

## 2.5 Why do people choose to work in the public sector?

### The role of subjective factors

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Selection between public and private sector jobs is influenced by a variety of factors in addition to potential pay. An important objective factor is the relatively higher demand for highly educated employees in the public sector. The main subjective factor is greater security in the public sector in a number of ways: greater job security, more regulated working conditions, and more predictable promotion opportunities. Those who value these are more likely to choose to work in the public sector even if it means lower pay. Another important subjective difference is that people are often motivated by a stronger sense of mission or social responsibility when choosing to work in the public sector.

The decision can also be influenced by family circumstances. This study will identify a number of life scenarios that support this hypothesis. The effect of motivations related to social responsibility will be examined through participation in voluntary work and attitudes towards income redistribution.

The study will address three related questions: 1) What are the family factors which influence public sector employment? 2) Are public sector employees more likely to be involved in voluntary work? 3) Are there any special characteristics of public sector workers in terms of their attitude to centralised income redistribution?<sup>1</sup>

### Background

It was *Bellante and Link* (1981) who first suggested that risk averse people are more likely to choose to work in the public sector than in the private sector. Their study was mainly based on *Bloch and Smith's* (1977) finding that public sector employees – *ceteris paribus* – are less likely to become unemployed than private sector workers. *Gregory and Borland* (1999) highlighted a potential issue with the interpretation of results: *Bellante and Link's* (1981) findings only show that public sector employees are more likely to be risk averse than those in the private sectors. It is possible, however, that the effect mechanism works in the opposite direction and that the public sector prefers risk averse employees. Furthermore, there is a possible third explanation: public sector employees become risk averse as a result of the job requirements. *Hartog et al.* (2002) examined factors associated with risk aversion: public sector employees are more, while entrepreneurs are less, risk averse, private sector employees are in the middle.

In addition to security, the feeling of social usefulness can also play a role in choosing to work in the public sector. Various studies showed that the motive of doing socially useful work is stronger among public sector employees (see

<sup>1</sup> This chapter is a shorter and simplified version of the paper by *Molnár–Kapitány* (2013), which includes a more in-depth literature review and descriptive statistics.

for example *Dixit*, 2002). Dixit concludes that this motive is much stronger in the early stages of the establishment of institutions than later on, and is more characteristic of employees who work directly with people than managers.

Most studies examined the relationship between social responsibility and public or private sector employment using questions about social responsibility. However there is a risk of social desirability bias here; the responses of public sector employees might be influenced by social expectations towards them. In a behavioural experiment *Buurman et al.* (2009) showed that the motivation to help others is stronger than average among people in the early stages of their public sector career.

Perception of the extent and dynamics of income inequalities can strongly influence preferences for income redistribution (see for example *Meltzer and Richard*, 1981), and that might be an indicator of social responsibility. This is often assessed using the following question: “Do you agree that the Government should reduce income differences?” The answer to this question is influenced by a number of additional factors: absolute and relative financial and wealth situation, mobility, expectations towards the future, personal history, education, family structure, and so on. *Alesina and Giuliano* (2010) provide an in-depth review of the literature on preferences for redistribution, while *Molnár and Kapitány* (2006) analyse the issue on Hungarian data. Different factors might be important in different countries, nevertheless support for redistribution generally decreases with the increase of income and more positive expectations towards the future.

There are few studies that look at working in the public sector in the context of attitudes towards redistribution. *Jaime-Castillo* (2008) found a positive but not significant relationship between working in the public sector and preference for income redistribution in Spain. *Finseraas and Ringdal* (2012) using data from 23 European countries including Hungary found a very strong relationship. According to their analysis, employees who work in the public sector – *ceteris paribus* – are more likely to support the welfare state than others. In international comparison the Hungarian data suggests a paradox situation. Hungary is among the countries with a strong preference for a range of welfare state activities. However, when asked to indicate the desirable extent of taxes and welfare provisions on a scale between 0 and 10, Hungary produces the lowest value. One of the possible reasons for this contradiction is the low level of tax awareness in Hungary and undervaluing the tax cost of public services (see *Csontos et al.* 1998, *Gábos et al.*, 2007 and *Tóth*, 2009). Very low trust in public institutions in international comparison might also contribute to this phenomenon (*Tóth*, 2009). Therefore people think that it would be possible to provide more welfare services from the taxes they pay.

*Linder* (2010) examined the situation of civil servants in Hungary. In her dissertation she used the findings of a 2003 survey that asked public service

employees about the most attractive aspects of their job as a civil servant. Most respondents (75%) mentioned benefits for the community and security (70%), and any financial aspects only came after these. However, the author also raised the question of whether the frequent mentioning of community aspects might reflect social desirability (*Linder, 2010, pp. 203–204.*). At the same time, frequent reorganisations, large scale redundancies, and the weakening of the principle of irremovability raise the question of whether greater public sector job security is still the case in Hungary.

### **About the data**

The analysis uses Hungarian data for the two-year EU–SILC (*European Union Statistics on Income and Living Conditions*) household panel survey collected by the Central Statistical Office in 2005–2006. The sample includes around 5,000 households and 13,300 individuals, out of which 12,800 people took part in both years. The selection of these years is justified by the inclusion of questions on life satisfaction and attitude towards income redistribution in the 2006 survey. The 2006 questionnaire also includes a question on voluntary work and there is information on the ownership of the workplace for both years. In the analysis the public sector includes civil servants, public service employees and employees of state or local government owned businesses. Household income was computed using the “OECD1” equivalence scale because this is the most appropriate within the Hungarian context (see also *Cseres-Gergely and Molnár, 2008*).

### **Why do people choose to work in the public sector? The role of family factors**

In life situations when job security and predictability of working conditions is very important, the decision to work in the public sector might be an advantage. Such life situations might include *raising children, the health status or long term condition – not work-related* – of the individual or other family members, and factors related to other family circumstances. In terms of health status, people with a long-term condition – who are able to work – are more likely to work in the public sector. In addition to their own illness, the presence of long term conditions in the family and any caring commitments might also influence decisions about jobs.

The rate of people who had been unemployed previously is considerably lower in the public sector than in the private sector (28 and 42 per cent respectively). In addition to different education levels, this might be due to higher job security in the public sector or the fact that the public sector is less likely to recruit unemployed people for jobs. A two-year panel survey is very short for making any general conclusions, however it is indicative that only 2.6 per cent of public sector employees had been unemployed in the previous year

compared to 5.9 per cent of employees in the private sector. Therefore, in terms of the preference for job security, earlier unemployment in the family might be a relevant factor.

The sample has been limited to employees, excluding entrepreneurs and casual workers in the private sector. In the data set approximately 35 per cent of employees worked in the public sector. A logistic model was used to estimate what factors influenced the likelihood of working in the public or private sector and to what extent. The results of the estimation are summarised in *Table 2.5.1*; this presents not the coefficients but the estimated marginal effects. (For continuous variables the marginal effect shows the average effect of a one-unit increase in the explanatory variable. Categorical variables with multiple values were compared to reference groups, so for example a difference of 46.5 percentage points shows the difference in the probability – expressed as a percentage – of a female university graduate to work in the public sector compared to a male with a vocational school education. For dichotomous variables the marginal effect shows how much their occurrence increases or decreases probability.)

Each life year – taking all other explanatory factors as constant – increases the likelihood of working in the public sector on average by 0.5 per cent. Women with a vocational school or vocational secondary education or lower are 8–9 percentage points more likely to work in the public sector than men with the same level of education. Men whose highest education is general secondary education are as likely as women with the same education to work in the public sector and there is no significant difference between the two values. This means that the public sector provides better opportunities for men with a general secondary education and no vocational qualification than the private sector. There is no difference between men with a general secondary education and men with a college degree in this respect.

In terms of gender differences, it is greatest among graduates, particularly college graduates. Women with a college degree are 15 percentage points more likely to work in the public sector than men with a similar education, while among university graduates the gap is somewhat smaller: 12 percentage points. The likelihood of working in the public sector increases with education.

There are no differences in terms of the number of children; however there are two types of households that stand out. Single parents are more likely to work in the public sector than people in other types of households. This effect no longer prevails if there is another adult (for example a lineal relative) in the household. The result suggests that the public sector provides better opportunities for single parents to manage their child care responsibilities and therefore they are more likely to work here rather than in the private sector.

In cohabiting households the likelihood of working in the public sector is smaller than in other households. A possible explanation is that people

who value formalised security less are also less likely to get married or have a more secure job.

**Table 2.5.1: Factors influencing selection between the public and private sector among employees, 2006 (logit estimate, dependent variable: selection of public sector job, N = 4,200)**

Variable	Marginal effect (percentage)
Age	0.5***
Vocational training school or lower, male	reference group
Vocational training school or lower, female	8.3***
Vocational secondary school, post-secondary vocational qual., male	8.9***
Vocational secondary school, post-secondary vocational qual., female	17.6***
General secondary education, male	21.2***
General secondary education, female	24.1***
College, male	24.2***
College, female	40.9***
University or higher, male	34.2***
University or higher, female	46.5***
Single	-0.1
Married couple without children	-3.3
Married couple with child(ren)	1.5
Single parent with child(ren)	7.7**
Single parent with child(ren) + another adult	0.9
Cohabiting partners	-6.3**
Other type of household	reference group
Spouse or partner worked in the public sector in the previous year	11.5***
Long-term condition	6.4***
Spouse/partner or child in the household has long-term condition	7.3***
Husband had been unemployed before 40 <sup>th</sup> birthday of wife	7.3**
Wife had been unemployed before 40 <sup>th</sup> birthday of husband	3.7
Logarithm of regional unemployment rate	10.9***
Pseudo R <sup>2</sup>	0.127

Note: We used robust estimation clustered for households. The estimated odds ratios and standard errors are available in Table 1, *Molnár and Kapitány (2013)*.

\*\*\* Significant at 1% level, \*\* significant at 5% level.

People who have a self-reported long term condition are significantly more likely to work in the public sector than those who do not have a long-term condition. One of the possible reasons is that the public sector provides better employment opportunities for people with long term conditions, or the public sector makes more of an effort to employ people who are disadvantaged due to a long term condition. This effect does not only prevail for their own illness; people whose spouse/partner or child has a long term condition are also more likely to work in the public sector.

Women whose husband had been unemployed before they (wife) turned 40 (or any time in the case of those aged under 40) are more likely to work in the public sector than others. There is no similar significant effect in the case of cohabiting couples or men (whether their wife had been unemployed).

Finally, in terms of regional effects, contrary to international experience, in Hungary people who live in the capital are less likely to work in the public sector than others. (More precisely this is only true for public sector employees, not for civil servants.) The phenomenon is related to the regional distribution of unemployment. The higher the unemployment in a region, the more likely it is that people in employment are working in the public sector. There are numerous small regions in the country where only the public sector provides any employment opportunities.

In summary, it might be concluded that attributing the decision to work in the public sector to individual risk aversion is overly simplistic; it is often the result of family rather than individual strategies. Nevertheless, these strategies will only remain valid in the long run if the public sector does provide greater security in these life situations. There have been some opposite trends in recent years: the economic and financial crisis might have increased the advantage of the public sector in terms of job security over the private sector; however frequent reorganisations and the further weakening of the principle of irremovability might have worked in the opposite direction.

### **Voluntary work**

Voluntary work is considered a possible proxy variable for social responsibility. The number of people involved in voluntary work is rather low and less than half of them undertake it at least once a month. The frequency of voluntary work in the total adult population is just under 15 per cent, and 18 per cent among the economically active.

Estimates for factors associated with participation in voluntary work are presented in *Table 2.5.2*. The model was estimated for the *total* adult population rather than employees only. It is assumed that involvement in voluntary activities is cumulative within the family. To examine this, a variable was created that indicates the ratio of adults involved in voluntary work in the household. The augmented model that includes this variable is shown in the second column of the table.

People employed in public education, research and culture are around 10 percentage points more likely to be involved in voluntary work than people who are private sector workers. For people who work in health care or social care the difference is approximately six percentage points. Somewhat surprisingly, there is no significant difference between public administration and private sector workers in terms of involvement in voluntary work; *there is no evidence* of a greater than average social responsibility among people who work in public administration. This finding supports *Linder's* (2010) argument above that civil servants tend to respond according to social expectations in surveys. The indirect measurement, based on voluntary work most probably provides a more realistic picture.

**Table 2.5.2: Factors influencing voluntary work in the adult population (logit estimation, dependent variable: does any voluntary work, N = 10,664)**

Dependent variable: does any voluntary work	Marginal effect (percentage)	
	Model 1	Model 2
Employed in the private sector	reference group	
Employed in public administration	1.3	0.7
Public education, R & D, culture	10.7***	9.5***
Health and social care	6.3***	5.9***
Other public sector	1.4	2.0
Entrepreneur	1.9	0.6
Casual worker, public worker	6.8**	6.8***
Retired	0.6	0.6
Student	14.8***	11.0***
Other unemployed and inactive <sup>a</sup>	-1.4	-1.0
Logarithm of household income	1.7	0.7
19–29 years, not in education <sup>b</sup>	reference group	
30–39 years	6.6***	5.7***
40–49 years	8.2***	5.2***
50–59 years	9.3***	7.8***
60–69 years	8.9***	7.7***
70 years or older	6.8***	6.4***
Poor health	-6.2***	-5.3***
Female	-0.9	-0.7
Primary education or lower	reference group	
Vocational training school	6.0***	4.6***
Vocational secondary school	11.0***	8.8***
General secondary education	9.9***	7.8***
College	18.3***	14.7***
University	17.8***	13.3***
No children under 15 in the household	reference group	
1 child	5.1***	2.5***
2 children	6.7***	3.2***
3 children	10.2***	5.6***
4 or more children	8.1	4.5
Rate of adults involved in voluntary work within the same household <sup>c</sup>	-	21.0***
Budapest	reference group	
City with county rights	4.3***	3.4***
Town	2.6*	2.3**
Village	9.1***	6.8***
Pseudo R <sup>2</sup>	0.098	0.189

Note: See comments for *Table 2.5.1*.

<sup>a</sup> Includes: unemployed not in public works, full-time parents, homemakers, other non-working.

<sup>b</sup> 99% of students age over 18 are between 19–29 years, therefore – as students are in a different variable – the reference group is comprised of 19–29 year olds not in education.

<sup>c</sup> The indicator was obtained by dividing the number of adults who do voluntary work by the total number of adults in the household. The observed individual was not included in the numerator nor in the denominator. If there were no other adults in the household the value of the variable is zero.

\*\*\* Significant at 1% level, \*\* 5% level, \*10% level.

For public service employees another question is whether voluntary work is truly altruistic and genuine or if it is forced upon the individual by the employer. This was examined by comparing old and new public service employees in the paper by *Molnár and Kapitány* (2013) mentioned earlier. The detailed findings of this study are not presented here, nevertheless they seem to suggest that even if there are expectations from employers, the people who work in human services have a higher level of social commitment than others.

It is worth considering what other factors influence involvement in voluntary work based on *Table 2.5.2*. Among students (mainly students in higher education) participation in voluntary work is very high, then it declines and again it slightly increases with age. As the level of education goes up involvement in voluntary work also goes up, and this is especially true for graduates. Voluntary work is partly related to children. The probability of voluntary work is higher in villages than in towns and especially Budapest. The financial situation does not play a role but family factors have a very strong effect.

More recent developments, radical re-organisations and increasing centralisation weaken the sense of mission. To test this hypothesis it would be important to include questions on voluntary work and other factors suitable for measuring social commitment in household surveys on a more regular basis.

### Attitudes towards income redistribution and the public sector

In relation to income redistribution respondents answered two questions: “Do you agree that the Government should limit the income of the rich?” and “Do you agree that the Government should provide higher income to the poor?” There was a similar survey in 2002 as well, see *Molnár and Kapitány* (2006b). In the four-year period between 2002 and 2006 the rate of respondents who *strongly agreed* increased considerably by about 10 percentage points against those who *somewhat agreed* in both categories (*Table 2.5.3*). The share of those who strongly or somewhat agreed reached 91 and 80 per cent respectively in 2006.

**Table 2.5.3: Attitudes towards income redistribution, 2002 and 2006 (percentage)**

	Higher income for the poor		Limiting the income of the rich	
	2002	2006	2002	2006
Strongly disagree	4	3	6	9
Somewhat disagree	7	6	14	11
Somewhat agree	29	21	30	21
Strongly agree	60	70	50	59
Total	100	100	100	100

The starting hypothesis was that public sector employees are more likely to support income redistribution than others. There might be various reasons for this: the desire to reduce inequalities related to social responsibility; soli-

darity with the poor; funding of the public sector, including their own job comes from income redistribution; envy of the rich.

Attitudes towards the two directions of income redistribution were first examined using an ordered logit model; detailed calculations are presented in *Molnár and Kapitány* (2013). A simpler analysis was also carried out by merging the three categories other than *strongly agree*. There are no fundamental differences between the two results; however the second version – presented in *Table 2.5.4* – allows an easier presentation and interpretation of marginal effects.

**Table 2.5.4: Factors influencing attitude towards income redistribution in the adult population (logit estimation, dependent variable: dichotomous variable of attitude towards income redistribution, N = 10,219)**

Variable	Marginal effect (percentage)	
	Higher income for the poor	Limiting the income of the rich
Employed in the private sector		reference group
Employed in public administration	1.1	-1.7
Public education, R & D, culture	-0.4	2.3
Health and social care	5.6*	8.4**
Other public sector	3.7	3.0
Entrepreneur	-3.5	-8.0***
Casual worker, public worker	0.0	1.4
Retired	0.9	2.6
Student	-8.4***	-8.1***
Other unemployed and inactive	1.6	5.5***
Logarithm of household income	-7.8***	-10.2***
Age	-0.1	0.1
Poor health	4.9***	5.1***
Female	1.4*	1.0
Primary school education or lower		reference group
Vocational training school	-1.4	2.8*
Vocational secondary school	-6.4***	-5.1***
General secondary education	-7.9***	-3.5*
College	-13.0***	-14.7***
University	-13.5***	-21.5***
No children under 15 in the household		reference group
1 child	0.5	-3.9*
2 children	-9.0***	-9.7***
3 children	0.2	-7.6*
4 or more children	-13.8	-3.3
Budapest		reference group
City with county rights	7.0***	8.6***
Town	9.0***	11.3***
Village	9.0***	13.7***
Pseudo R <sup>2</sup>	0.044	0.069

Notes: See comments for *Table 2.5.1*. The categories of the dichotomous variable for attitudes to income redistribution are “strongly agree” and all other categories combined. \*\*\* Significant at 1% level, \*\* 5% level, \*10% level.

Contrary to our initial assumption, in the public sector only people who work in health care or social care support are more likely to support income redistribution than workers in the private sector. They are also more likely to agree with limiting the income of the rich. The question as to why there is a difference between health and social care, and education, science and culture in this issue might be raised. The review of literature has highlighted that attitude towards income redistribution can be related to the perception and attitudes to inequalities. The results suggest that these are different in the two areas of human services.

Entrepreneurs are less supportive of limiting the income of the rich than others. However, students are the least likely to agree with income redistribution in both categories. This is probably associated with their student status and positive expectations towards the future. Interestingly, “other inactives” (including the unemployed) are in favour of limiting the income of the rich, however there is no significant effect for supporting the poor.

As income increases, there is a noticeable decrease in the preference to income redistribution in both areas. Poor health increases preference for income redistribution; here self-interest is probably a motivating factor as people with a long term condition benefit from income redistribution. There is a negative relationship between educational attainment and preference for income redistribution. People with children are more likely to support limiting the income of the rich. There is a negative relationship between the size of settlement and preference for redistribution.

In conclusion, characteristics associated with preference for redistribution and voluntary work often work in the opposite direction, although not always. The correlation between the two factors is near zero, they are independent of each other. Therefore, attitude towards redistribution is not always a suitable indicator to measure social responsibility.

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### 2.5.1 The satisfaction of public sector workers

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*Luechinger at al.* (2007, 2010) examined selection between public and private sector alongside satisfaction. Their starting assumption is that people allocate themselves into the public or private sector based on their individual characteristics; they choose – if they have the possibility – between sectors based on their life situation and preferences, and this results in additional satisfaction. They argue that the public sector is chosen primarily by people who are more risk averse or committed to social issues, while people who aspire to work in the private sector value more highly the opportunity of a dynamic career. Thus, the sectors might offer different sources of additional job satisfaction to different workers. By comparing actual allocation and satisfaction with a hypothetical random allocation and related satisfaction they show that self-selection produces a non-trivial amount of additional satisfaction.

When looking at job selection, the question might be raised of whether there are hidden advantages in the public sector that are not possible to measure directly due to their nature. The analysis of life satisfaction (in a different terminology – subjective well-being) might provide answers to such questions. *Luechinger at al.* (2008) examined whether there was a difference between the subjective well-being of public and private sector workers based on data from the European Social Survey and the Latinobarometer. If public sector workers are more satisfied with their life than workers in the private sector that indicates the existence of hidden rents other than higher wages, and it also suggests that entry into the public sector does not depend only on education and skills but also connections. In their international comparison they found a greater than five per cent difference in satisfaction between the public