Quality of Life of Public Servants in European Comparison

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Conclusions

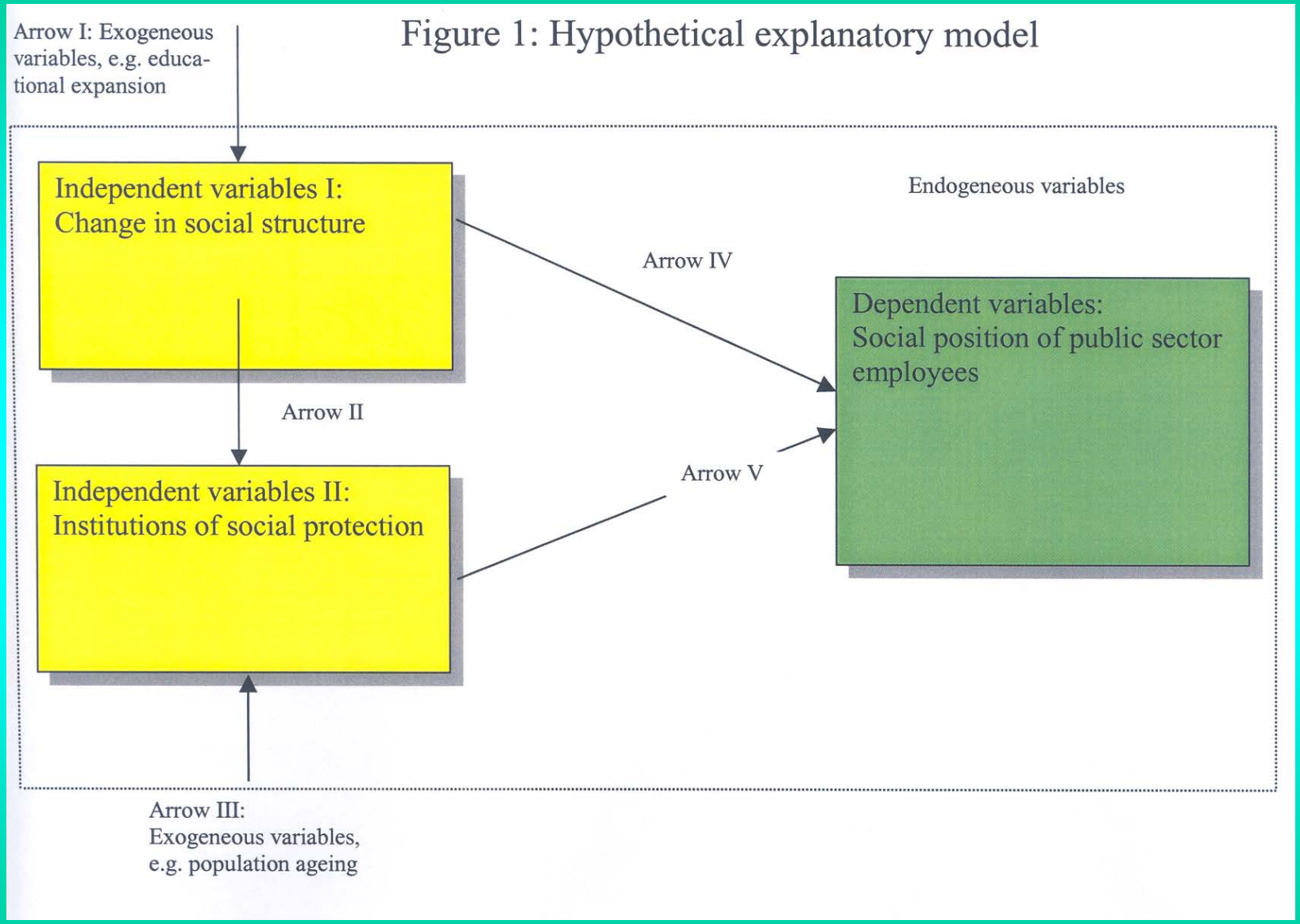
1. The research question

- Adapting the welfare state of the public service employees to the demographic, economic and organizational challenges
- What are the consequences for …
  - Employment
  - Working conditions
  - Income and pensions
- How are pension systems adapted to the changing environment?
- What is the role of different actors in this policy field?
- What are the effects on the quality of life?

2. The civil service and welfare production

- The following model proposes that the social situation of public sector employees is determined by two sets of variables:
  - Variables describing the changing social structure of public employees
  - Variables describing the changing social security institutions for public employees
  - Both sets of independent variables interact
- The model proposes a view that emphasizes the welfare produced for public sector employees either by socio-structural arrangements and by the institutions of social protection

Figure 1: Hypothetical explanatory model



2. The civil service and welfare production (contd.)

- *Table 1* shows the operationalization of the three dimensions proposed in the hypothetical model.
  - There are measurement dimensions for each of the sets of variables
  - Indicators are proposed for the measurement of each of these dimensions

Table 1: Operationalization of the Three Components Social Structure, Social Protection and Social Position

Aspects of the public sector	**Dimensions**	*Indicators*
Social structure		
	growth; devolution	global employment rate
	structure of genders, 'feminization'	gender-specific employment rate
	part-time work	gender-specific part-time work rate
	thinning out of lower career groups ('upgrading')	per cent distribution of career groups over time
	functional structure; 'privatization'	employees by functional areas
Social protection		
	old age pension	retirement age
		pensionable salary
		pensionable period of service
		pension formula
	survivor's pension	amount of contribution
	Possible further dimensions of social protection	
	disability	height of disability pension and eligibility requirements
	health protection	payments (continued payment of salary)
		payments in kind (nursing)
	family benefits	special family benefits for public employees (exceeding the general benefits)
	accident insurance and protection against occupational diseases	height of pension and eligibility requirements
	annual vacation and weekly working hours	length of time
Social position		
	standard of living: salary and income in the active service	gross salary
		relation to the private sector
		internal differentiation
	living standard: pensions height and old age income	net pension
		dispersion of the height of pension benefit
	Possible further dimensions of the social position	
	working conditions	working hours
		vacation regulations
	state of health	days of sickness; periods of inactiveness
		life expectancy
		frequency of work accidents, occupational diseases and disability
	family structure	number of children
	living conditions	size of dwelling
		owner-occupied dwellings

3. The challenges

Three main challenges:

1. The demographic challenge
2. The economic challenge
3. The organizational challenge

3.1 The demographic challenge

- Overall: ageing of the population, caused by …
  1. Long-term fertility decline
  2. Long-term rise in life expectancy
  3. The age-structure is becoming increasingly unfavourable with a growing share of the elderly related to the segment of the people of working age.

Figure 2: Total Fertility Rate (TFR) in European Countries, 1900-2003

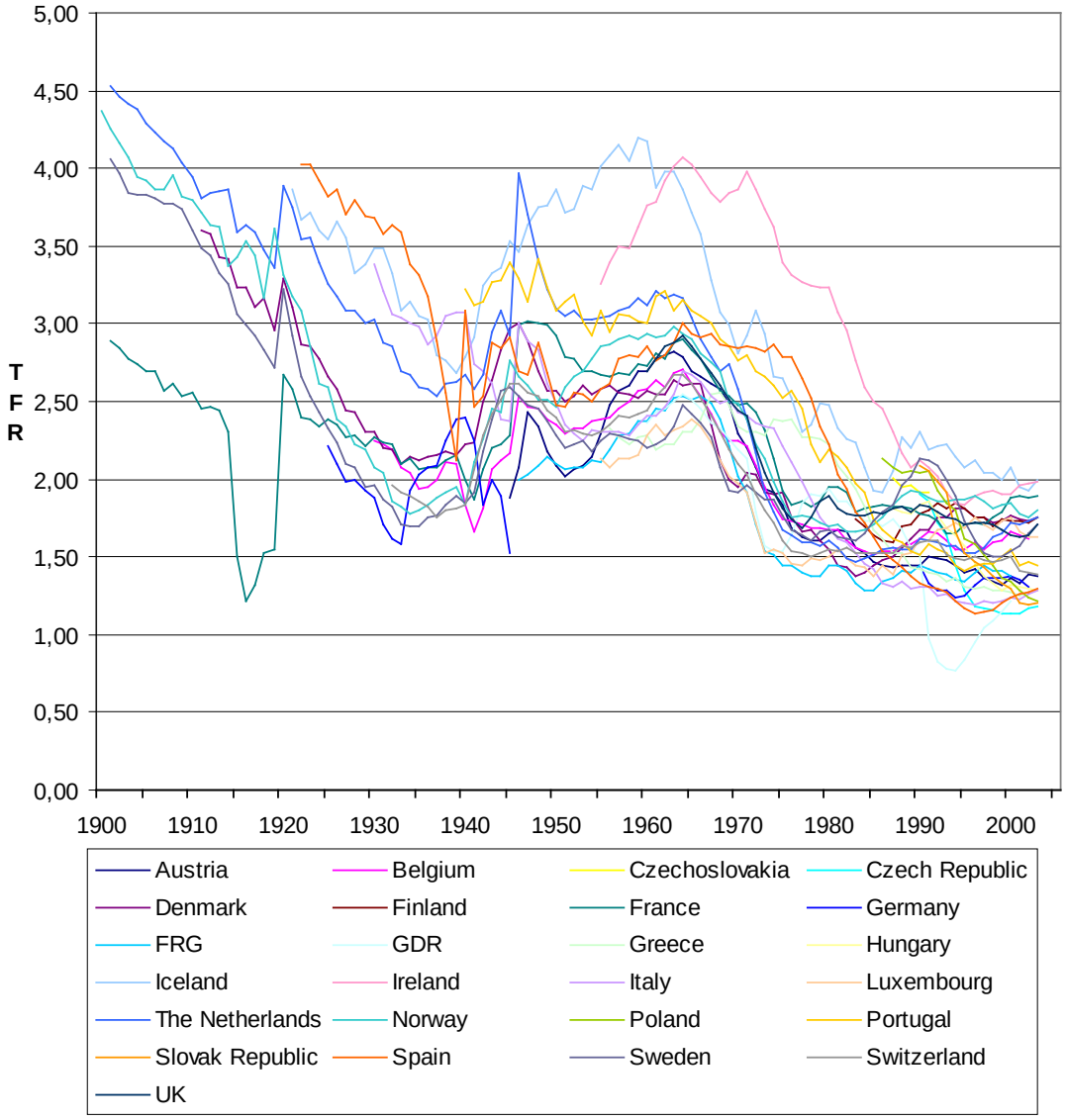


Figure 3A: Further life expectancy of men in Europe at age 60, 1850/69-1990 (years)

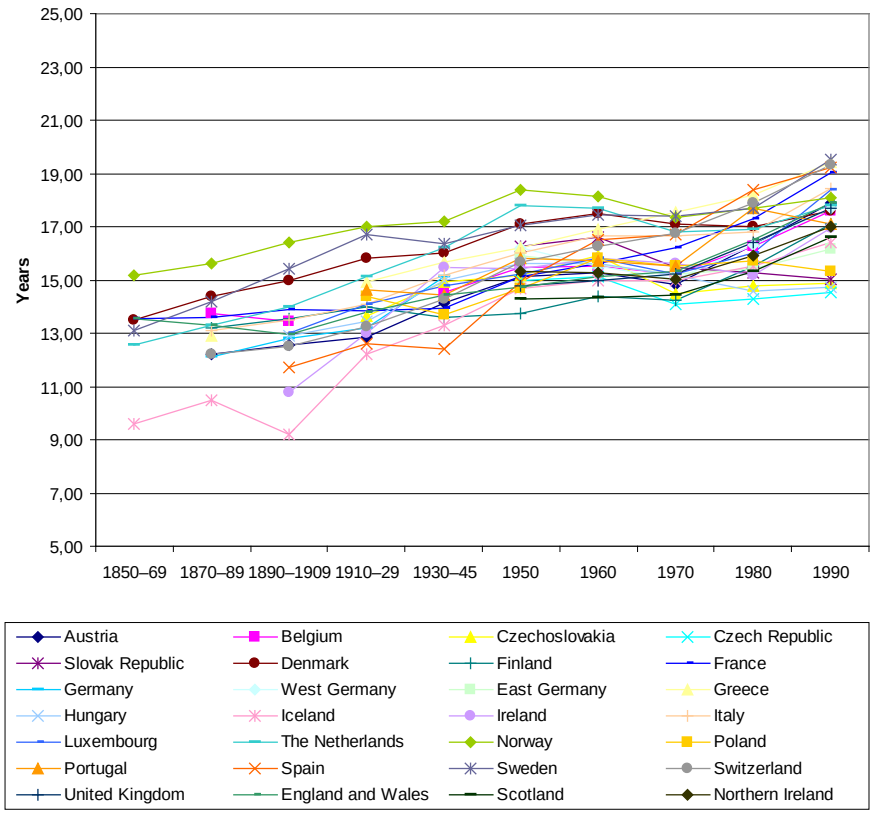


Figure 3B: Further life expectancy of women in Europe at age 60, 1850/69-1990 (years)

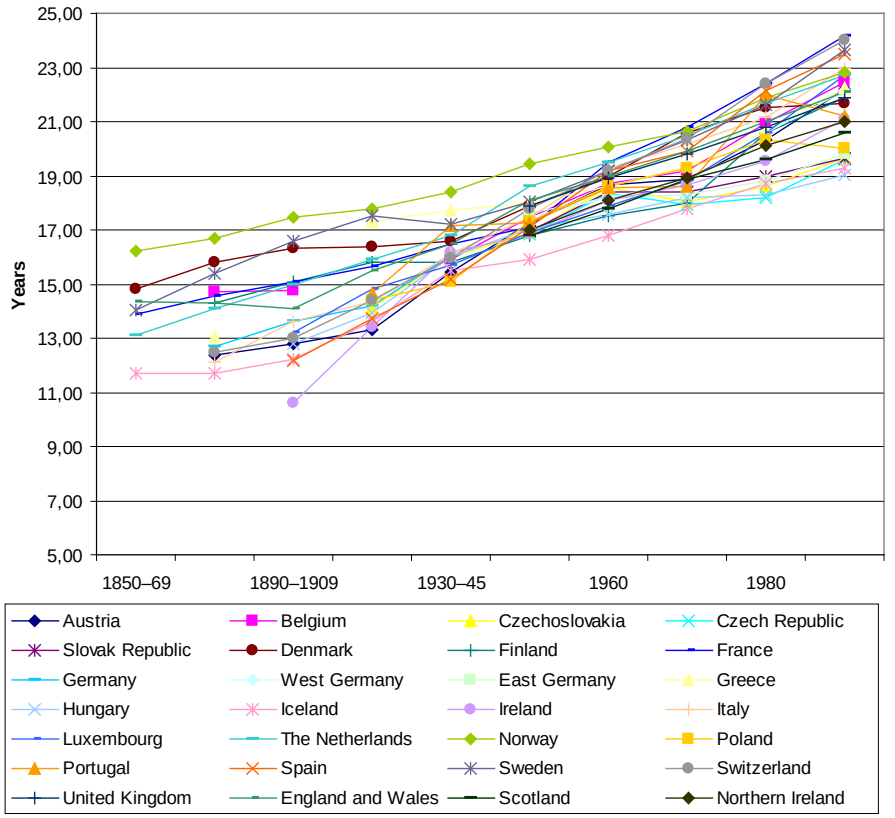


Figure 3C: Surplus mortality of men in Europe at age 60, 1850/69-1990 (years)

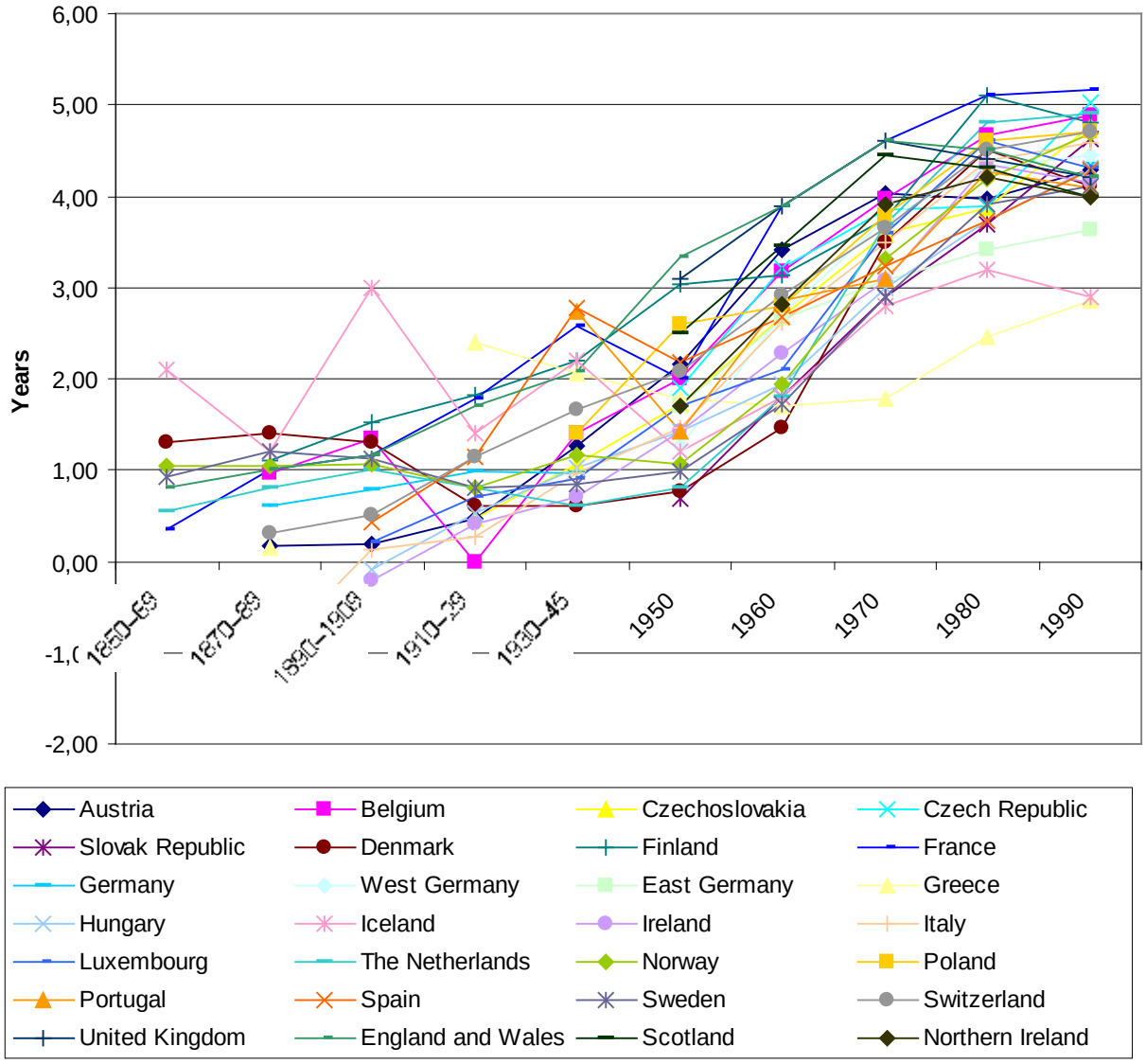
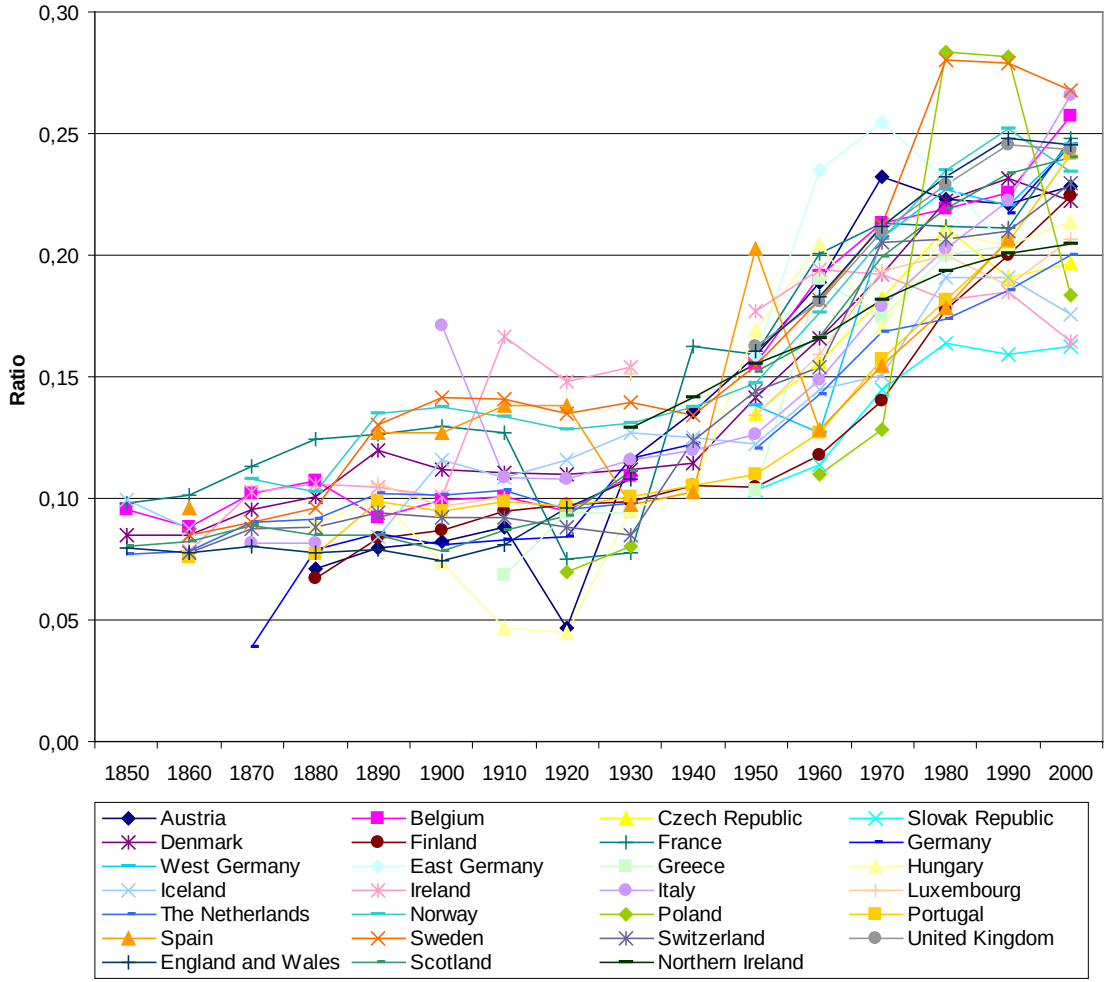


Figure 4: Old-age dependency ratio in Europe, 1850–2000 (persons aged 65+/persons aged 15-64)



3.2 The economic challenge

Five main economic challenges:

1. The fiscal crisis of the state
2. Expansion of public service employment
3. The politics of early retirement and postponement of work entry
4. Rising public service pay and pension costs
5. Upgrading of positions due to educational expansion

Figure 5: Total Outlays of Government as % of GDP, 1960-2000

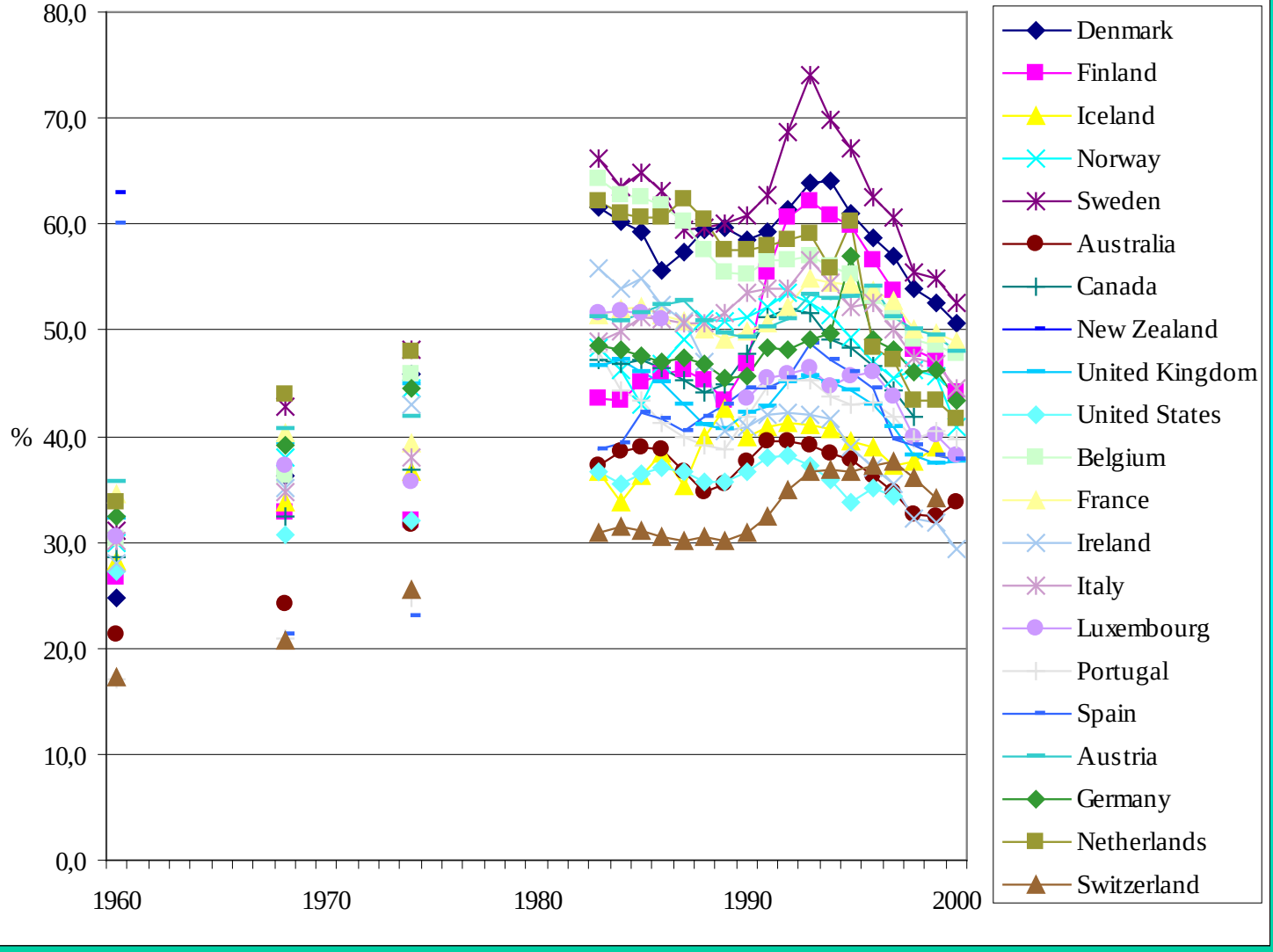


Figure 6: Persons Employed in the Public Sector or Service in European Countries, 1950-2000 (% of all women and men in employment)

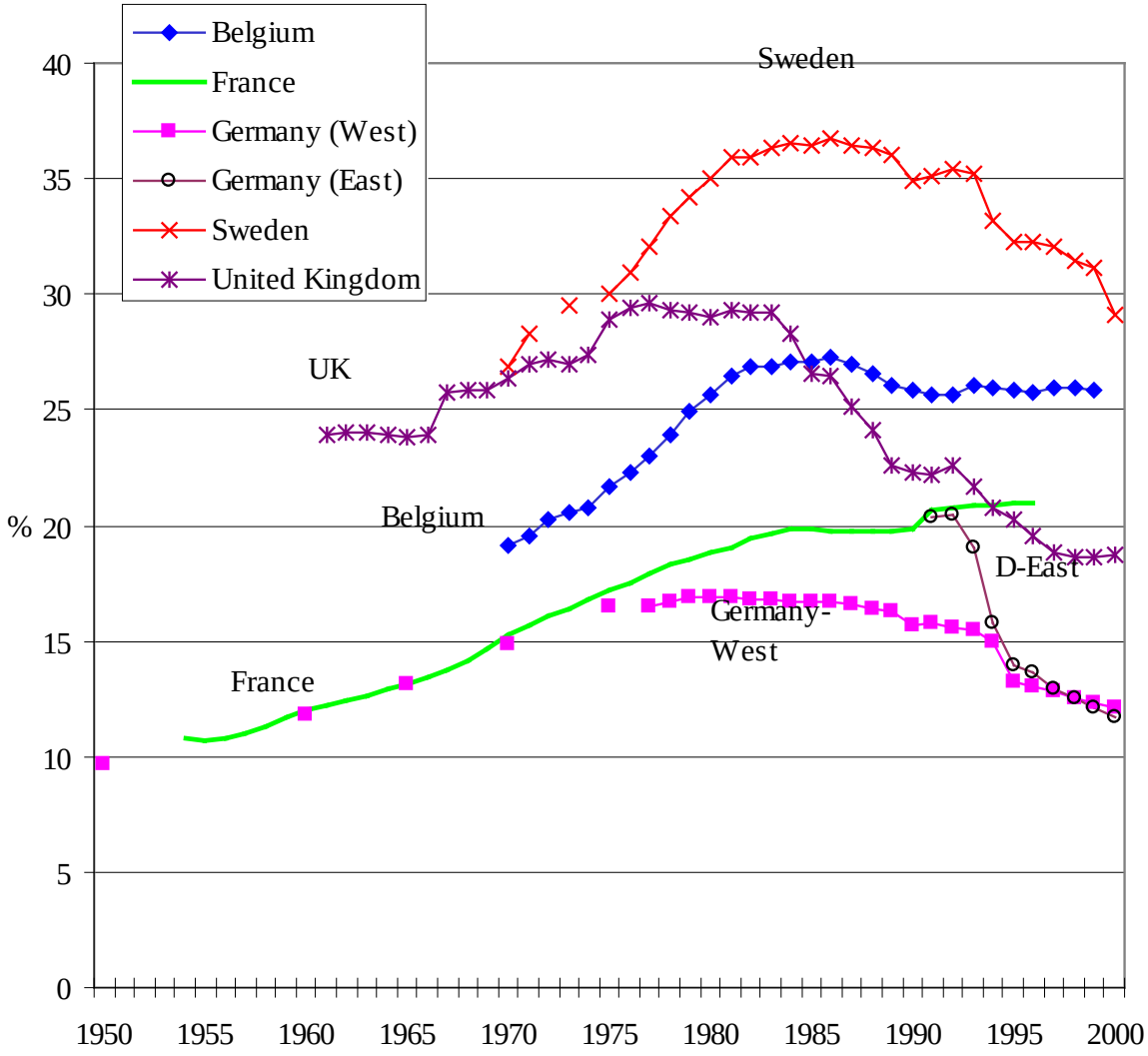


Figure 7A: Labour Force Participation Rates, Men Aged 15-24, 1984-2004

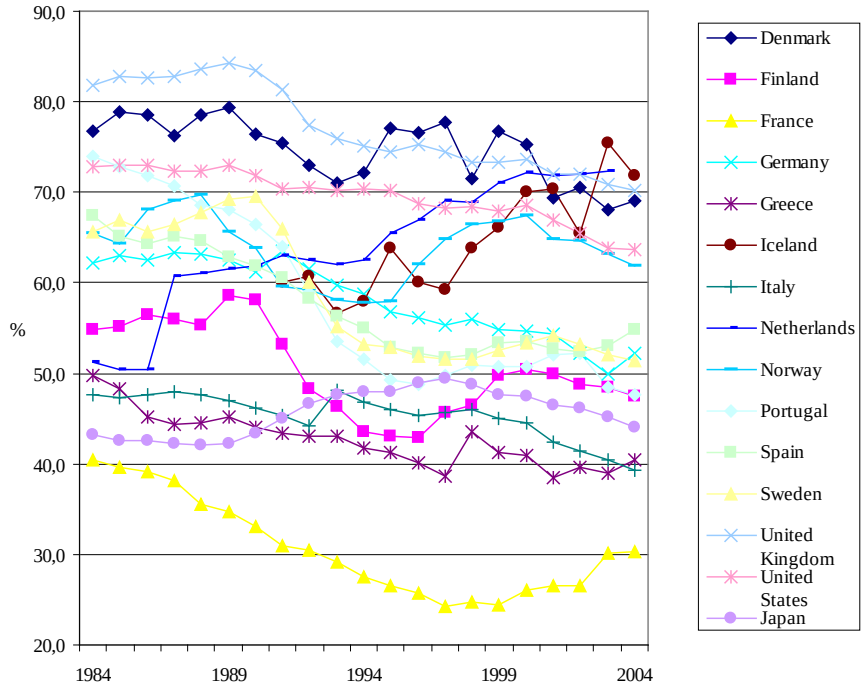


Figure 7B: Labour Force Participation Rates, Women Aged 15-24, 1984-2004

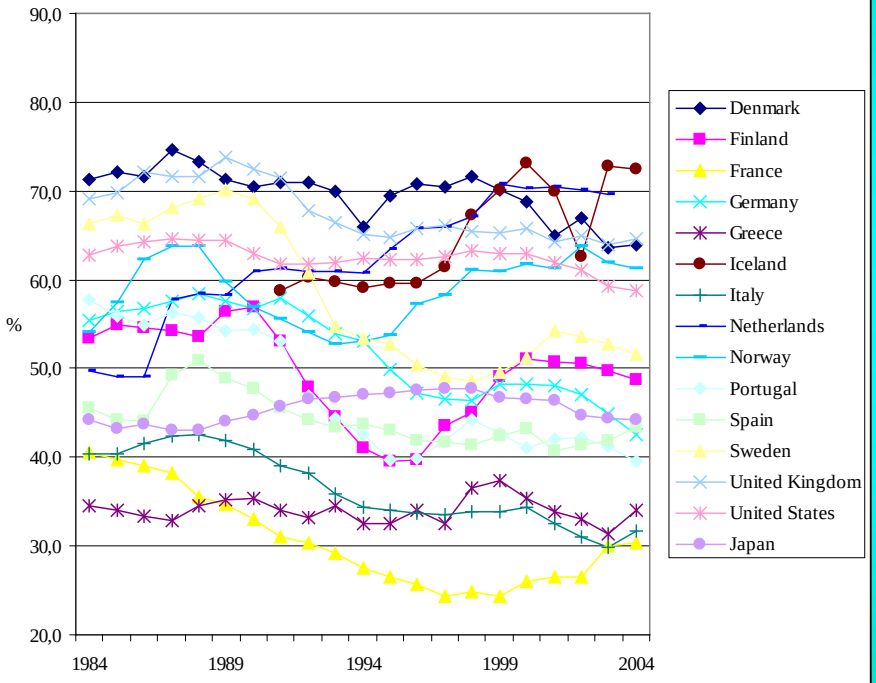


Figure 8A: Labour Force Participation Rates, Men Aged 65+, 1984-2004

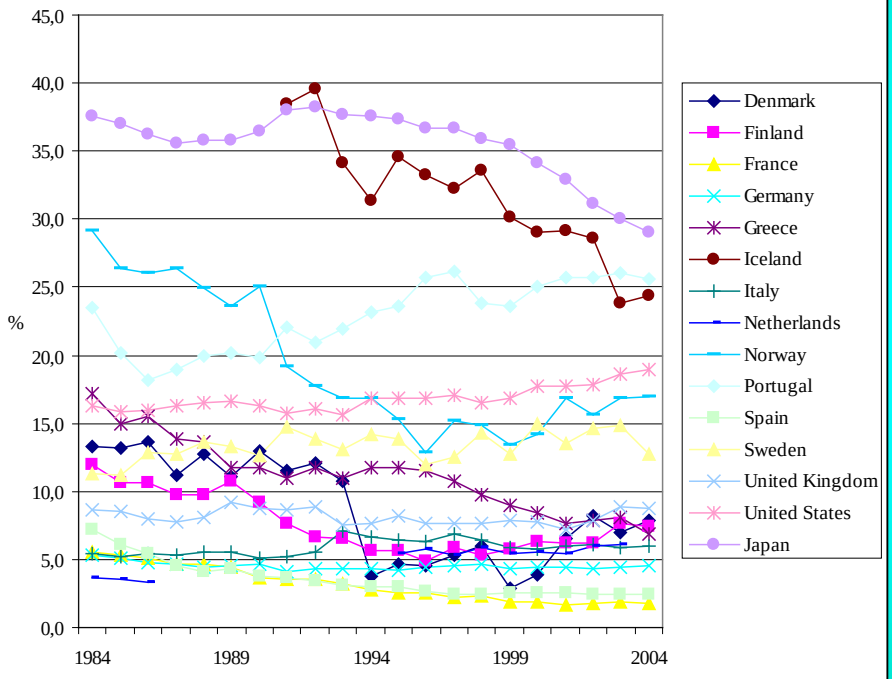


Figure 8B: Labour Force Participation Rates, Women Aged 65+, 1984-2004

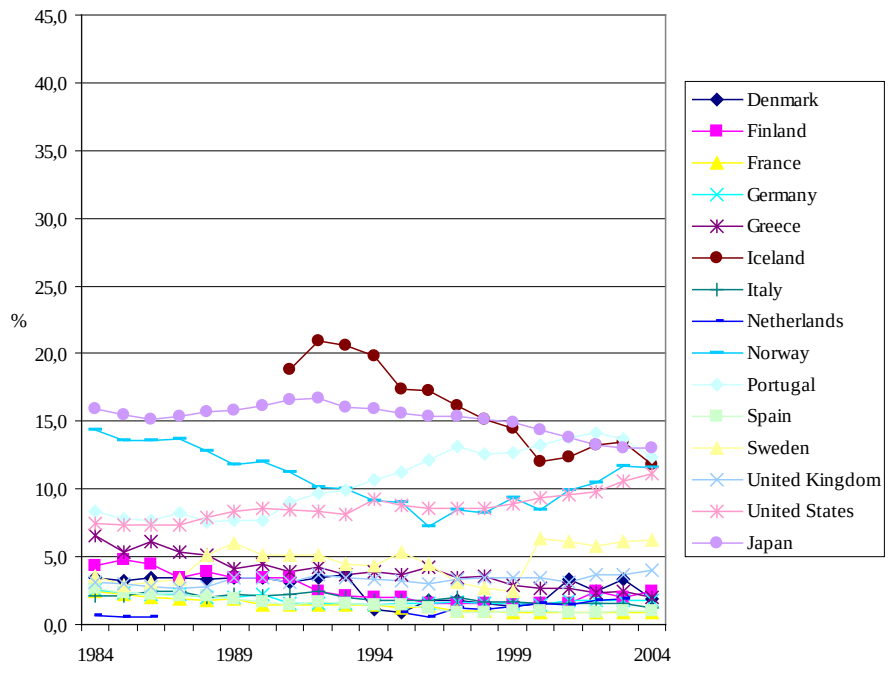


Figure 9A: Labour Force Participation Rates, Men Aged 55-64, 1984-2004

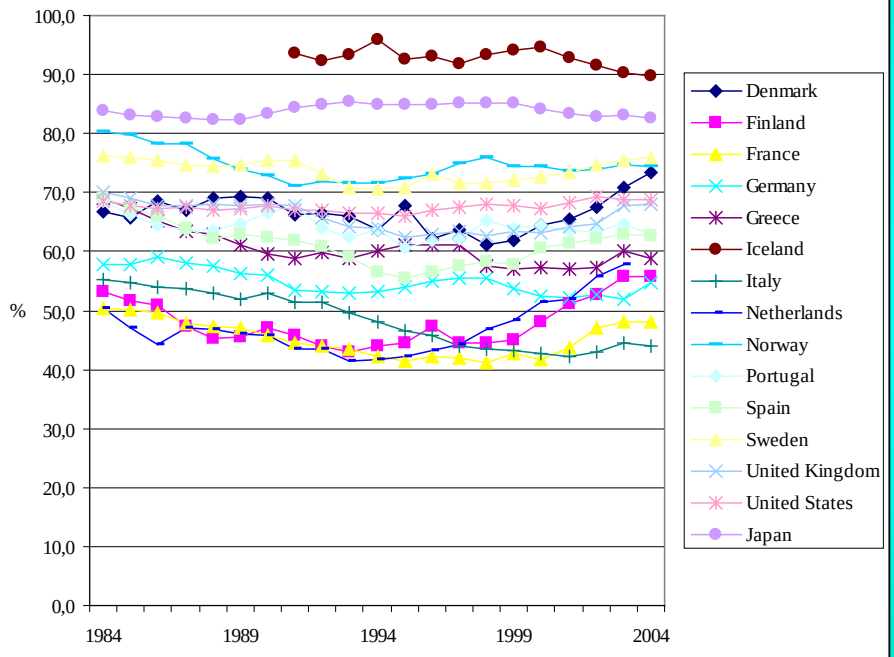


Figure 9B: Labour Force Participation Rates, Women Aged 55-64, 1984-2004

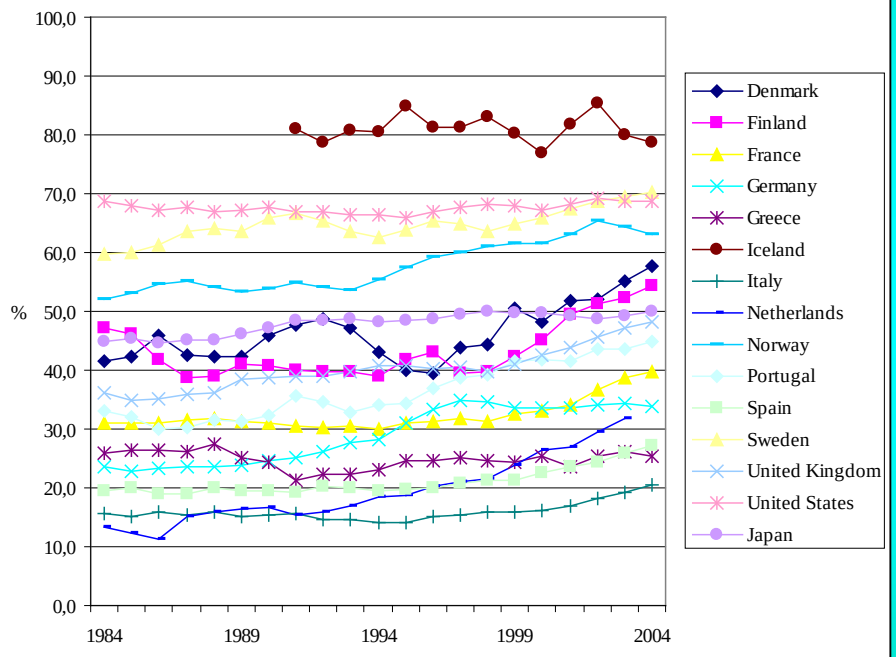


Figure 10A: Compensation Costs of General Government Employees, 1970-1988
(% of GDP)

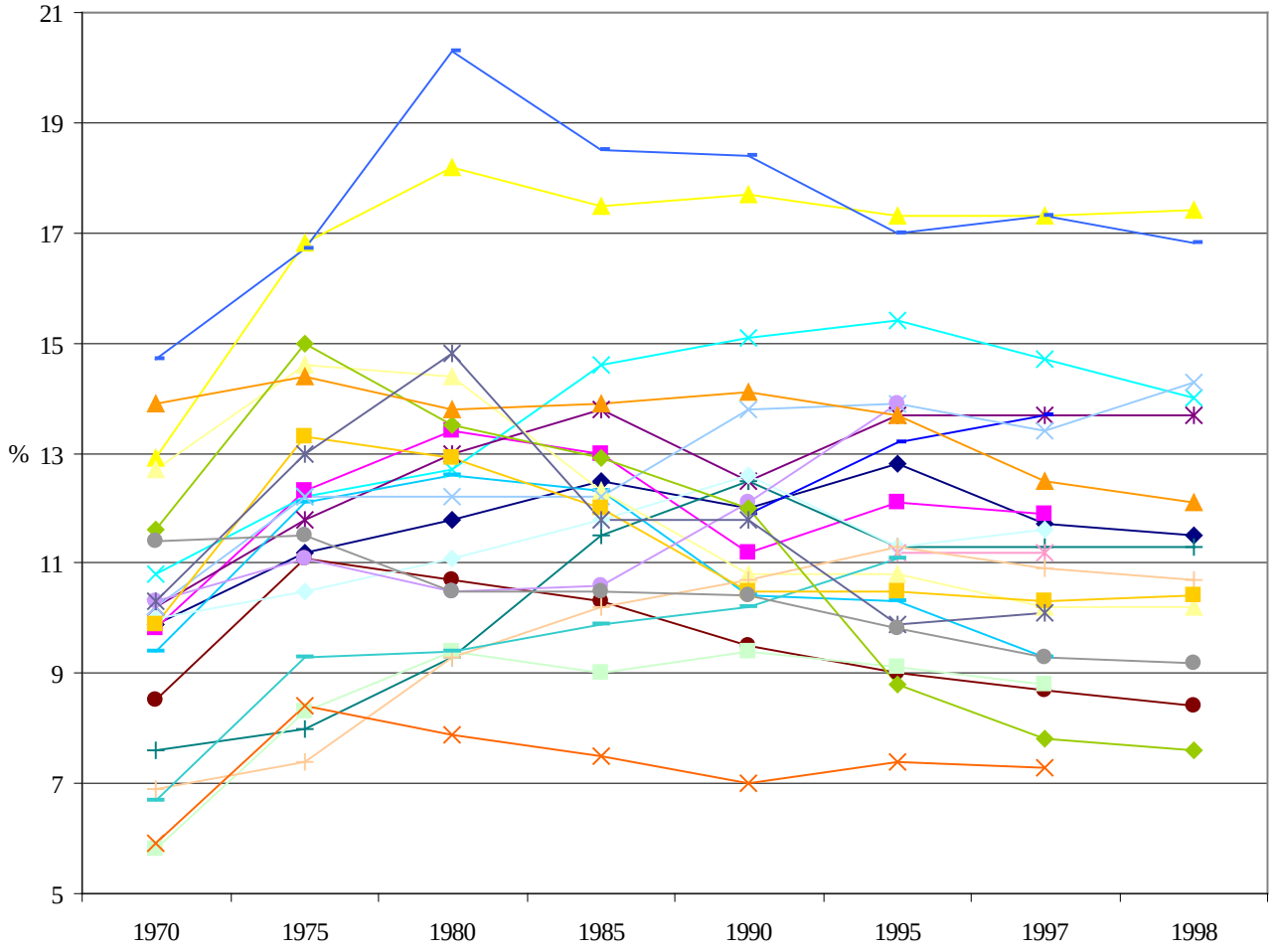
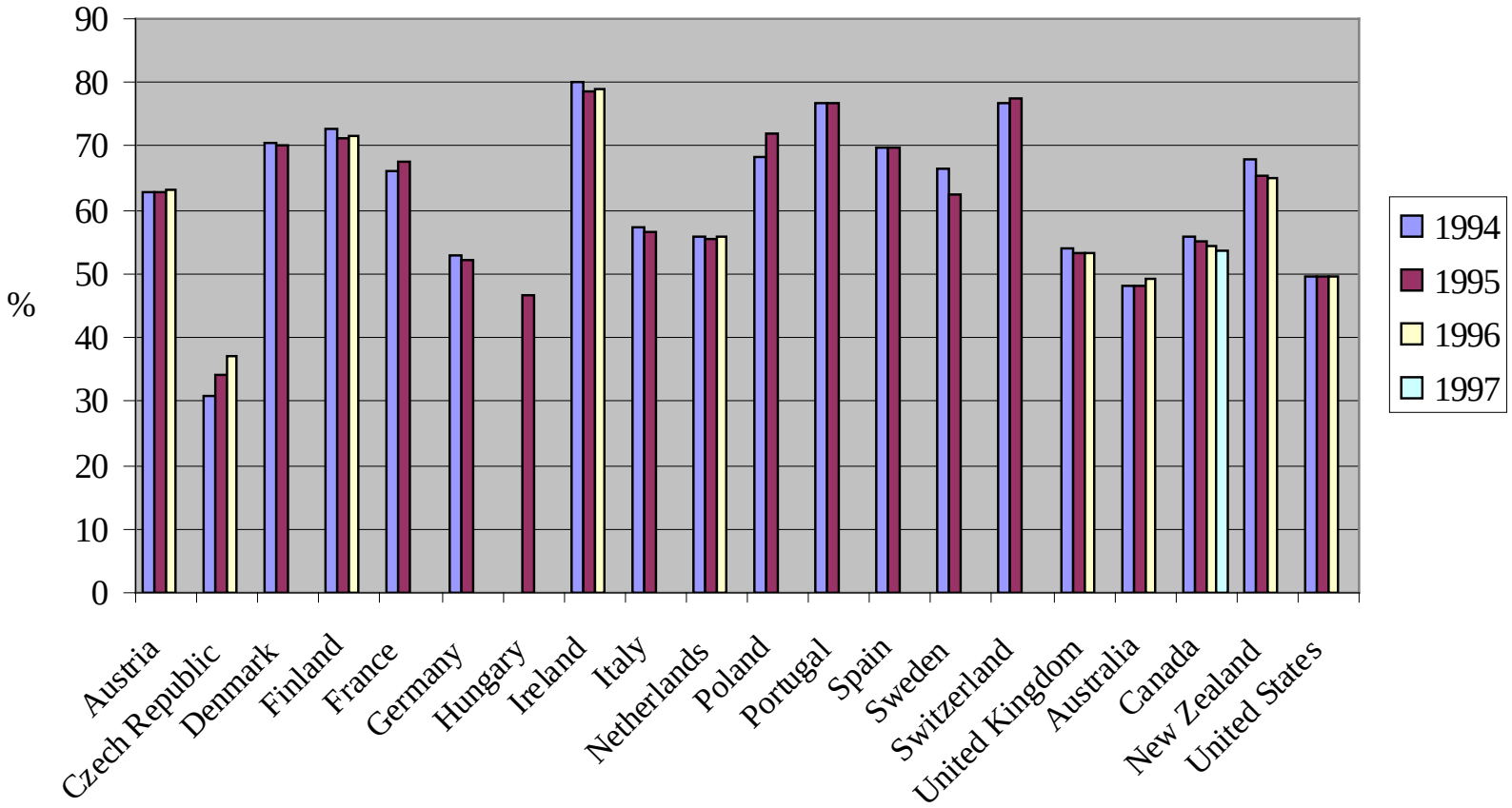


Figure 10B: Compensation Costs of General Government Employees, 1994-1997 (% of General Government Consumption Expenditure)



3.3 The organizational challenge

Six organizational challenges:

1. The trend towards shifting public service organization from a career to a position model.
2. Putting emphasis on a philosophy of private sector managerialism in the public sector, with elements like accounting and evaluation, in general on increased ‘efficiency and effectiveness’.
3. The introduction of performance-related and higher pay in the upper echelons of the job structure, i.e. for managers and higher administrators in the public services.
4. The trend towards performance management and performance measurement in the public sector.
5. The trend towards a general alignment of working conditions with the private sector.
6. The trend towards the integration of public service pension schemes with national pension schemes.

4. The responses: adaptation to these developments

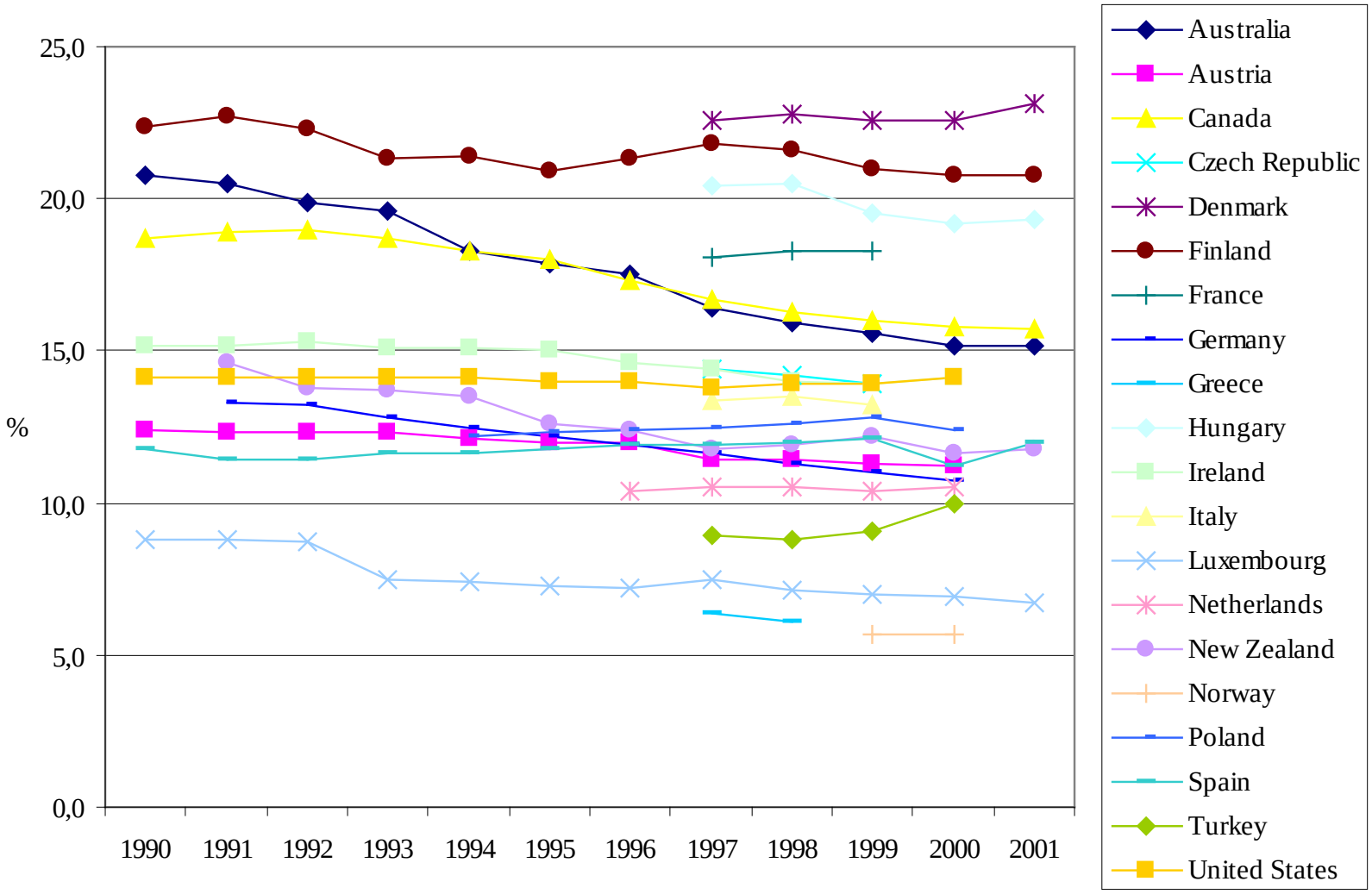
Four main responses:

1. Devolution of public sector employment
    1. Devolution absolute and relative
    2. ‚Feminization‘
    3. Part-time employment, precariousness
2. Adapting the working conditions
    1. Rising working hours
    2. Rising life work duration (pensionable age)
3. Adapting incomes
    1. Decreasing salaries and fringe benefits
4. Adapting the pension systems

4.1 Devolution of public service employment

- Public sector employment in most countries has reached its upper threshold and is declining or at least stagnating (see slide 16 above)
  - This is one of the main strategies to come along with public sector personnel and pension costs
  - A shift from money to pensions

Figure 11: Share of Public Employment over the Labour Force, OECD-countries 1990-2001 (%)



4.1 Devolution of public service employment (contd.)

- ‚Feminization' ...
  - is the consequence of overall public sector employment decline, due to the strong sexual segmentation
  - The personnel-intensive public service branches like teaching and nursing are female dominated
  - Productivity increases in theses branches are low due to the type of work, not allowing for strong rationalization („Baumols cost disease")

Figure 12A: Women Employed in Public Sector/Service, 1960-1998 (% of all women in employment)

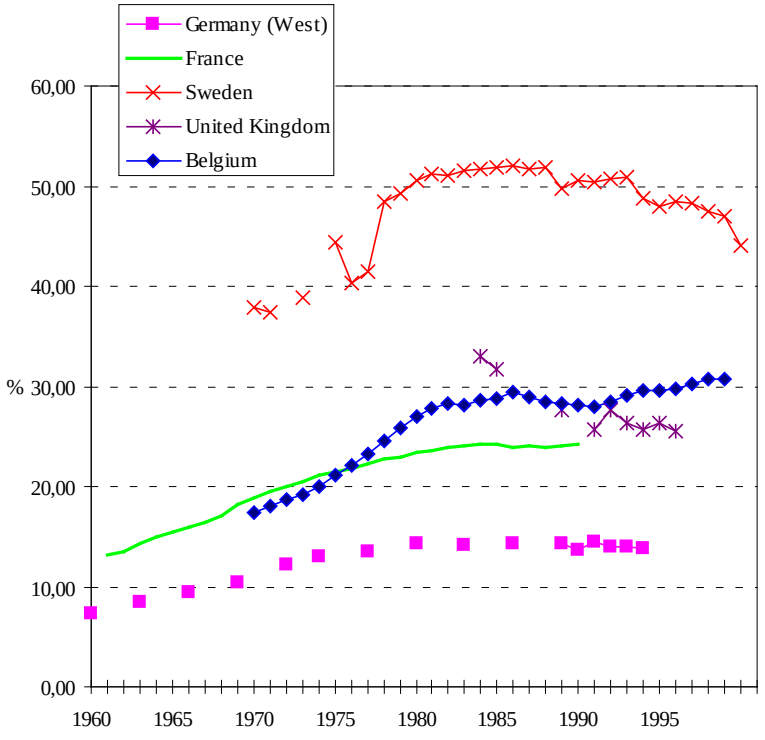


Figure 12B: Men Employed in Public Sector/Service, 1960-1998 (% of all men in employment)

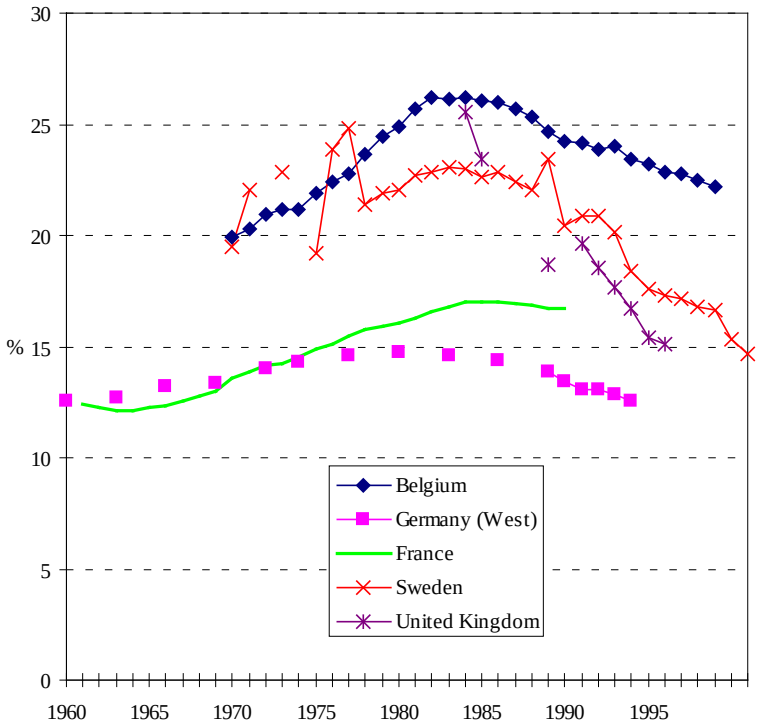


Figure 12C: Female Share in Public Sector/Service Employment, 1945-2002 (women in % of total public sector/service employment)

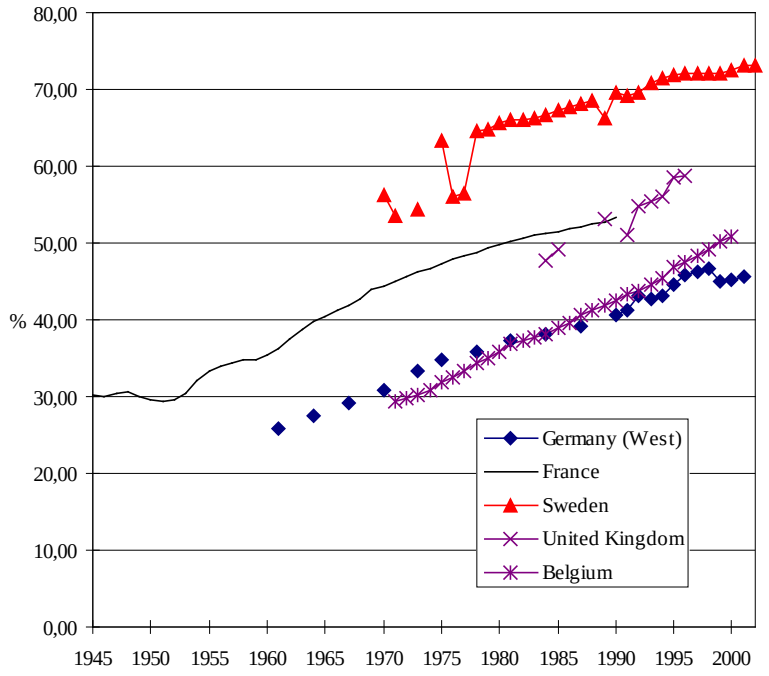
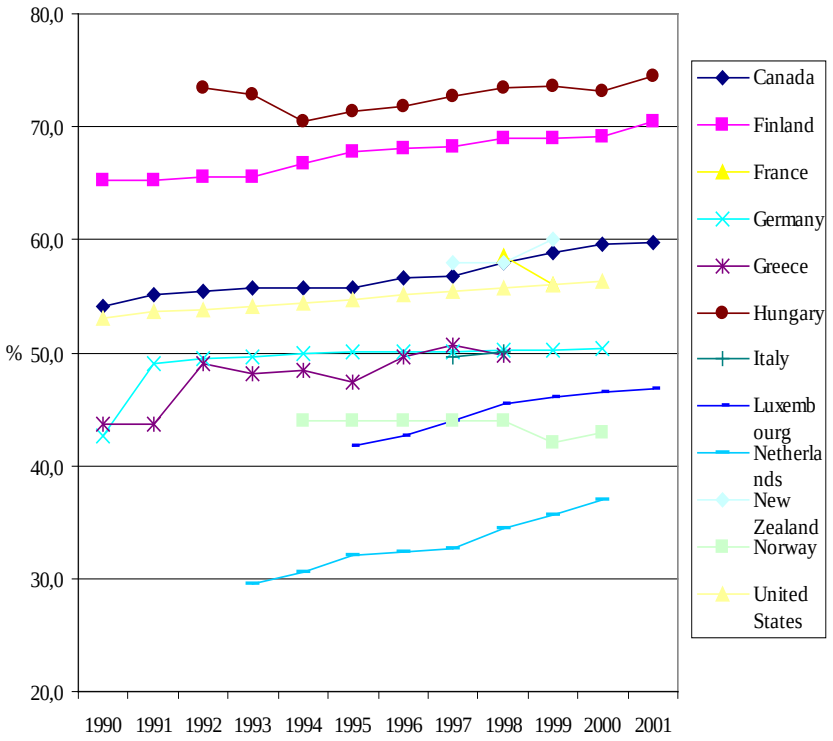


Figure 12D: Female Employment in the Total Public Sector (%)



4.1 Devolution of public service employment (contd.)

- Part-time employment, precariousness
  - A by-process of feminization is the rise if part-time employment, being strongly female dominated

Figure 13A: Part-time Employment in Public Sector/Service, 1945-2000 (part-time employed in % of all employed in public sector/service)

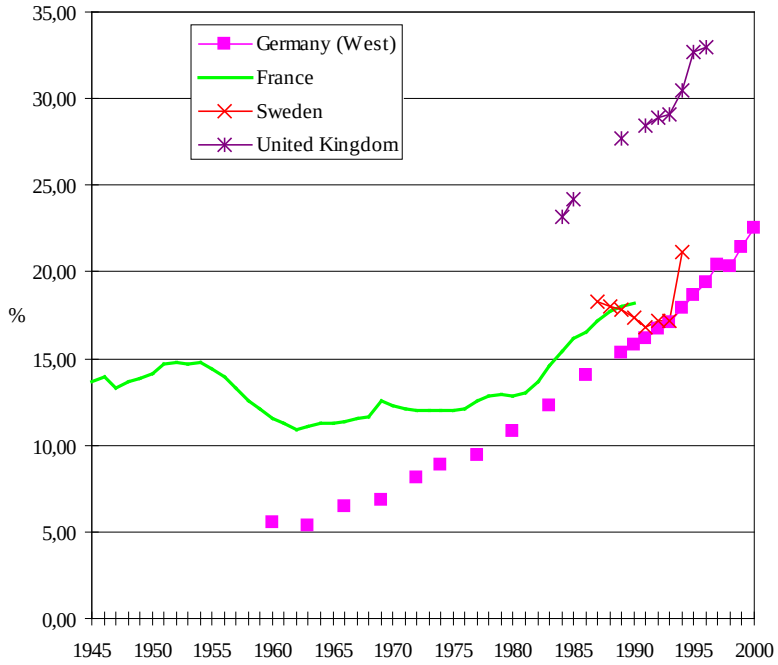
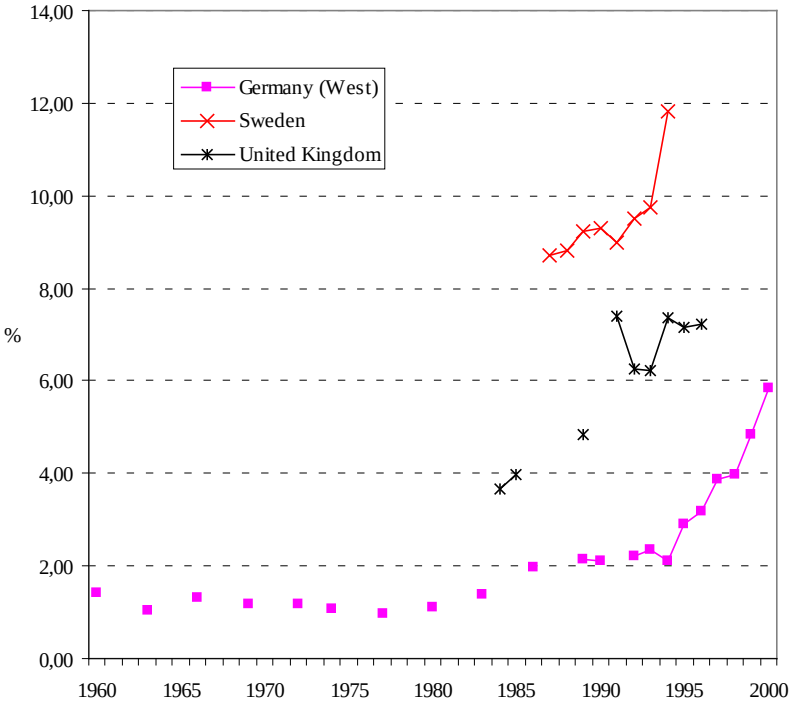


Figure 13C: Part-time Working Men in Public Sector/Service, 1960-2000 (% of all working men in public sector/service)



4.2 Adapting working conditions

Working conditions are changing in several dimensions: flexibility, type of work, working time. Some important changes shall be highlighted here:

- *Working time*

  As a consequence of the reduction in public service manpower and the low productivity increases in the public services, there is a tendency in some countries to reincrease weekly working time.

Table 3: Working Time in the Public Services and in total industry in Europe, 1996/7 and Average Weekly Hours (employees), 1997

Country	Legislation: weekly hours	Agreements: average weekly hours	Electricity, gas and water supply	Public administration*	Other services**	Total industry***	Difference total industry/ public administration	Difference total industry/ other services	Difference total industry/ electricity, etc.
Austria	40	38.5	38.6	38.4	36.5	38.4	*0.0*	*1.9*	*-0.2*
Belgium	40 (39 from 1999)	38	38.8	35.8	31.6	38.1	*2.3*	..	*-0.7*
Cyprus	42-50	..	..	..	..	..	..	..	..
Denmark	37	37	36.0	36.3	32.2	35.9	*-0.4*	*3.7*	*-0.1*
Finland	40	35-38	38.9	37.2	36.1	39.0	*1.8*	*2.9*	*0.1*
France	39 (35 from 2000)	32-39	38.8	36.7	32.2	39.1	..	..	*0.3*
Germany	48	37.5	38.2	37.2	33.9	37.7	*0.5*	*3.8*	*-0.5*
Greece	40	37.5	39.7	39.3	33.8	41.3	*2.0*	*7.5*	*1.6*
Ireland	48	32-39	38.5	38.4	32.2	40.2	*1.8*	*8.0*	*1.7*
Italy	48	36	38.8	36.2	32.3	39.7	*3.5*	*7.4*	*0.9*
Luxembourg	40	40	39.7	37.5	34.4	39.8	*2.3*	*5.4*	*0.1*
Malta	40	40	..	..	..	..	..	..	..
Netherlands	45	36 or less	37.3	35.2	28.4	36.4	*1.2*	*8.0*	*-0.9*
Norway	40	37.5	..	..	..	..	..	..	..
Portugal	40	35	40.5	39.3	34.3	41.6	*2.3*	*7.3*	*1.1*
Spain	40	37.5	40.2	38.5	34.9	40.4	*1.9*	*5.5*	*0.2*
Sweden	40	40	38.3	37.7	33.6	38.1	*0.4*	*4.5*	*-0.2*
Switzerland	45	40	..	..	..	..	..	..	..
UK	48	37.5	41.8	38.4	33.1	42.7	*4.3*	*9.6*	*0.9*
EU-15	..	..	39.1	37.3	33.0	39.4	*2.1*	*6.4*	*0.3*

Sources: *Pillinger* 2000: 30 (Table 5) and 72 (Table 8); *Eurostat* 1998: 166f.

Notes: Average hours usually worked per week by economic activity (NACE Rev. 1), full-time and part-time.

* Includes public administration and defence; compulsory social security.

** Education; health and social work; sewage and refuse disposal, sanitation and similar activities; activities of membership organizations; recreational, cultural and sporting activities, and other service activities; private households with employed persons; and extra-territorial organisations and bodies.

*** Includes agriculture, mining and quarrying, manufacturing, electricity, gas and water supply, and construction.

4.2 Adapting working conditions (contd.)

- *Extending retirement ages*

  An extension of retirement ages is nothing else than an extension of life working time.

  Such an extension has become necessary due to the negative effects of the early retirement programmes.

  Extension of retirement ages intends to correct factual pension behaviour, being much lower than the legal pensionable age.

  A side effect is a lowering of the pension received because factual retirement age will probably be always lower than the legal one.

Table 4: Retirement Ages in a Range of European Countries, approx. 1998

Country	Normal Retirement Age*		Actuarial or equivalent reduction in pension where retirement takes place before a certain age within the maximum or minimum range
	Minimum	Maximum	
Austria	60	65	
Belgium	60	65	
Denmark	60	70	Yes (i)
Finland	60 (ii)	65 (ii)	Yes (ii)
France	60	65	
Germany	62 (iii)	67 (iii)	Yes (iii)
Greece	60	65	
Ireland			
Italy	57 (iv)	65	
Luxembourg	57	65	
Netherlands	61 (v)	65	
Portugal	60 (vi)	70	
Spain	60 (vii)	65	
Sweden	61	65	Yes (viii)
Switzerland	60	65	Yes (ix)
UK	50 (x)	60 (x)	Yes (x)

Source: *Department of Finance* 1998: chapter 7, table 7.1 (internet address http://www.finance.gov.ie/publications/ otherpubs/pensch7.htm).

Notes:

4.3 Adapting incomes

- **Income structures**

  It is still an open question, if public sector employment decline and the so-called welfare state retrenchment has the effect of declining public sector incomes and pensions.

  - *Earnings differentials between the public and private sector*

    - Traditionally, the earnings differential between the public and the private sectors is positive, i.e. on average earnings (e.g. median annual earnings) in the public sector are higher than in the private sector. This earnings differential is much more stronger for women than for men, i.e. women employed in the public sector on average have a much higher annual income than women in the private sector. This earnings differial is not due to higher remuneration in comparable jobs, but is mainly explained by the higher educational attainment of men and especially women in the public sector than in the private sector.
    - Earnings differentials for both sexes are lowest in social democratic welfare states (Sweden), middle in the conservative welfare states (Belgium, Germany, Netherlands), and highest in the liberal welfare states (Canada, United Kingdom, United States).
    - The underlying mechanism is the following: first, the larger the public sector, the lower the earnings differential between the public and the private sectors; and second, the larger the public sector, the lower are the differences in the public sector/private sector earnings differential between men and women.

4.3 Adapting incomes (contd.)

- *Dispersion of earnings by sector*
  - Is there more equality in the earnings structure in the public sector than in the private sector? In general, the earnings dispersion, measured by the dispersion of the 90th percentile to the 10th percentile is smaller in the public sector than in the private sector. This is true for all countries of the different welfare states types. The main reasons for this phenomenon are the relatively (compared to the private sector) higher earnings for the lower public sector positions and the strongly lower earnings for the public sector top positions (again compared to the private sector).
  - The variation between regimes types in public sector earnings dispersion is not as clear-cut as hypothesized. In Sweden and Canada, dispersion is on a similar level, while dispersion in the conservative countries is lower than in Sweden and the liberal countries. In the United States dispersion the highest of this country sample, even much higher than in the other liberal countries.
  - Private sector earnings dispersion is high in the liberal countries, but between Sweden and the conservative countries there is no systematic difference, with the exception of Germany. When earnings dispersions in the public and private sectors are related, it is shown that earnings inequality in the private sector is much larger in the liberal countries, both compared to the social-democratic and both to the conservative countries (*Figures 14A and 14B*).

Figure 14A: Dispersion of Earnings in the Public Sector, 1990-2001

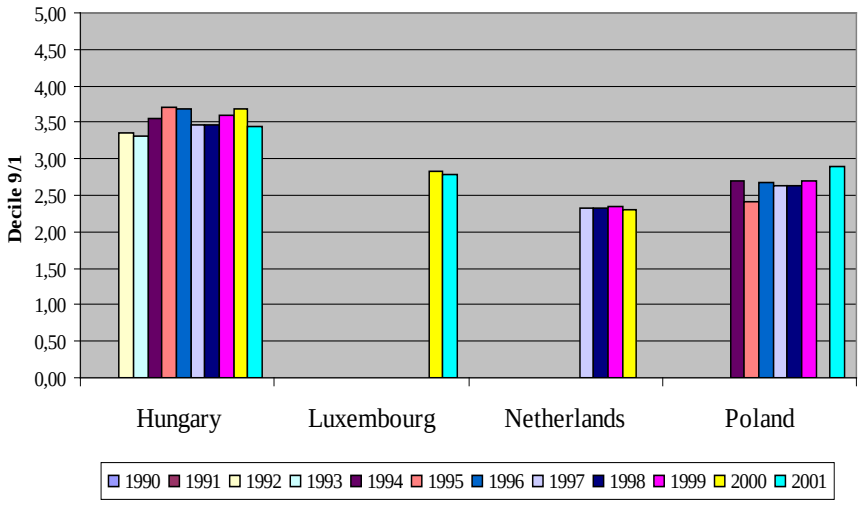
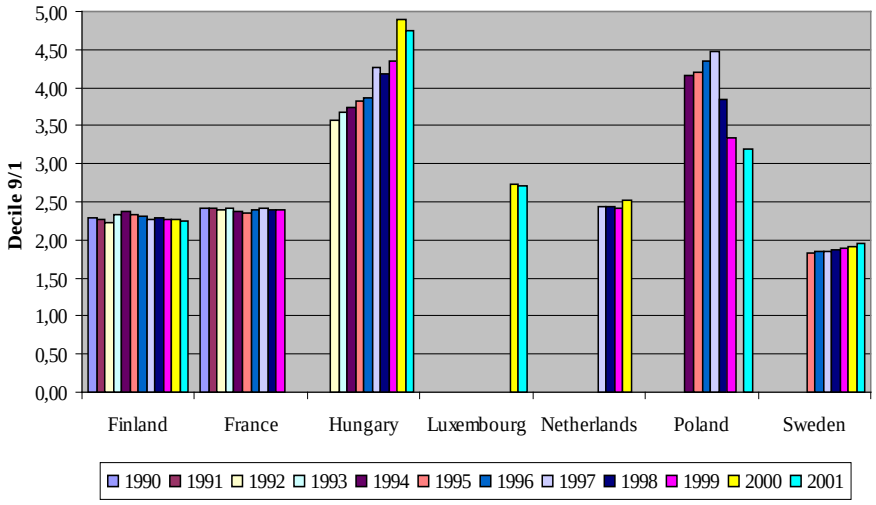


Figure 14B: Dispersion of Earnings in the Central Administration, 1990-2001



4.3 Adapting incomes (contd.)

- *Income changes and public sector employment decline*
  - Does public sector employment decline which is happening in many European countries since the 1990s therefore will lead to a deterioration of the income position of public servants?
  - With a declining public sector labour force, the income position of public servants could be enhanced, like in the liberal welfare states.
  - A declining public sector labour force even could favour women above average, again like in the liberal welfare states, where female public sector income is much higher than female private sector income.
  - Furthermore, the ongoing 'feminization' of the public sector in the period of public sector employment decline, not only favours women in lower positions, but in line with proceeding educational female expansion and public policies of ‚positive privileges', will bring more women in senior public sector positions as well.
  - A contracting public sector labour force in the long run probably will enable governments to spend again more on salaries (in relative terms) as was the case before public sector expansion.

4.4 Adapting the pension systems

Many different instruments in adapting pensions

- *The present situation is given by Table 5*

  The basic principles of public sector pensions are:

  Pension calculation according to last salary

  Defined benefits instead of defined contributions

  Accrual rates and contribution years are calculated in a way to receive approximately 75% of last gross income

Table 5: Maximum Service Required to Qualify for Maximum Pension, Annual Accrual Rate, Maximum Pension Benefits, 1998

Country	Maximum Service Reckoned (Years)	Accrual Rate Per Year of Service (as % of pensionable pay)	Maximum Pension as % of Pay
Austria	40	(i)	80% of Final salary
Belgium	45	1/60th (1.667%)	75% of Pensionable salary
Denmark	37.5	(ii)	57% of Pensionable salary approximately
Finland	40	1.5%	60% of Pensionable salary
France	37.5	2%	75% of pensionable salary
Federal Republic of Germany	40	1.875%	75% of pensionable salary
Greece	40	1.714% (iii)	69% of Pensionable salary
Italy	40	(iv)	80% of Pensionable salary (iv)
Luxembourg	40	(v)	83% of Pensionable salary
Netherlands	40	1.75% of pensionable salary (less Social Security pension)	70% of Pensionable salary (less Social Security pension)
Portugal	40 (vi)	2%	80% of Pensionable salary
Spain	35	(vii)	80% of uniform basic salary (vii)
Sweden	30 (viii)	-	73% of Pensionable salary approximately
Switzerland	40	(ix)	65% of Pensionable salary approximately
United Kingdom[1]	40 (x)	1/80th (=1.25%)	66% of pensionable salary

4.4 Adapting the pension systems (contd.)

- The main measures to adapt the pension schemes are (Table 7):

  Extension of the maximum years reckoned to get the full pension:

  e.g. in Germany from 35 to 40 years in the early 1990s

  e.g. in France from 37.5 to 40 years in the late 1990s

  Changing the pension formula:

  Lowering the accrual rate, e.g. in Germany for the first 10 work years

  Linearization of the pension scale

  Extending the pensionable age:

  e.g. in Germany step-by-step from 65 to 67 years from 2008

  Introduction of contributions:

  e.g. in Germany for the public servants occupational pension

  Introduction of penalties for early retirement pensions:

  e.g. in Germany during the 1990s

  Integrating the public sector pensions with the national pension scheme:

  e.g. in Finland during the 1990s, in Italy in 1995 and in Ireland in 1995

Table 7: Modifications to Public Service Pension Arrangements in a Range of European Countries, 1998

Modifications	Country
Increase in retirement age	Finland, Sweden
Greater flexibility in retirement ages	Germany, Norway
Greater restrictions in early retirement arrangements	Germany, Italy, Sweden
More restricted pension calculation arrangements and/or increase in service required for max. pension	Austria, France, Germany, Greece, Finland, Portugal
Introduction of minimum pension	Germany, Sweden
Change in pension increase system	Italy, Sweden
Integration of occupational pension with general state pension scheme	Austria, Greece, Spain
Introduction of employer/employee contribution, or increase in contribution rates	Austria, Finland, Greece, Italy, Netherlands, Portugal, Sweden
Introduction of some form of pension funding (perhaps with defined contribution scheme)	Belgium, Denmark, Finland, Italy, Sweden
Introduction of defined contribution schemes	Denmark, Italy, Sweden
Privatisation of pension fund (& greater flexibility in pension terms)	Netherlands
Contracting out of pension scheme in favour of private arrangements	United Kingdom

Source: *Department of Finance* 1998: chapter 7, table 7.4 (internet address http://www.finance.gov.ie/publications/otherpubs/pensch7.htm).

4.4 Adapting the pension systems (contd.)

- Method of indexation: current status (Table 6):
  - Indexation to salaries better than indexation to living costs

- Changing the basis of indexation
  - Move from indexation to salaries to living costs
  - Temporary non-increase of pensions to living costs

Table 6: Provision for Pension Increases in a Range of European Countries, approximately 1998

Country	Method of Increasing Pensions
Austria	In line with salaries for serving staff
Belgium	Combination of Cost of Living and adjustments in line with salaries for serving staff
Denmark	Combination of Cost of Living and adjustments in line with salaries for serving staff – this done at intervals of two years
Finland	
France	In line with salaries for serving staff
Federal Republic of Germany	Related to the pay of serving public officials, which is adjusted by law by reference to overall economic development
Greece	Combination of Cost of Living and adjustments in line with salaries for serving staff
Italy	Combination of Cost of Living – the system is to be refined further from 2009 (previously in line with salary increases in the public and private sectors)
Luxembourg	Combination of Cost of Living and adjustments in line with salaries for serving staff
Netherlands	Combination of Cost of Living and adjustments in line with salaries for serving staff
Portugal	Combination of Cost of Living and adjustments in line with salaries for serving staff
Spain	Cost of Living Index
Sweden	Cost of Living Index
Switzerland	Cost of Living Index for occupational element and general salary increases for Social Security element
United Kingdom	Cost of Living Index

Source: *Department of Finance* 1998: chapter 7, table 7.3 (internet address http://www.finance.gov.ie/publications/otherpubs/pensch7.htm).

5 The actors

Three kinds of actors:

- *The state: a multitude of actors*
- *The public servants and their interest organizations*
- *'The invisible hand': socio-structural constraints*

5 The actors (contd.)

- *The state: a multitude of actors (Table 8):*
  - Policy of being a ‚good employer'
  - Two important factors ensure that the public services continue to play an eminent role in state organization. These are:
    - the strong position of the civil servants both in legislature and in the executive.
    - It is well-known that civil servants are strongly overrepresented in *national parliaments*: in the 13th German Federal Assembly (Deutscher Bundestag), just to give an example, 35% of all members of parliament were civil servants, but they only amounted to 7.3% of all persons employed (1998).
    - In the French Assemblé Nationale during the Session 1999–2000 17.07% of all deputees were ‚fonctionnaires' and 20.56% teachers. In summary, both groups accounted for 37.63% of all members of parliament.
    - In the United Kingdom in 1997 at least 31.5% of all Members of Parliament stemmed from different branches of the public service sector.

Table 8: Deputies of the French Assemblée Nationale (session 1999–2000), the 13th German Bundestag (data from 1st June 1996), and British Members of Parliament (British General Election of 1997) by socio-professional category

Socio-professional category	Number of deputies	Deputies in % of total	% Share of the Labour Force	Overrepre-sentation
France				
Enseignants	*118*	*20.56*	4.61	4.46
Fonctionnaires	*98*	*17.07*		
Total *Enseignants and Fonctionnaires*	216	37.63		
Total Asssemblée Nationale	574	100.00		
Germany				
Beamte				
Verwaltung/Justiz/Berufs-soldaten	*116*	*17.3*		
Universitäten und Hochschulen/Schuldienst	*117*	*17.4*		
Total Beamte	233	*34.67*	7.30	4.75
Angestellte				
Öffentlicher Dienst/Körperschaften des öffentlichen Rechts	*71*	*10.6*		
Total Beamte and Angestellte	304	*45.24*		
Total 13th German Bundestag	672	100.00		
United Kingdom				
Civil Service/local government	37	5.88		
Armed services	10	1.59		
Teachers:				
University	36	5.72		
Polytech/coll:	36	5.72		
School	65	10.33		
Other consultancies	6	0.95		
Scientific/research	8	1.27		
Total MP above	198	31.48		
Total British Members of Parliament	629	100.00		

Sources: France: *Assemblée Nationale* 2001. UK: *Butler and Kavanagh* 1997: 205. Germany: *Statistisches Bundesamt* 1997: 164; *Statistisches Bundesamt* 1999a: 104.

5 The actors (contd.)

- *The public servants and their interest organizations*
  - Right to strike is restricted in the public sector totally or for some occupational groups.
  - The position of the trade unions in the public sector seems to be **structurally weaker** than in the private sector.
  - But this weaker position in balanced by the strong position in the parliaments and the executive.

- *'The invisible hand': socio-structural constraints*
  - The main perspective is to look at the *unintended consequences* or *side effects* of these (institutional, socio-structural, demographic) changes, causing pressure to re-adapt to (or reform) changed structures.
    - One *first* element might be *employment growth* in the public sector.
    - A *second* set of factors are demographic changes with a growing proportion of the elderly—well-known as population ageing—(in relative as well as absolute terms) due to low fertility and a continuously rising life expectancy.

6 Effects on the quality of life

Effects on the quality of life are discussed for objective outcomes and subjective outcomes:

- *Objective outcomes*

  Income-replacement rates

  Old-age income

  Life expectancy

- *Subjective outcomes*

  Life satisfaction by ...

  sex

  educational level

  income

  regression of different independent variables on the life satisfaction

6 Effects on the quality of life (contd.)

- *Objective outcomes: income-replacement rates*
  - France (*Table 9*): Income-replacement rates are generally higher in the public sector
  - Large variation in income replacement rates within the public sector

    Very high in the public facilities

    Income replacement rates are the lower the lower the educational status

Table 9: Income Replacement Rates in the Public and Private Sector: France

Pension Scheme	Income Replacement Rate (pension / last salary without 'primes')
Private sector	47%
Public sector	75%
- Mineurs (miners)	30%
- Civil servants of the départements, communes and hospitals (CNRACL: Caisse Nationale de Retraite des Agents des Collectivitées Territoriales (Locales et Hospitaliers)	65%
- Ouvriers d'état (workers of the state)	66%
- Marins (seamen)	66%
- SNCF (railways)	78%
- Fonctionnaires (civil servants of the state)	80%
- EDF-GDF (electricity-gas)	85%
- Ex-PTT (post, telegraphy, telephone)	87%
- Banque de France (Bank of France)	90%

Source: Jäger 2003: 187.

6 Effects on the quality of life (contd.)

- *Objective outcomes: old-age pension incomes*
  - Germany (*Table 10*): For both sexes civil service net pensions are higher than pensions of private industry employees and workers
  - For both sexes the income advantage of civil servants compared to workers in private industry is quite high, but smaller when compared to industrial employees
  - For both sexes pensions of civil servants are higher than pensions of public employees and public workers
  - For both sexes public employees pensions are larger than pensions of public workers
  - For females all these relationships are true as well, but the pension income advantage for female civil servants is much higher than for male civil servants. This is not due to better pension conditions in the public services but lower incomes and strong horizontal and vertical job segregation of females in the private industry

Table 10: Old Age Pensions in Private Industry and the Public Services: Germany 1992

Occupational status	Men	Women
Mean pension benefits in private industry and public services–persons from age 65		
Private Industry (PI) (DM/month)		
- Workers	1,857	580
- Employees	2,287	889
Public Services (DM/month)		
- Workers	1,799	699
- Employees	2,257	1,080
Public Services (PI=100)		
- Workers	97	121
- Employees	99	121
Mean occupational pension benefits in private industry and public services–persons from age 65		
Occupational pensions by private enterprises (DM/month)		
- Workers	223	172
- Employees	986	365
Occupational pensions by public services (OPPS) (DM/month)		
- Workers	592	426
- Employees	854	631
Public Services (OPPS=100)		
- Workers	265	248
- Employees	87	173
Mean civil service pension benefit (DM/month)–persons from age 65		
Civil Service Pension (DM/month)		
- Gross	4,118	3,869
- Net	3,525	3,214
Mean pension benefits in private industry and public services including occupational pensions, and the civil service–persons from age 65		
Private Industry (PI) (DM/month)		
- Workers	2,080	752
- Employees	3,273	1,254
Public Services (PS) (DM/month)		
- Workers	2,391	1,125
- Employees	3,111	1,711
Civil Service Pension (DM/month)		
- Gross	4,118	3,869
- Net	*3,525*	*3,214*
Civil Service Net Pension (PI=100)		
- Workers	169	427
- Employees	108	256
Civil Service Net Pension (PS=100)		
- Workers	147	286
- Employees	113	188

Source: Kortmann 1995.

6 Effects on the quality of life (contd.)

- *Objective outcomes: life expectancy*
  - France and Germany (*Table 11*):
  - In general, life expectancy of public sector employees is higher than in the total population
  - In France: the difference is the higher the higher the status in the public sector
  - In France: male public sector advantage in life expctancy is larger than female advantage in life expectancy, when compared with men resp. women in the total population at age 35
  - In Germany: female life expectancy of civil servants is larger than male civil servant life expectancy, when compared with females resp. males in the total population at age 60
  - Interpretation is conditioned by …. civil servants have higher educational attainment and such persons do have a higher life expectancy

Table 11: Life Expectancy by Socio-professional Category, France 1982–96, and Germany 1996/98

Socio-professional category	Men	Women	Deviation from total	
			Men	Women
France				
Life expectancy at age 35 (in years[1]) 1982–96				
Cadres de la Fonction publique, professions intellectuelles et artistiques	46.0	51.0	*+6.00*	*+3.50*
Prof. intermédiaires de l'enseignement, la santé, la Fonction publique et assimilées	42.5	48.5	*+2.50*	*+1.00*
Employés de la Fonction publique	40.5	47.0	*+0.50*	*-0.50*
Total	*40.0*	*47.5*		
Germany				
Life expectancy at age 60 (in years) 1996–98				
Civil Servants (Beamte)	21.11	25.63	*+2.2*	*+2.4*
Total	18.91	23.23		

Sources: *France*: *Mesrine* 1999: 229, 233. *Germany*: Deutscher Bundestag 2001: 28. Rothenbacher 2005: 335f.
Notes: [1] L'espérance de vie est arrondie à la demi-année la plus proche.

6 Effects on the quality of life (contd.)

- *Subjective outcomes: life satisfaction* (*Table 12)*
  - *First*, in all countries examined, general life satisfaction is higher in the public sector than in the private sector. Thus, in the egalitarian welfare states of Northern Europe and the Netherlands, the differences of this index are very small. Differences become very large in continental countries with long-established civil-service privileges and the European “developing” countries of Southern Europe. Thus, in Portugal, Spain, and especially Greece civil servants do have clearly a privileged position concerning the right to a state pension, the pension level, general working conditions, and job security, when compared to employees in the private sector.

6 Effects on the quality of life (contd.)

- *Subjective outcomes: life satisfaction by sector and sex* (*Table 12)*
  - Second, when looking at the gender dimension, there is no difference in satisfaction between men and women in the private sector, but in the public sector women are much more satisfied than men. The general level of satisfaction is very much higher in the public sector compared to the private sector both for men and for women. Furthermore, women are very much more satisfied in the public sector than men in the public sector, when compared to women and men in the private sector. This is probably a reflection of the "relative" good objective earnings and working conditions for women in the public sector in contrast to the private sector. We do know from objective indicators that earnings of women are on average higher in the public sector than in the private sector, the main driving force for the "feminization" of the public sector.
  - Third, when comparing the absolute level of satisfaction of women in the public sector between countries, it is shown that in the advanced welfare states of Northern Europe, the absolute level of satisfaction of women is higher than in the continental countries with long-standing "traditions" in the public sector. The lowest level exists for the four Southern European countries.

Table 12: Sex Differences in the Level of Satisfaction among Employees in the Private and Public Sectors by Country, 1999

Country	Private sector				Public sector			
	Men		Women		Men		Women	
	Mean	Sddev	Mean	Sddev	Mean	Sddev	Mean	Sddev
Denmark	7.77	1.26	7.76	1.39	7.74	1.36	7.80	1.27
Austria	7.66	1.55	7.72	1.49	8.03	1.37	8.06	1.39
Netherlands	7.50	1.21	7.51	1.25	7.65	1.17	7.62	1.19
Belgium	7.18	1.47	6.91	1.63	6.98	1.63	7.48	1.86
Finland	7.10	1.38	7.11	1.48	7.21	1.35	7.31	1.30
Ireland	7.10	1.71	7.20	1.68	7.38	1.65	7.56	1.69
UK (BHPS)	6.99	1.55	7.12	1.52	6.97	1.58	7.23	1.45
France	6.73	1.37	6.74	1.32	7.14	1.23	7.09	1.27
Spain	6.36	1.68	6.25	1.70	7.05	1.47	7.03	1.50
Italy	6.23	1.75	6.14	1.76	6.53	1.58	6.67	1.59
Portugal	5.96	1.24	5.83	1.24	6.45	1.18	6.53	1.12
Greece	5.66	1.56	5.66	1.51	6.76	1.43	6.73	1.56
Total average	6.67	1.64	6.69	1.64	7.10	1.48	7.20	1.45

Source: ECHP- European Community Household Panel 1999. Calculated by Jean-Marie Jungblut.

6 Effects on the quality of life (contd.)

- *Subjective outcomes: life satisfaction by sector and education* (*Table 13*)
  - Satisfaction both in the private and public sectors is the higher the higher the educational status. That means, that persons with tertiary educational attainment are more satisfied with their life than persons with secondary or basic educational status.
  - But there are countries where the differences in the public sector in satisfaction due to the educational status are small; and on the other hand there are countries where these differences are large.
    - *First*, in Denmark, Finland, Austria, the Netherlands and the UK differences are quite small. In the UK and mainly in Finland people with basic education are even more satisfied than those with tertiary education.
    - *Second*, on the other hand, there exists a group of countries where differences between educational status are high: Belgium, France, Ireland, Italy (strong), Greece (strong), Spain, and Portugal (strong). Thus, in several Southern European countries there seems to exist a high privilegded position of people in the public sector with high educational status. Social differentiation according to educational status seems to be higher in these countries, while in the countries of Northern Europe the small differences in satisfaction seem to reflect the smaller differences in the social position, like e.g. smaller income inequality in the public sector.

Table 13: Education and Satisfaction in the Public Sector, 1999

Country	Education	Private Sector		Public Sector	
		Mean	Sddev	Mean	Sddev
Denmark	tertiary	7.89	1.25	7.82	1.28
	secondary	7.75	1.28	7.73	1.30
	basic	7.68	1.42	7.80	1.42
Netherlands	tertiary	7.61	1.10	7.70	1.19
	secondary	7.33	1.35	7.79	0.99
	basic	7.51	1.23	7.61	1.19
Belgium	tertiary	7.22	1.39	7.68	1.41
	secondary	6.94	1.63	7.05	1.83
	basic	6.90	1.71	5.79	2.52
France	tertiary	6.88	1.28	7.26	1.16
	secondary	6.83	1.30	7.09	1.35
	basic	6.67	1.37	7.01	1.29
Ireland	tertiary	7.17	1.67	7.58	1.65
	secondary	7.09	1.66	7.56	1.53
	basic	7.19	1.76	7.13	1.88
Italy	tertiary	6.76	1.63	7.05	1.48
	secondary	6.39	1.63	6.65	1.50
	basic	5.95	1.83	6.04	1.71
Greece	tertiary	6.62	1.40	7.08	1.40
	secondary	5.88	1.46	6.65	1.39
	basic	5.12	1.45	5.98	1.62
Spain	tertiary	6.71	1.56	7.17	1.42
	secondary	6.24	1.73	6.91	1.45
	basic	6.18	1.71	6.77	1.66
Portugal	tertiary	6.90	0.90	6.81	1.01
	secondary	6.27	1.27	6.43	1.13
	basic	5.77	1.21	6.22	1.20
Austria	tertiary	7.63	1.51	8.08	1.67
	secondary	7.69	1.52	8.05	1.33
	basic	7.62	1.55	8.05	1.21
Finland	tertiary	7.25	1.35	7.30	1.27
	secondary	7.00	1.47	7.11	1.37
	basic	7.12	1.43	7.56	1.35
UK	tertiary	6.99	1.54	7.13	1.48
	secondary	7.15	1.51	7.35	1.37
	basic	7.13	1.52	7.15	1.62

Source: ECHP- European Community Household Panel 1999. Calculated by Jean-Marie Jungblut.

6 Effects on the quality of life (contd.)

- *Subjective outcomes: life satisfaction by sector and income* (*Table 14)*
  - *Table 14* shows the influence of income and sector on the general life satisfaction. The income position is measured by the disposible income (DPI) in purchasing power parities (ppp), and was grouped into *low, medium and high*.
  - Life satisfaction is generally the higher the higher the income position.
  - There do exist interesting differences between countries concerning the satisfaction by income position in the public sector. The differences are smaller in Denmark, the Netherlands, France, Ireland, Spain, Portugal and Finland. Large differences do exist in Belgium, Italy and Austria. A very large difference exists in Greece. The UK is a complete exception to this, because in this country there do not exist any differences concerning life satisfaction by income status.

Table 14: Influence of Income and Sector on General Life Satisfaction, 1999

Country	DPI (ppp)	Private Sector		Public Sector	
		Mean	Sddev	Mean	Sddev
Denmark	low	7.65	1.45	7.57	1.25
	medium	7.61	1.28	7.71	1.28
	high	8.01	1.16	8.02	1.34
Netherlands	low	7.30	1.32	7.38	1.19
	medium	7.56	1.20	7.58	1.24
	high	7.63	1.15	7.82	1.08
Belgium	low	6.97	1.60	6.88	2.06
	medium	7.20	1.37	7.18	1.74
	high	7.01	1.69	7.81	1.33
France	low	6.52	1.43	6.80	1.35
	medium	6.68	1.35	7.04	1.21
	high	7.04	1.19	7.29	1.21
Ireland	low	6.88	1.80	6.93	1.97
	medium	7.24	1.68	7.44	1.54
	high	7.29	1.59	7.65	1.60
Italy	low	5.61	1.89	6.02	1.64
	medium	6.22	1.67	6.57	1.57
	high	6.69	1.54	6.94	1.47
Greece	low	4.97	1.46	5.96	1.49
	medium	5.74	1.39	6.61	1.43
	high	6.51	1.36	7.03	1.42
Spain	low	5.91	1.80	6.76	1.56
	medium	6.33	1.63	6.89	1.62
	high	6.74	1.53	7.20	1.36
Portugal	low	5.55	1.25	5.83	1.33
	medium	5.91	1.20	6.41	1.09
	high	6.35	1.14	6.64	1.10
Austria	low	7.51	1.63	7.81	1.47
	medium	7.55	1.55	7.84	1.47
	high	8.02	1.34	8.35	1.18
Finland	low	6.87	1.52	6.94	1.48
	medium	7.06	1.43	7.30	1.29
	high	7.36	1.29	7.45	1.21
UK (BHPS)	low	6.83	1.58	7.12	1.40
	medium	7.10	1.53	7.10	1.54
	high	7.18	1.48	7.18	1.53

Source: ECHP- European Community Household Panel 1999. Calculated by Jean-Marie Jungblut.

6 Effects on the quality of life (contd.)

- *Subjective outcomes: regression on life satisfaction* (*Table 15)*
  - *Table 15* presents the results of an OLS regression on general life satisfaction in EU member countries. There are several interesting results. The level of the general life satisfaction is influenced most, if the type of work contract is permanent (0.27), and if people are working in the public sector (0.22). Furthermore, general life satisfaction is strongly influenced by the financial situation of respondents (0.21).

Table 15: Estimates of OLS Regression on General Life Satisfaction in EU Member Countries in 1999

Regressors	Model 1	*sdev*	Model 2	*sdev*	Model 3	*sdev*	Model 4	*sdev*	Model 5	*sdev*	Model 6	*sdev*
(Constant)	6.35	(0.03)	5.95	(0.03)	6.39	(0.06)	–0.31	(0.12)	1.84	(0.13)	3.62	(0.15)
Standard Demographics												
Age	0.01	(0.00)	0.01	(0.00)	0.01	(0.00)	0.00	(0.00)	0.00	(0.00)	0.00	(0.00)
Female	0.09	(0.02)	0.10	(0.02)	–0.01	(0.02)	–0.02	(0.02)	–0.01	(0.02)	–0.03	(0.02)
Married	0.09	(0.02)	0.05	(0.02)	0.06	(0.02)	0.08	(0.02)	–0.02	(0.02)	0.02	(0.02)
Type of contract												
Permanent (ref.=Fixed)			0.67		0.57	(0.02)	0.31	(0.02)	0.26	(0.02)	0.27	(0.02)
Social Class (ref.=EGP V/VI)												
EGP I					0.17	(0.06)	0.07	(0.06)	–0.01	(0.06)	–0.06	(0.06)
EGP II					0.11	(0.06)	0.06	(0.05)	–0.03	(0.05)	–0.04	(0.05)
EGP III					–0.24	(0.06)	–0.07	(0.05)	–0.14	(0.05)	–0.14	(0.05)
EGP VII					–0.64	(0.06)	–0.26	(0.05)	–0.24	(0.05)	–0.26	(0.05)
Highest Educational Attainment (ref.=Basic)												
Tertiary							–0.07	(0.02)	–0.12	(0.02)	–0.02	(0.02)
Secondary							0.05	(0.02)	0.02	(0.02)	–0.01	(0.02)
Sector of activity (ref.=Private Sector)												
Public Sect.							0.17	(0.02)	0.19	(0.02)	0.22	(0.02)
Quality of life (objective and subjective measures) (1–10)												
Sociability							0.05	(0.00)	0.04	(0.00)	0.03	(0.00)
log(DPI)							0.71	(0.01)	0.32	(0.02)	0.13	(0.02)
Durables									0.05	(0.01)	0.03	(0.01)
Housing									0.05	(0.01)	0.05	(0.01)
Finances									0.23	(0.01)	0.21	(0.01)
Countries in the final model												
DNK											0.73	(0.04)
NEL											0.56	(0.04)
BEL											0.44	(0.09)
FRA											0.10	(0.04)
IRL											0.42	(0.04)
ITA											–0.25	(0.03)
HEL											–0.07	(0.04)
ESP											–0.01	(0.03)
AUS											0.98	(0.04)
FIN											0.34	(0.04)
UK											0.29	(0.03)
Measures of fit												
R^2	0.01		0.03		0.07		0.16		0.21		0.24	
F	112.50		297.78		353.28		542.95		610.74		442.38	
s^2	1.57		1.55		1.52		1.44		1.40		1.37	

Source: ECHP- European Community Household Panel 1999. Calculated by Jean-Marie Jungblut.

R^2 explained variance; F F-test statistics; s^2 mean square error. EGP Erikson, Goldthorpe and Portocarero class schema: EGP I Professionals, administrators and managers, higher-grade; EGP II Professionals, administrators and managers, lower-grade; technicians, higher-grade; EGP III Routine nonmanual employees, higher and lower grade; EGP V/VI Technicians, lower grade; supervisors of manual workers (V); Skilled manual workers (VI); EGP VII Nonskilled manual workers; Agricultural workers. log DPI logarithm of disposible income; sdev standard deviation; ref. reference group.

Conclusions

The following conclusions can be drawn from the empirical result with respect to the three main challenges to the public services

- The main stragegy to come along with rising pension costs in the public service sector is to reduce public employment, i.e. a shift from income for actively employed to pensioners. This strategy has consequences for the social structure of the public services:
  - A growing ‚feminization', i.e. the decline of overall public employment concerns women less than men, resulting in a growing proportion of women of all public service employees.
  - A growing tendency to create part-time jobs and precarious work contracts.
- A declining public service workforce puts pressure on the working conditions, i.e. mainly a reincrease of working time, because productivity increases in the public services (teaching, nursing) are not big enough to compensate for the loss in the work force.
- A decling public service workforce puts pressure to increase productivity of public service employees. Strategies are to emphasize ‚efficiency and effectiveness' in the public services, an alignment with private sector organizational models, to introduce performance related pay for senior officials, a shift from a the career model to a position model, among others.

Conclusions (contd.)

- These main strategies are complemented by a reincrease of the volume of work ***not*** by creating new jobs, but by extending life work duration for those who are in public service jobs, in order to enlarge the contributory basis for pensions and social benefits. Specific instruments are to create conditions for earlier work entry and the abolition of early retirement programmes, i.e. postponing of factual retirement age.
- Incremental reforms of the public service pension schemes are intended to support the instruments mentioned before. Such measures involve postponing retirement age, increasing maximum service reckoned, to introduce penalties for early retirement, to adapt the pension scale (lowering the accrual rate, linearization of the pension scale, etc.).
- Only few countries introduced a fundamental change of the pension scheme like the integration of public service pension schemes with the national pension scheme.
- Lowering work incomes of actively employed is another strategy, but changes in this place has been modest thus far, and always have to be seen in relation to privat sector incomes. The public/private sector earnings ratio was not changed essentially.
- In the long run therefore – due to the employment reduction – public service incomes can be stabilized – or even improved - , thus safeguarding the earnings benefit of public service employees, especially of females.

Conclusions (contd.)

- Life satisfaction of public sector workers is generally higher than of private sector workers, especially of females. The main predictors are job security and income level. It can be hypothesized, given the fact that job security and the relative income position will not deteriorate fundamentally, that there will be no fundamentally decline in life satisfaction. But this has to be proofed by further analyses.

Thank you for your attention

Table 2: Numbers of Employees in the Public and Private Sectors (ECHP), 1999

Country	*Sector*		N
	Private (%)	Public (%)	
Denmark	62.4	37.6	2.442
Sweden	64.7	35.3	3.142
Finland	65.1	34.9	3.891
France	66.5	33.5	4.719
Luxembourg	69.0	31.0	2.536
Italy	72.5	27.5	6.057
Germany	74.5	25.5	5.248
Greece	74.8	25.2	3.867
Ireland	76.3	23.7	2.841
Netherlands	76.4	23.6	4.651
Austria	76.7	23.3	3.465
UK	77.9	22.1	4.658
Spain	82.1	17.9	5.208
Belgium	83.1	16.9	360
Portugal	83.8	16.2	6.128

Source: ECHP- European Community Household Panel 1999. Calculated by Jean-Marie Jungblut.

Table 1: Year of First Introduction of a State Pension Scheme for Civil Servants Compared to Workers and Employees in Private Industry

Topic	United Kingdom	France	Germany
Pension for state civil servants	1834: First *Superannuation Act*, basis for the present *Principal Civil Service Pension Scheme* 1859: *Superannuation Act*	1790: pension law for civil servants of the state 1853: law on civil pensions 1924: coherent pension scheme for civil servants of the state and soldiers	1805 Bavaria: Landes-pragmatik of Montgelas 1825 Prussia: Pension regulation for state civil servants 1873 German Empire: law on civil servants of the Empire
Old age pension for workers	1908: contribution-free and means-tested old age pension 1925: *Widows', Orphans' and Old Age Contributory Pensions Act* introduced 1946: people's insurance (with possibility for exemption for certain groups)	1910: obligatory insurance 1930: sharpening of obligation to insurance 1942: all workers without income limits	1889 German Empire: obligatory insurance for workers and employees below certain income limits
Old age pension for employees			1911 German Empire: law on old age insurance for employees
Survivors' pension for civil servants' widows and orphans	1935: voluntary pensions for widows 1949: contributory widows' and orphans' pensions	1853: law on civil pensions; introduction of survivors' pensions for widows and orphans	1881 German Empire: law on survivors of civil servants of the Empire
Survivors' pension for workers and employees	1925: obligatory insurance with income thresholds for old age and survivors' pensions	1910: state pensions for workers and peasants 1930: obligatory social insurance for dependent employees	1889 German Empire: law on invalidity and old age insurance 1911 German Empire: codification in the insurance regulation of the Empire

Sources: *Alber* 1982: 232ff.; *Flora and Alber* 1981: 59 and passim; *Palme* 1990: 43; *Frerich* 1990: 103, 105–8; *Saint-Jours* 1981: 262 and passim.

Table 6: Comparison of Financing Through Contributions in the Public Services of the United Kingdom, France and Germany

Country, pension scheme	Contribution rate as % of gross income	
	Civil Servants' own pension	Survivors' pension
United Kingdom		
Principal Civil Service Pension Scheme (PCSPS)	Nil	1964: 1.25% of gross income; 1989: 1.50% of gross income for widows'/widowers' pension
Teachers' Pension Scheme (TPS)	6%	
Local Government Pension Scheme (LGPS)	5% *manual*; 6% *non-manual* [since 1.4.1998 all new members pay 6%]	
National Health Service Pension Scheme (NHSPS)	5% *manual*; 6% *non-manual*	
Police Pension Scheme	11%	
Firemens' Pension Scheme	11%	
Armed Forces Pension Scheme (AFPS)	Nil—but estimated to 7%.	
Universities Superannuation Scheme (USS)	6.35% (0.35% to supplementary section to pay additional benefits in certain circumstances)	
France		
Fonctionnaires de l'État	Law of 14.4.1924: 6% of gross income; 1964: 6%; 1989: 8.9%; 2000: 7.85% (minimum)	
Fonctionnaires territoriaux et hospitaliers (CNRACL)	2000: 7.85% (minimum)	
1RATP[1]	2000: 7.85% (minimum)	
SNCF[2]	2000: 7.85% (minimum)	
IEG[3]	2000: 7.85% (minimum)	
Régime général	2000: 6.55% (minimum)	
Additional pension of the *Agents non titulaires de l'État (IRCANTEC)*	Since 1.1.1998 up to 14,090 FF per month: 2.25% Since 1.1.1998 up to 14,090 FF per month: 5.95%	
Germany		
Civil servants (*Beamte*)	Nil	Nil
Workers and employees in old age insurance (*Arbeiter- und Angestelltenrentenversicherung*)	9.75%; since 1.1.2000 9.65%	
Additional insurance for employees and workers in the public services (*Zusatzversorgung für Angestellte und Arbeiter im öffentlichen Dienst (VBL)*)	Since 1.1.1973 employers paid the contributory share of the employees, too; 1.1.1999 contributions by employees reintroduced: 1.25% of VBL-contributory salary	

Notes: [1] *Régie Autonome des Transports Parisiens.* [2] *Société Nationale des Chemins de Fer Français.* [3] *Industries Electriques et Gazières.*

Sources: Germany: *Frerich and Frey* 1993b: 61. France: *L'Observatoire des Retraites (OR)*, La retraite pour qui? Quand? Comment? (internet address: http://observatoire-retraites.org/); *Chauleur* 1998: 88. United Kingdom: *Department for Education and Employment* (DfEE) 1999: 50.