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Job Satisfaction of Older Employees – A Comparative Analysis of German and Hungarian Data

Éva Berde* and Mariann Rigó**

*Corvinus University of Budapest. E-mail eva.berde@uni-corvinus.hu

** Corvinus University of Budapest. E-mail mariann.rigo@uni-corvinus.hu

Abstract

Most of the countries are faced with the problem of an ageing population and the increasing financial burden associated with it. Therefore, lengthening the active working life of employees is an urgent need in all these countries. In our paper we contribute to analyzing the possibilities of a longer active working life by examining the job satisfaction of older employees in two countries with different pension regulations. Job satisfaction can be viewed as “the reflection of all the returns to labor market activity” (Hamermesh, 1999, page 3¹). It is documented by several studies that satisfied employees show lower turnover, lower absenteeism and better performance (see Drabe et al 2015 for an overview²). Therefore, examining the driving forces of higher job satisfaction might be a key element in a strategy towards a more productive and more active older population.

Our research contributes to the topic by using a dataset with rich information on working conditions and job attributes, which was rarely available in previous studies. Besides, to our knowledge, our paper is the first attempt to investigate the job satisfaction of older employees in the context of the pension regulations.

The main analysis is based on the 2005 and 2010 waves of the European Working Conditions Surveys (EWCS). Besides, we compare our results on EWCS data to estimates on the EU-SILC (European Union Statistics on Income and Living Conditions) database (year 2013), which is a larger-scale database, but lacks information on detailed job attributes. The EWCS is a Europe-wide survey carried out in every 5 years since 1990. Employees in the EWCS are asked about many details of their working conditions as well as several dimensions of their well-being related to their work, which allows us to control for a large number of employee, firm and job characteristics in our regression analysis.

We estimate the job satisfaction – age profile of employees in two countries, in Germany and in Hungary. By focusing our analysis on these two countries, yields the opportunity to compare the job satisfaction of older employees in markedly different pension regulatory environments. The German pension rules have become gradually more stringent since 1994. In 2007, the German government decided to increase the retirement age gradually from 65 to 67 by 2029. Additionally, almost all earlier exceptions of early retirement possibilities were abolished. The Hungarian pension rules have

¹ Hamermesh, D.S. (1999), The changing distribution of job satisfaction, NBER Working Paper 7332.

² Drabe, D., S. Hauff and N. F. Richter (2015), Job satisfaction in aging workforces: an analysis of the USA, Japan and Germany, *The International Journal of Human Resource Management*, 26:6, 783-805.

become also stricter since 1998. However, in 2010 there were still several options for early retirement in Hungary. Therefore, analysing the job satisfaction of older employees in 2005 and 2010 in these two countries, is an interesting experiment, which could potentially shed light on the driving forces of job satisfaction in a country where older people have less option to retire before the statutory retirement age compared to a country where older people tend to self-select themselves into the employment pool.

There are several theoretical models and empirical papers analyzing the various determinants of job satisfaction (for an overview, see for example Drabe et al 2015). Based on the questions of the EWCS and taking into account relevance in an international context, our analysis focuses on the following job satisfaction determinants: (1) time demand (if the job fits in with family and social commitments, if the employee has to work at night or in shifts), (2) physical security and health (if the job affects the employee's health or safety, if the employee is exposed to various disturbances, such as noise, if the employee has to carry out a physically heavy work), (3) relationship with management and colleagues (assistance, feedback, if the employee is involved in meetings), (4) opportunity for skills use (able to apply own skills and ideas, solving unforeseen, complex problems, learning new tasks), (5) variety (repetitive or monotone work), (6) career outlook, (7) job security, (8) time pressure and (9) financial satisfaction. In all regressions, we include controls for gender, age (three age dummies for employees aged below 30, aged between 30 and 55, and aged over 55), education, firm size, dummy variables for discriminative and abusive behavior within the firm, and controls for time, industry and occupation.

Our main dependent variable is overall job satisfaction. Besides, we investigate the attitude of employees towards their job using responses about the meaningfulness of the job (Do you have the feeling of work well-done? and I have the feeling of doing useful work) and responses on the organizational atmosphere (I feel "at home" in my organization). Responses range from 1 (almost never) to 5 (almost always). Hence, an ordered logit regression is estimated in each case.

Our results on the age group coefficients in each specification are summarized by Table 1 at the end of the abstract. The estimates indicate that in Germany older workers are relatively more satisfied with their jobs than their younger colleagues. Similarly, the likelihood of a friendlier organizational atmosphere (responses to the question: I feel at home in this organization) increases with age. However, employees over 55 are not more likely to attach higher values to the other job satisfaction dimensions than do prime aged employees. Responses to the questions "Do you have the feeling of work well-done / doing useful work?" indicate that employees aged between 30 and 55 are most likely to score high values, and the evaluation of older employees is not significantly different from their prime aged colleagues.

The Hungarian results suggest a somewhat different relationship between age and job satisfaction. Hungarian employees aged over 55 are not likely to be more satisfied with their jobs than do prime aged employees. On the other hand, Hungarian older employees are more likely to value their work useful and have the feeling of work well-done than do prime aged or younger employees. The likelihood of "feeling at home in the organization" also increases with age.

Given the differences in the pension regulations in the two countries, our estimates indicate that the attitude of older employees to value their jobs as "useful" is more likely to be positive in those cases when employment is not regulated by strict pension rules. These results might reflect greater self-

selection of more motivated workers into the Hungarian sample, and might highlight the importance of those determinants of job satisfaction, which motivate and keep older employees longer actively in the labor market.

In both countries, health status is an important determinant of job satisfaction. Among the other controls, we found that financial satisfaction, relationships (with colleagues and management), career prospects, satisfaction with family – work balance, job security, the absence of health and safety risks, the monotonicity of the work, time pressure and the opportunity to use own skills are the most important drivers of job satisfaction.

Our results are in line with the findings of several papers documenting U-shaped relationship between job satisfaction and age in many countries (e.g. Clark, Oswald and Warr, 1996³). Besides, our results are also comparable to estimates, which we obtained using the EU-SILC database. The EU-SILC database includes more employees in both countries (9,725 employees in Germany and 7,609 employees in Hungary; while the comparable number of observations are 1,946 and 960 in the EWCS), and it covers questions on job satisfaction in 2013. However, it does not include data on detailed job attributes. Therefore, results are only comparable using the “usual” set of explanatory variables (age, gender, education, health status, time demand, financial satisfaction, industry and occupation). Our estimates on the 2013 wave of the EU-SILC data as well as the estimates on the 2010 wave of the EWCS (without controls for detailed job attributes) indicate that in both countries older employees are significantly more satisfied with their job than their younger colleagues. However, the EWCS data adds to this conclusion by highlighting the role of another dimension of job satisfaction, the usefulness of work, and its importance in an environment where workers are more likely to self-select themselves into the working group.

³ Clark, A., A. Oswald and P. Warr (1996), Is job satisfaction U-shaped with age?, *Journal of Occupational and Organizational Psychology*, 69, 57-81.

Table 1: Coefficient estimates on the age group controls obtained in an ordered logit specification using data from the EWCS

		Germany			Hungary		
		work well-done	useful work	satisfied	work well-done	useful work	satisfied
Basic regression: age, gender, traveltime, workhour, educ, financial satisf, industry, occup	aged 30 - 55	0.302 <i>(0.112)**</i> *	0.164 <i>(0.113)</i>	-0.238 <i>(0.121)*</i>	0.235 <i>(0.183)</i>	0.432 <i>(0.192)**</i>	0.261 <i>(0.198)</i>
	aged over 55	0.148 <i>(0.145)</i>	0.101 <i>(0.144)</i>	-0.292 <i>(0.154)*</i>	0.399 <i>(0.225)*</i>	0.647 <i>(0.242)**</i> *	0.127 <i>(0.243)</i>
+ health status	aged 30 - 55	0.529 <i>(0.117)**</i> *	0.321 <i>(0.118)**</i> *	0.263 <i>(0.129)**</i>	0.417 <i>(0.187)**</i>	0.525 <i>(0.196)**</i> *	0.533 <i>(0.204)**</i> *
	aged over 55	0.536 <i>(0.155)**</i> *	0.363 <i>(0.154)**</i> *	0.571 <i>(0.168)**</i> *	0.742 <i>(0.237)**</i> *	0.825 <i>(0.255)**</i> *	0.715 <i>(0.259)**</i> *
+ relationship with management, colleagues, career prospects)	aged 30 - 55	0.576 <i>(0.118)**</i> *	0.363 <i>(0.119)**</i> *	0.334 <i>(0.130)**</i>	0.549 <i>(0.189)**</i> *	0.667 <i>(0.199)**</i> *	0.577 <i>(0.205)**</i> *
	aged over 55	0.623 <i>(0.157)**</i> *	0.437 <i>(0.156)**</i> *	0.702 <i>(0.171)**</i> *	0.886 <i>(0.240)**</i> *	0.947 <i>(0.259)**</i> *	0.763 <i>(0.261)**</i> *
+ "harmony with health and private life" controls	aged 30 - 55	0.567 <i>(0.120)**</i> *	0.347 <i>(0.120)**</i> *	0.314 <i>(0.134)**</i>	0.458 <i>(0.191)**</i>	0.616 <i>(0.200)**</i> *	0.5 <i>(0.208)**</i>
	aged over 55	0.581 <i>(0.159)**</i> *	0.398 <i>(0.158)**</i> *	0.525 <i>(0.175)**</i> *	0.772 <i>(0.244)**</i> *	0.863 <i>(0.260)**</i> *	0.626 <i>(0.265)**</i>
+ detailed job characteristics	aged 30 - 55	0.459 <i>(0.123)**</i> *	0.202 <i>(0.124)</i>	0.191 <i>(0.138)</i>	0.404 <i>(0.197)**</i>	0.555 <i>(0.206)**</i> *	0.44 <i>(0.213)**</i>
	aged over 55	0.421 <i>(0.164)**</i>	0.197 <i>(0.163)</i>	0.378 <i>(0.180)**</i>	0.663 <i>(0.252)**</i> *	0.754 <i>(0.269)**</i> *	0.518 <i>(0.272)*</i>
+ controls for firm size, discrimination, abuse, job security	aged 30 - 55	0.431 <i>(0.125)**</i> *	0.179 <i>(0.125)</i>	0.155 <i>(0.139)</i>	0.375 <i>(0.199)*</i>	0.5 <i>(0.209)**</i>	0.395 <i>(0.216)*</i>
	aged over 55	0.368 <i>(0.165)**</i>	0.184 <i>(0.164)</i>	0.373 <i>(0.183)**</i>	0.606 <i>(0.255)**</i>	0.699 <i>(0.274)**</i>	0.439 <i>(0.276)</i>
Number of observations		1,946	1,946	1,946	960	960	960

Notes. Standard errors are in italics, stars indicate significance levels: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Dependent variables are as follows: Do you have the feeling of work well-done? Do you have the feeling of doing useful work? Are you satisfied with your job?. Employees aged below 30 serve as the reference group. Dummies for occupation and industry are included in all specifications. The regression sample is composed of employees aged between 15 and 70 years.