

Not by bread alone. Satisfaction with work in the public and private sector

Studies show that the choice of a job – in the public sector or in the private sector – is not random (see, for example, Danzer 2013, De la Garza et al. 2012, Katz and Autor 1999, Luechinger et al. 2010, Rosen 1987). Given the observed wage gap in favour of the private sector, it can be assumed that the intersectoral equilibrium is due to 1) non-monetary types of compensation for wage losses; 2) unobservable differences in the characteristics of workers; 3) unobservable differences in terms of employment, other things being equal; 4) a combination of these factors. Job satisfaction observed in the RLMS-HSE on four criteria makes it possible to assess whether there is a wage gap between the two sectors, taking into account both monetary and non-monetary factors. Estimation on panel data with fixed individual effects identifies the premium or penalty from sector selection over the period 2002–2020 accounting for self-selection.

According to Hamermesh (1999), job satisfaction as a subjective assessment includes many monetary and non-monetary aspects related to working conditions. Salary compensates for those aspects of the workplace that create a feeling of discomfort, and this explains its professional and industry intersectoral gaps (Rosen 1987). Non-monetary aspects of the workplace that create discomfort can be negotiated for extra pay (Katz and Autor 1999). Studies find the existence of a premium in job satisfaction for public sector workers (France and UK: Clark and Senik (2006), Ukraine: Danzer 2019, UK: Heywood et al. (2002), 20 European countries: Luechinger et al. (2006), Germany : Luechinger et al. 2010). An important reason for this is social security. A rather significant place in labour market research is given to the gap in wages between public sector and private sector workers in favor of the latter (Gimpelson and Lukyanova 2006, Zhuravleva 2016, Adamchik 1999, Gorodnichenko and Sabirianova 2006), which, however, does not lead to a massive overflow from one sector in another (Sharunina 2015).

In the study job satisfaction in the private and public sectors is compared. Additionally, the hypotheses of the relative or absolute role of wages in job satisfaction is tested (see, for example, Card et al. 2012, Clark et al. 2008). According to the hypothesis of subjective wellbeing proposed by Dusenberry (1949) and Easterlin (1974), satisfaction is formed not so much by personal achievements, but by comparing one's own situation with the situation of others.

Four types of job satisfaction (JS) are used: JS in general; working conditions; salary; and opportunities for promotion. Rank scores are converted to continuous values assuming a normal distribution of responses as suggested by Cornelissen (2009). Normalization was carried out for each year separately. The model is as follows:

$$JS_{it} = \beta_0 + \beta_1 Public_i + \sum_t \beta_{2t} T_t + \sum_t \beta_{3t} T_t Public_i + wage'_{j,it} \gamma_1 + wage'_{j,it} Public_i \gamma_2 + \varepsilon_{it}.$$

Here β_{3t} is a vector of parameters reflecting inter-sectoral differences at time t . Time shocks β_{2t} are the same for both sectors at time t . Coefficient γ_1 reflects the total impact of the absolute or relative salary $wage_j, j=1..4$ on JS , and γ_2 is the additional impact of wages on JS of public employees. Here

$$wage_{1,it} = \log(wage_{it})$$

$$wage_{2,it} = wage_{1,it} - \hat{wage}_{1,it}$$

$$wage_{3,it} = \begin{cases} wage_{1,it} - wage_{median,i}, & \text{если } wage_{1,it} > wage_{median,i} \\ 0, & \text{если } wage_{1,it} \leq wage_{median,i} \end{cases}.$$

$$wage_{4,it} = \begin{cases} wage_{median,i} - wage_{1,it}, & \text{если } wage_{1,it} < wage_{median,i} \\ 0, & \text{если } wage_{1,it} \geq wage_{median,i} \end{cases}$$

Median values are calculated for professional groups with control over other characteristics – human capital, local labour market, family structure. To test for robustness, the model is evaluated on subsamples for workers with secondary, higher and primary education, for women and men, for workers under the age of 17–34, 35–44, 45–54 and over 55 years old.

The results demonstrate that the gaps in satisfaction with employment conditions between public and private employees are observed only in wage satisfaction. Public employees are more likely to be satisfied with their salary. The effect is not related to periods of crisis, with the exception of 2009. Other periods when public employees rated their

satisfaction more highly are periods of economic prosperity. They are likely associated with an increase in financing of the public sector. For women, these are 2012–2014 and 2016–2020, for men – 2013–2014 and 2018–2020. The results, in particular, indicate the effectiveness of policies introduced by the "May" Decree of the President of the Russian Federation (07.05.2012 N 597). In other periods, no significant differences were found between public and private employees. Thus, despite the lower wages in the public sector, the set of employment conditions for public sector employees is such that the two sectors of the labor market are in equilibrium. This calls into question the accepted view that public employees are underpaid. The model is also tested on groups of settlements by population. Public employees are more often satisfied in large cities (500 thousand people and more), which also points on the importance of financing the public sector, which is more solid in large cities. By concluding it, one should not exclude a greater match between the characteristics of the worker and the workplace possibility, as well as more advanced technological level and, as a result, higher productivity of workers there.

The results suggest that there are no gaps in non-monetary types of compensation for losses in wages and conditions of employment. Satisfaction with employment conditions in general, contract or promotion opportunities does not differ significantly between sectors. Therefore, self-selection is explained by unobservable personal characteristics. Despite the fact that individual characteristics are eliminated from the estimates of the fixed data model, it cannot be argued that the estimated employment conditions are the same for public and private sector employees. The observed intersectoral equilibrium is a matching of individual preferences and employment conditions offered by the sector, *ceteris paribus*.

The hypothesis about the relative value of the utility of the wage level does not find confirmation. It can be concluded that the average worker is well informed about the level of salary available to her or him and adequately evaluates what he or she has. At the same time, public employees are less worried that the salary is below the median value. They are also less enjoying wages above the median. This is consistent with the fact that self-selection in to the public sector explains that public employees prioritise the usefulness of work for themselves and for society, whereas financial incentives are less important for them.