

Job Quality and Labour Markets

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Abstract

There is an extensive literature, originated by Blanchflower and Oswald (1995) which investigates the relationship between wages and labour markets. Blanchflower and Oswald, and those who have followed them, have demonstrated a clear downward sloping wage curve, with, other things being equal, higher wages in tight labour markets and lower wages in labour markets with high unemployment. However, wages are but one facet of job quality (Green 2006). This paper investigates the relationship between workers' subjective perceptions of job quality and labour markets. It seeks to answer two key questions. First, is job quality better in tight labour markets? Second, can improvements in job quality between 1998 and 2004 be attributed to improving labour market conditions?

Following Green (2006) we conceive of job quality as a multi-faceted concept. Facets include different dimensions of job satisfaction, stress and effort, the climate of employment relations, autonomy and control over work and the quality of relations with managers and supervisors. These facets comprise different dimensions of human needs. High quality jobs are those that provide workers with the capabilities to meet their needs.

We hypothesise two potential relationships between facets of job quality and labour markets. First, an downward sloping curve, where job quality falls in labour markets with high unemployment, because in these conditions workers lack bargaining power. Second, a u-shaped relationship between labour markets and job quality, because the norms and expectations of workers may vary across labour markets, with workers in areas with poor labour market conditions expecting less from work, so reporting higher job quality. We also hypothesis that improving labour market conditions between 1998 and 2004 will be at least partially responsible for observed improvements in job quality (we observe improvements in job satisfaction, perceptions of the climate of employment relations, quality of relationships with managers and supervisors and a small reduction in stress and effort).

We test these hypotheses using data from the 1998 and 2004 Workplace Employment Relations Surveys (WERS), specifically information on subjective perceptions of job quality from the Employee Questionnaire, and information on unemployment rates and

vacancy ratios in the travel to work labour market area and unemployment rates in the region in which the workplace is located.

Our initial analysis suggests that as expected, improvements in job quality between 1998 and 2004 can be partially explained by improvements in regional unemployment. i.e. job quality improved most in regions with the largest falls in unemployment.

References

Blanchflower, D. and Oswald, A. (1995) *The Wage Curve*, MIT Press.

Green, F. (2006) *Demanding Work: The Paradox of Job Quality in the Affluent Economy*, Princeton University Press

Note

Andy Charlwood has been assisting WIAS in the development of the local labour market data and has consequently been afforded privileged access to the data. The data were deposited with the Economic and Social Data Service on 26th September 2007 and will soon be available to all users.