.9	3.2	1.76	0.1	0.46	2.23	100
Clerical	7.59	8.87	76.6	2.39	0.04	0.51	4	100
Sales and personal services	13.16	5.55	1.69	75.83	0.25	1.31	2.22	100
Skilled manual	16.72	5.1	0.64	3.61	56.96	2.94	14.02	100
Unskilled manual	15.67	3.21	1.5	3.39	0.74	71.96	3.53	100
Non-service sector jobs	9.8	4.46	2.62	1.67	0.87	1.72	78.85	100
<b>All employed</b>	<b>9.62</b>	<b>35.99</b>	<b>13.63</b>	<b>14.93</b>	<b>1.14</b>	<b>5.69</b>	<b>19.00</b>	<b>100</b>

(continued)

Table 12 (continued)

## E BRITAIN – MEN

Status in previous year	Not employed	Service-sector employment							Total
		Professional/ managerial	Clerical	Sales and personal services	Skilled manual	Unskilled manual	Non-service sector jobs		
Professional/managerial	3.68	83.01	2.94	1.58	1.41	1.36	6.02	100	
Clerical	4.95	17.44	61.69	3.26	0.76	4.23	7.67	100	
Sales and personal services	7.89	9.54	3.98	67.9	1.19	4.58	4.92	100	
Skilled manual	3.74	9.55	1.53	1.67	55.21	5.21	23.08	100	
Unskilled manual	6.85	5	3.75	3.58	2.61	67.71	10.51	100	
Non-service sector jobs	4.23	4.61	1.16	0.75	2.54	2.12	84.59	100	
<b>All employed</b>	<b>4.54</b>	<b>30.89</b>	<b>6.16</b>	<b>5.65</b>	<b>4.86</b>	<b>8.33</b>	<b>39.57</b>	<b>100</b>	

## F BRITAIN – WOMEN

Status in previous year	Not employed	Service-sector employment							Total
		Professional/ managerial	Clerical	Sales and personal services	Skilled manual	Unskilled manual	Non-service sector jobs		
Professional/managerial	5.69	80.55	7.11	3.57	0.08	0.66	2.33	100	
Clerical	6.78	13.97	71.67	3.3	0.3	0.76	3.2	100	
Sales and personal services	8.41	8.14	4.74	72.94	0.29	3.57	1.91	100	
Skilled manual	7.05	19.94	6.04	9.25	45.23	0.96	11.54	100	
Unskilled manual	11.17	4.09	3	12.5	0.32	64.23	4.7	100	
Non-service sector jobs	8.73	7.1	4.76	3.66	0.49	2.19	73.07	100	
<b>All employed</b>	<b>7.27</b>	<b>35.6</b>	<b>20.0</b>	<b>18.5</b>	<b>0.51</b>	<b>5.47</b>	<b>12.65</b>	<b>100</b>	

Source: Authors' calculations based on the BHPS and GSOEP panel data for the period 1993 to 2002, pooling all year-year transitions made for the working age population (16–64 years for men, 16–59 years for women).

See Box 2 for explanation of the definitions used for entry status and job destination.

### 3.3 Moving up or moving out?

The numbers below the shaded diagonal in Table 12 reveal upward employment mobility.<sup>13</sup> In both countries professional and managerial occupations are the largest and fastest-growing area of employment (Figure 3). There seem to be more opportunities to access these occupations from clerical positions in Britain than in Germany. Overall, there are more upward transitions to professional and managerial jobs in Britain than in Germany. One reason is that access to these occupations depends less on formal training and qualifications in Britain. In particular, there is significant movement from clerical positions into management in Britain.

In Britain, the most common destinations of male clerical workers were professional and managerial jobs (17.4 per cent), non-service jobs (7.7 per cent), and non-employment (5 per cent). In contrast, in Germany men moved from clerical work mostly into professional and managerial jobs (11.6 per cent) or non-employment (8.1 per cent); a smaller proportion switched to non-service jobs (3.9 per cent). In Britain, well over half the women exiting clerical work went into professional and managerial jobs (14 per cent); most of the remainder moved to non-employment (6.8 per cent). The pattern in Germany was similar. Women there moved from clerical work to professional and managerial jobs (8.9 per cent) or non-employment (7.6 per cent).

Men in Britain had the highest exit rates for workers in sales, personal and protective services: one in three (32.1 per cent) left within one year. The exit rates were similar for women in both countries (24.2 per cent in Germany, 27.1 per cent in Britain), while the lowest exit rates were for men in Germany – 77.1 per cent of the small pool of men working in this area stay put. Men leaving these jobs in Britain went to varied destinations; the two most common were professional and managerial jobs (9.5 per cent) and non-employment (7.9 per cent). This pattern reflects the varied pool of workers in this area, which includes students, *en route* to higher-qualified jobs later in their working lives, and low-qualified men who experience the vagaries of job instability and churn between employment and unemployment. The destinations of women in Britain were equally diverse; these jobs are also a route into clerical work (4.7 per cent), more so than for women in Germany.

In Germany, non-employment (13.1 per cent) was the most common destination for women exiting sales, personal and protective jobs; a smaller number moved to

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<sup>13</sup> There are two caveats in relation to this analysis. First, we have included all the employed, not just the recent entrants. This provides a picture of the overall mobility within both economies, but does not distinguish between the mobility patterns of recent entrants and of people who have been employed for more than 12 months. This refinement was not possible because of sample size limitations, and is explored further in the hazard model analysis. Second, our definition of upward occupational mobility is partial and judged on two dimensions. First, we take the ISCO ordinal ranking of jobs as indicative of the relative skill level (details of this are available in the appendix). Second, we compare average wages for the job categories that we have devised from the ISCO classification (Tables 18 and 19). We are not able to explore more individualised measures of upward mobility – for example promotion within job categories, or individual wage progression – in this study. This limitation does not detract from the main message, which focuses on the opportunities the labour market dynamics and occupational structure in the service economy in both countries offer, rather than a detailed analysis of individual profiles.

professional and managerial occupations (5.6 per cent) and to clerical work (1.7 per cent). In Germany men moved from sales, personal and protective jobs primarily into professional and managerial jobs (9.5 per cent) and non-employment (6.4 per cent).

A similar pattern is also identifiable among skilled manual service workers. British women were the most likely to move out of these jobs, German men the least likely. In Britain, women leaving skilled manual jobs went into professional and managerial (19.9 per cent), non-services (11.5 per cent) and sales, personal and protective services (9.3 per cent). In Germany women went into non-employment (16.7 per cent) and non-service jobs (14 per cent), with only small proportions moving into other service jobs. Men in Britain left for non-service (23.1 per cent) and professional and managerial (9.6 per cent) posts; only 3.7 per cent moved into non-employment. In Germany men exited to non-service jobs (17 per cent) and non-employment (9.6 per cent).

Exits from unskilled manual service jobs for women in Britain were to jobs in sales, personal and protective services (12.5 per cent) and non-employment (11.1 per cent). In Germany most women who moved went to non-employment (15.7 per cent); only a small proportion went to sales, personal and protective services (3.4 per cent). In Germany men in unskilled manual service jobs were more likely to drop out of work than their counterparts in Britain: 13.1 per cent moved to non-employment compared with 6.9 per cent. Men in these jobs who continued in employment were more likely to find subsequent work in non-services: 8.4 per cent in Germany and 10.5 per cent in Britain. In Britain men were also more likely to find a job in sales, personal and protective services than in Germany (3.6 and 0.9 per cent respectively). British men were less likely to fall out of employment than German men, although staying at work might mean taking a lower paid job.

Overall, a higher proportion of British workers appeared to move between different statuses than in Germany. British workers were also more likely to be able to sustain an employment record whereas German men and women were more likely to exit to non-employment.

### **3.4 Wage relativities**

We saw earlier that wage relativities between occupational levels varied across the two countries (section 2.6). The analysis of wage relativities has implications for how we interpret labour market transitions. In Table 13 we schematise these transitions. The three main conclusions are:

- A move from an unskilled manual job to any other category implies advancement and upward mobility in terms of average relative earnings. (However, the gain is minimal for moves by women from unskilled into skilled manual service jobs in Germany.)
- A move from a clerical post into a professional or managerial service job generally implies wage advancement.
- At the top of the occupational hierarchy, a move from the professional or managerial service occupations into any other category implies a fall in relative wages.

**Table 13**  
**Service occupational transitions that imply an average improvement in hourly income, Germany and Britain, 1993–2002**

Transition	Germany		Britain	
	Men	Women	Men	Women
Unskilled manual jobs → any other occupation	✓	✓ (but minimal for a move into skilled manual)	✓	✓
Skilled manual jobs → sales/personal/protective service jobs	—	✓	—	✗
Skilled manual → clerical jobs	✓	✓	✗	✗
Sales/personal/protective → clerical service jobs	✓	✓	✗	✓
Clerical service jobs → managerial/professional	✓	✓	✓	✓
Managerial/professional → any other occupation	✗	✗	✗	✗

Key

✓ Upward mobility; ✗ Downward mobility; — Little/no change

Transitions between skilled manual jobs, jobs in sales, personal and protective services and clerical jobs have different implications according to gender and country. Moving from skilled manual to sales, personal and protective services had little impact on men's hourly income in either Britain or Germany; the transition implied a slight improvement for German women but a loss for British women. Changing from a skilled service manual job to a clerical service job was an upward move for both sexes in Germany, but a downward one in Britain. Moving from sales and personal services to clerical work implied upward wage mobility, except for men in Britain

Non-service employment paid the second-best wages relative to all other sectors in Germany, both for those already employed in the sector and for new entrants (Table 14). This was not the case in Britain, where non-service employment was one of the lowest-paying sectors for those already employed. Public administration paid entrants best in both countries; however, jobs here were relatively few in number, for both new entrants and for those already employed (Figure 2c). In both Britain and Germany, business paid existing workers best, with public administration in second place in Britain and health and education in Germany. The distribution and consumer sub-sector was one of the lowest-paid in both countries for new entrants and for those already employed.

Wages are defined as gross income/usual or contracted hours. The mean relative wage is measured compared to the median FT (35 hours-plus) for males aged 20–49 years. The wage data are for the period 1993 to 2002, weighted cross-sectionally. An entrant is someone who entered the occupation or sector in the previous year, compared with those who were already working.

Table 15 shows that, not surprisingly, in both countries professional and managerial jobs were the best-paid, both for new entrants and for those currently employed. The skilled manual sector paid second-best for new entrants and for current employees in Britain. In Germany clerical work was just in second place (in front of skilled manual work) for those already employed; skilled manual work paid second-best for new entrants. Sales, personal

**Table 14**  
**Mean relative wage levels of new entrants and the employed by sector,**  
**Germany and Britain, 1993–2002**

Sector	Germany			Britain		
	New entrants	Existing employees	Total	New entrants	Existing employees	Total
Distribution and consumer services	0.89 (6)	0.61 (7)	0.87	0.80 (7)	0.58 (7)	0.78
Transport	1.11 (=4)	0.75 (5)	1.09	1.06 (5)	0.82 (=4)	1.05
Business	1.19 (1)	0.77 (4)	1.16	1.33 (1)	0.89 (3)	1.3
Public Administration	1.15 (3)	0.99 (1)	1.14	1.29 (2)	1.03 (1)	1.28
Health/education/social/voluntary	1.11 (=4)	0.78 (3)	1.08	1.08 (4)	0.94 (2)	1.07
Non-service	1.16 (2)	0.81 (2)	1.15	1.09 (3)	0.78 (6)	1.08
Not stated	0.91 (7)	0.70 (6)	0.87	0.92 (6)	0.82 (=4)	0.92
<b>Total</b>	<b>1.10</b>	<b>0.75</b>	<b>1.08</b>	<b>1.08</b>	<b>0.79</b>	<b>1.07</b>

Source: Authors' calculations based on the BHPS and GSOEP panel data for the period 1993 to 2002, pooling all year-year transitions made for the working age population (16–64 years for men, 16–59 years for women).

See Box 2 for explanation of the definitions used for entry status and job destination.

**Table 15**  
**Mean relative wage levels of new entrants and the employed by skill level**  
**(occupation), Germany and Britain, 1993–2002**

Occupation	Germany			Britain		
	New entrants	Existing employees	Total	New entrants	Existing employees	Total
Professional/managerial/ associate professional	1.24 (1)	0.78 (1)	1.22 (=1)	1.41 (1)	0.95 (1)	1.39
Clerical	0.96 (2)	0.53 (=4)	0.94 (=2)	0.84 (3)	0.69 (3)	0.83
Sales personal and protective	0.75 (5)	0.53 (=4)	0.74 (=5)	0.80 (5)	0.56 (5)	0.79
Skilled manual	0.94 (3)	0.69 (2)	0.93 (=3)	0.98 (2)	0.75 (2)	0.97
Unskilled manual	0.90 (4)	0.67 (3)	0.89 (=4)	0.83 (4)	0.67 (4)	0.82
<b>Total</b>	<b>1.03</b>	<b>0.68</b>	<b>1.01</b>	<b>1.11</b>	<b>0.77</b>	<b>1.10</b>

Source: Authors' calculations based on the BHPS and GSOEP panel data for the period 1993 to 2002, pooling all year-year transitions made for the working age population (16–64 years for men, 16–59 years for women).

See Box 2 for explanation of the definitions used for entry status and job destination.

and protective work – the sector that is often easiest to enter – was among the worst-paying for new entrants and current employees in both countries.

Wages are defined as gross income/usual or contracted hours. The mean relative wage is measured compared to the median FT (35 hours-plus) for males aged 20–49 years. The wage data are for the period 1993 to 2002, weighted cross-sectionally. An entrant is



someone who entered the occupation or sector in the previous year, compared with those who were already working.

One reason for the different mobility patterns in Britain and Germany is Germany's more regulated credential and training system, which acts as a barrier to movement between different occupations (Gangl 2001, DiPrete et al 1997). However, it can also be argued that the credential and training system is a mechanism for delivering stable entry routes instead of labour market turbulence. Britain's greater mobility may in reality be a form of turbulence caused by people entering jobs for which they are over-qualified and subsequently moving into a higher-level occupation.

### **3.5 Jobs for whom? – recruitment and retention**

In this section we analyse the characteristics that increase recruitment rates for the non-employed into service jobs and the retention rates of service-sector workers. We report the main findings from a multinomial logit analysis; the detailed tables are available from the authors (email jo40@sussex.ac.uk). Our overall conclusions are that:

- Services preferentially recruit from young women with higher education and living in well-off households.
- The people most likely to experience unstable employment are mothers and older workers, those from poorer households, and those with low levels of educational attainment.

#### **Getting a service-sector job**

In both Britain and Germany, service-sector employers tend to recruit more among women, and especially mothers. The age pattern of recruitment was not very different across the various sub-sectors. Although retired people and disabled people were the least likely to enter the workforce, service jobs were somewhat more accessible for older workers than jobs in traditional industrial sectors. Poor educational qualifications are a penalty. In Britain the service sector tended to recruit from people with higher tertiary qualifications, and in Germany the most recruitable were those who had completed secondary school level. Rich households found it easier to place members in service jobs. This is indicative of the clustering effect whereby affluent households living in buoyant local economies are generating growth in service jobs; this in turn contributes to the geographical polarisation of work-rich and work-poor areas.

#### **Retaining a service-sector job**

We also wanted to find out about the stability of service employment. Are services less stable than manufacturing? Do sub-sectors within services offer different levels of employment security?

Our preliminary bi-variate analysis did not reveal any significant differences between the sub-sectors. The exceptions were distribution and consumer services and non-service industries in Britain, which seemed less stable than other sectors. In Germany business services seemed the most stable. Later multivariate analysis confirmed the higher rate of

exits from non-services in Britain, suggesting that in this sector employment is much less stable in terms of sustaining employment continuity.

In Britain people who entered the workforce from family duties, retirement or disability were more likely than previously unemployed people to fall out of the workforce again. The reverse is true in Germany, where people entering from family duties and education were significantly more stable than the previously unemployed, or people entering the workforce from retirement or sickness. The main impact of age is that older workers leave at a disproportionate rate as they move into early retirement; this effect starts at an earlier age in Germany, although in later multivariate analysis the national difference diminished. Finally, women (including those without children and pregnant women) in both countries were more likely to leave the workforce than men; our multivariate analysis indicated that the younger their child, the more likely women are to re-exit the workforce, especially in Germany.

Low-income households – defined as those with an income of less than 50 percent of the median equivalised income (i.e. adjusted for family size) – experience less stable employment than those with a higher income of 50 to 150 per cent of the median. Households with an even higher income experience even greater stability in Germany (but not in Britain). This means that in both countries people living in the poorest households find it hardest to keep their jobs.

The impact of education is predictable. People with poor qualifications have a harder time keeping their jobs. In Germany, those with intermediate secondary education (who leave school at 16) are also at a disadvantage.

We also ran a combined model with additional variables related to the occupation (hours worked, firm size and sector). In both countries people in mini jobs were far more likely to exit than any other group. This also supports previous analysis by O'Reilly and Bothfeld (2002). In Germany people working between 19 and 25 hours were less likely to exit than in Britain. Firm size has no significant effect in Britain, but in Germany working in a larger firm increases employment security. Further analysis shows that there is no link between previous activity, area of work and employment security in Britain. In Germany, however, people entering employment from family duties experienced greatest job security in public administration, followed by health and social services; entrants from education and training were most secure in public administration. Otherwise there were no significant differences between previous activity and area of work.

## 4 Conclusions

Since the mid-1990s the buoyant British labour market has managed to deliver one of the highest employment rates in the EU, in contrast with the dismal employment situation in Germany. This success is often attributed to the impact of the growing and dynamic service economy diminishing the problems of unemployment and inactivity. But, if service employment is about creating low-skill, low-wage and unstable jobs, this will only create new problems. The negative scenario of service employment is seen as a particular threat in Germany, which has traditionally had a high-skill, high-wage equilibrium resting on a solid manufacturing base. Our research set out to examine the growth of service jobs in Britain and Germany since the mid-1990s, looking in particular at the quality and stability of these jobs in terms of wages and working hours.

Our main findings are that service-sector growth offers both 'high-end' and 'low-end' jobs. But this trend also implies increasing polarisation and growing inequality. The greater turbulence in the British labour market has potentially positive outcomes, since it is easier both to access employment and to become upwardly mobile in employment terms. In Germany, when people move, they drop out of employment rather than change their occupational status. Skilled and unskilled manual jobs in the German service sector have high exit rates. Jobs in distribution and consumer services, especially in Britain, act as sponge for those moving into work or moving onto something better, as well as absorbing those moving down from better jobs. However, drop-out rates in distribution and consumer services are the highest of all employment sectors, especially in Germany, and wages are among the lowest. Particularly in Britain, these jobs are often done by young people, rather than the previously unemployed.

Services offer good job prospects for highly educated people in both countries. The opportunities for others are more limited. Those with low qualifications or from poor households and displaced industrial workers have a much lower chance of entering employment and gaining access to secure, decently paid jobs, or of using a low-paid entry route as a springboard to advance into better-quality jobs, especially in Germany.

In both countries highly educated mothers return to work earlier than other mothers, when their children are quite young, and tend to go back to professional and managerial jobs. Mothers who interrupt employment for longer period and re-enter later, when their children are older, are more likely to end up in low-status, low-paid service jobs. However, our analysis shows that, even though German women take longer out of the labour market after having children, those who do return are more successful in entering the higher occupational levels, regardless of the age of their youngest child and hence the length of absence. In contrast the more rapid rate of return for mothers in Britain includes a larger proportion who enter non-professional jobs, particularly clerical areas. In other words, proportionately fewer mothers return to employment in Germany, but the quality of employment following a return is better on average. This suggest that returners in Germany are more able to retain or improve their former occupational status.

Patterns of working time are more polarised in the services sector than in industry or the public sector. More people work part-time and long full-time hours (45 hours-plus per

week). The significant increase in short part-time jobs (under 18 hours per week) is also associated with a higher rate of labour market drop-outs, especially in Britain. Those working in longer part-time jobs (about 25 hours per week) tend to be more stable.

Our research indicates that the British economy creates more jobs than the German economy. But the quality of many of these jobs is problematic: a high quantity of jobs does not itself solve unemployment and, especially, inequality. The key issue is how to create decent paid jobs and career paths, especially for the less well qualified. Germany's training system offers protection and stability, but must develop greater flexibility to meet the needs of newly emerging occupations and to target people at the lower end of the skills hierarchy by enabling them to earn and learn simultaneously. It also needs to develop and promote generic and transferable skills applicable across different jobs and so tackle the common perception that an occupation is for life. This should help inter-occupational transitions, which are less common in Germany, where people tend to fall out of work rather than move to another sector.

Policies to prevent downward mobility appear to be more effective in Germany than in Britain, especially for mothers returning to work. But, at the same time, fewer German mothers go back after having children. Investment in public-sector services could create good service jobs (for example, in social care, health and education) and also help families, and especially women, to combine paid work and family life.

Consumer and business services account for the lion's share of employment in both countries. Growth in these areas is partly related to levels of domestic demand and consumption patterns, which are influenced by confidence in the economy. Although this is primarily an issue for macro-economic policy, policies to facilitate self-employment could be beneficial. One way of stimulating demand and hence more job opportunities could be through tax credits to those who purchase personal domestic services. In fact it is the potential to release the demand for services in households that is likely to be the engine of growth in Britain and Germany in the future. Alternatively, the lessons of the Nordic models of public-sector services are that a large service economy can be generated and still offer decent wages, but at the cost of high personal taxes and a more directive role from the state, which is unlikely to happen in either Britain or Germany.

These options set out the political choices for the future affecting the development of service employment in both countries. A common feature of these options is that the employment rate of women can be expected to rise as the service sector expands, based on prevailing sex-segregated employment patterns and the greater domestic workload carried by women. Hence a gender perspective on the impact of alternative policy routes is a key consideration in the debate.

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