

**THE EUROPEAN-AMERICAN EMPLOYMENT GAP, WAGE
INEQUALITY, EARNINGS MOBILITY AND SKILL:
A STUDY FOR FRANCE, GERMANY, THE NETHERLANDS, THE
UNITED KINGDOM AND THE UNITED STATES**

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PROPOSAL FOR THE ANALYSIS

Introduction

On the one side, the imperatives of the tender for the research to be performed are to

- describe low-paid employment,
- study wages and skills,
- go beyond existing research,
- use panel data and
- cover a longer term
- cover a satisfactory number of EU countries in addition to the US.

On the other side, some important ‘stylised facts’ in the field of study are

- the double employment gap between the US and Europe - for both low-paying and high-paying services,
- the difference in the labour force composition of low-paid employment – it is more strongly an adult affair (the ‘working poor’) in the US than in many European countries,
- the difference in employment participation – it is often significantly less for the less educated in Europe whilst for the best educated it is at the same level as in the US,
- the much larger role played by educational wage differentials in the US,
- the often higher level of literacy attained by the less educated in European countries,
- the significant differences between European countries with regard to employment levels and growth and employment composition (industry, gender, age, part-time work etc.), wage structure and concerning the role played by education and training in the labour market.

Various other important observations will be added below when discussing the separate tasks. Pervading all this is the notion of job quality although the Call does not elaborate much on this. This is a particular concern with low-paid jobs, but it would be an oversimplification to equate better job quality with a higher level of pay.

The comparison of the two sides suggests a number of principles which determine an appropriate design for the research project. First, it appears crucial to compare the United States with the three major European countries, France, Germany, and the United Kingdom. These countries show significant mutual differences. In addition, it seems advisable to also cover a country like the Netherlands because of its rapid and successful move towards higher employment, which also seems to go a long way to bridging the double-sided US-EU employment gap. The extensive use of part-time work and wage moderation on which this is based, and the ever louder pleas for similar policies heard in other European countries add to its relevance.

Second, no satisfactory datasets exist at the European level and primarily national data will have to be used. This implies the need of involving researchers from each individual country who are already familiar with these data. There are considerable differences between the available panel data and maximising the similarity of the approach across countries will demand great expertise and will also be time-consuming. Maximising is the best that can be done as a 100-percent similarity can be ruled out from the start. The need for an innovation of the analysis only adds fuel to this fire.

This all implies the need for a rather broad and intensive approach. We think that the **LoWER** network provides an excellent basis for finding the persons qualified for attacking the problem. It comprises the technical expertise needed, for both the handling of the data, the

coherent design of the research and the organisation of the seminar. It has contributed substantially to the state-of-the-art in recent years and is therefore well suited to take the step towards innovation. And, finally, it has proven that it knows how to deliver. Naturally, the focus cannot exclusively be on low pay but that is no problem as low is a relative concept from the start implying higher pay. We think the present proposal gives excellent value for money.

The tender call explicitly mentions seven tasks. The first four concern the research which is to be performed. We will discuss these in the next three sections and subsequently come back to the other three tasks in section C.5.

We propose to deal with the first task by

- *Benchmarking Low-Wage (and High-Wage) Employment*

across as many Member States as we can and the US for the situation existing in the mid-1990s, and the long-run evolution up to the 1990s for France, the UK, the Netherlands, the USA and Germany.

Thus we will get the basics right, fulfil the first task, and provide a point of reference for the remainder of the research.

Subsequently, we propose to approach the second, third and fourth task by analysing

- *the Economic Dynamics of Low and High Pay*

focusing on the role of wage differentials, and

- *the Individual Dynamics of Low and High Pay*

considering the determinants of earnings mobility away from low pay and/or into high pay.

Both analyses will cover the same long period up to the mid-1990s and the same five countries. Finally, we will initiate a first discussion of

- *the Concept of 'Job Quality'* .

This contribution will be of a more general nature, serving to start a debate more than concluding it. It will include a limited amount of empirical research.

This set-up can be explained and argued as follows.

1. Benchmarking European Low-Wage and High-Wage Employment

It is a highly relevant task to draw as comprehensive and recent a picture of low-paid jobs and employees in the European Union as possible. It will provide the benchmarking which is long overdue and strongly needed to supply the detailed point of reference for the evaluation of past and future developments in European employment as well as for an adequate comparison with the American employment situation.

The *Employment Rates Report* suggests that several countries having an above-average amount of low-paid employment also have above-average high-paid employment in services. In addition to this, the Call for tender is aimed at discussing wages and skills in a wider framework, not restricted to that of low pay. Therefore, we propose to go beyond the benchmarking of low-wage employment and purposely add a detailed account of *high*-paid employment.

Originally, in 1996, the **LoWER** network set out to draw a picture of low-wage employment in Europe. As was explained in the Special Report mentioned above this objective was thwarted by the late date at which the results of the 1995 European Structure of Earnings Survey (ESES) became available. Another important hindrance was the fact that at the European level for the ESES only tabulated data are available while microdata are needed for an adequate analysis. As a consequence, any work done on ESES for the present research

will have to rest on interpolation and therefore have rather high margins of uncertainty. It will also often be impossible to match different characteristics with each other. Most important, however, is the Survey's severe deficiency in covering low-paid jobs in the Union. This is mainly the consequence of the fact that enterprises with less than ten employees are not covered. In the Special Report we suggested one method of making up for the deficiency which is to compare the ESES outcomes with, on the one hand, the results of the European Community Household Panel (ECHP) and, on the other, those national datasets underlying the ESES which have a better coverage of enterprise and are also available as microdata. We think it is highly relevant to make the comparison, first to make optimal use of the data that are available at Eurostat as requested in the tender call, secondly, to properly evaluate the validity of ESES-data and the conclusions based on this data before they start being widely used (OECD's *1999 Employment Outlook* has already begun, using ESES for discussing part-time employment) and, thirdly, to draw lessons for improving future surveys. Plausibly, the comparison will lead to the conclusion that ESES is doing a better job for high-paid than for low-paid employment. Now seems to be the right moment for starting such work, as finally all results of ESES (last update in coming August/September) and new ECHP outcomes have become available. We propose to advance in two ways which although different are mutually reinforcing, the first focused on the recent situation and the second looking at the evolution since around 1980.

a Europe and the US in the 1990s

First, we shall carefully draw the picture of low-wage and high-wage employment in the mid-1990s across as many countries as possible and with proper detail using ESES and ECHP for Europe and the Current Population Survey for the US and as far as these data allow. The detail concerns the industries where the two types of jobs are found and the personal characteristics of the people occupying them. We will add to this some job characteristics such as full-time and part-time work and occupational level, which bear an important relation to low pay. Potentially, the discrepancy between the level demanded by the job and that provided by its occupant will be larger further down the labour market as a consequence of bumping down in tight high-unemployment labour markets.

The picture will be drawn combining three different dimensions: A. a number of definitions of low pay or high pay, B. a range of personal characteristics and job characteristics, and C. two definitions of employment (head-count as well as full-time equivalent employment). We think the high incidence of part-time jobs in low-paid employment work strongly underlines the relevance already given to this employment distinction in the *Employment Rates Report* (Table 4). Scheme 1 gives an overview of the details. It will be done in two versions: incidence (vertical %) and composition (horizontal %). We will expressly include job level information to assist further research (see below). The distinction by industries will as much as possible keep apart low- and high-paying which are usually lumped together, such as retail trade and wholesale trade. The results will be brought together in a Table Book as an annex to the Interim Report¹. The benchmarking will also be done (summarily) for other datasets which we will be using during the project as a kind of calibration.

¹ If time allows, we will also try and make a very summary comparison between the new 1995 ESES and the outcomes of the earlier 1978/79 ESES.

Scheme 1. Benchmarking Low-Wage and High-Wage Employment

A. Pay Definitions Low/High Pay						B. Personal and Job Characteristics										C. Employment		Years		Countries		Sources
% median		percentiles				MW	sex	age	edu	min	pt/ft	sen	job	con	ind	persons	hours	1985 1990 1995	mid 1990s only	EU/ US	separate	
<2/3	>4/3	D1	Q1	Q4	D10																	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
<i>Situation of the 1990s</i>																						
x	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x		x	x		SES ECHP
x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		x		DE FR NL UK US	IAB LFS-FR LSO LFS-UK CPS
<i>Evolution up to the 1990s</i>																						
x	x	x		x	(x)	x	x	x	x	x	x	x	x	x	x	x	x	x			DE FR NL UK US	IAB LFS-FR LSO LFS-UK CPS

Explanation

- | | | |
|--------------------------------------|--|--|
| 1. below two thirds of median wage | 8. gender | 15. type of contract (indeterminate, temp., flex.) |
| 2. above four thirds of median wage | 9. age groups | 16. industry |
| 3. first decile of wage distribution | 10. educational levels | 17. head count of employment (persons working) |
| 4. first quartile ibidem | 11. ethnic minority | 18. FTE's (35 hours usually worked) |
| 5. fourth quartile ibidem | 12. full/time part-time job (35 hours limit) | 19/20. years up to mid-1990s, and mid-1990s alone |
| 6. tenth decile ibidem | 13. seniority | 21/22. All EU countries and US, or five separate countries |
| 7. minimum wage (if applicable) | 14. job level | 23. microdatasets used |

In addition we will go into more detail for the countries directly covered by the Core Team: France, Germany, the Netherlands, the United Kingdom and the United States. The countries show highly interesting differences regarding the incidence and structure of low pay, including part-time work, as well as high pay. With the help of national microdata, we shall for each of them provide more detail on the role of various characteristics and a full coverage of the economy. Simultaneously, this may act to check the validity of the ESES-ECHP-based comparison made for these countries

b The evolution France, Germany, the Netherlands, the UK and the US up to the 1990s

The main aim of the second approach is to depict the evolution of employment over about the same period as the *Employment Rates Report*, between the mid-1980s and the mid-1990s and point out the changes. A year around 1990 will be part of the comparison but only if time allows. The same applies to the late 1970s (for which the economic cycle seems better comparable to the mid-1990s). This will be done for the five countries just mentioned and along the same lines as detailed in Scheme 1. Including among the definitions of low pay the minimum wage for the countries which have one, and the US is one of these, will help to determine its role in employment with much more precision. Again, the research will cover low-paid as well as high-paid employment.

The comparison will supply highly interesting information about the growth, or non-growth, of low-paid employment and the possible shifts in the composition of the low-paid labour force, e.g. the decline in the number of employed youths. Also here, the distinction between hours worked and head-count employment is of great importance as part-time employment not only differs internationally but has also increased substantially over the period. This study will help to establish with greater precision the importance of low-paid and high-paid employment over time. It is highly interesting to establish the extent to which international differences have grown or not, and how they relate to the generally strong growth of female employment etc..

2 Skills and wages in a dynamic perspective

The above benchmarking is the first, basic and primarily descriptive task to be executed. It will provide maximum coverage of the EU with great detail for the major countries and add insights on high-wage jobs which have been lacking so far. It also provides a starting point for a deepened analysis. By contrast, deepening the existing analysis of wage levels, skills and education in a dynamic perspective which is the challenging core of the scientific research that will be performed.

The literature on skills/education and wages is, certainly when it comes to international comparisons, strongly inspired, if not dominated, by the perspective of the American debate which is heavily focused on the role of educational differentials. Presumably, these are much larger in the US than in Europe and have also increased very considerably, much more than in many EU countries. Consequently, a number of problems have been overlooked and we hope to pay attention to these in our approach. We will give a short overview to argue the lay-out of the research below.

First, educational educational differentials or inequalities are not the only feature of wage formation and wage inequality. A host of other characteristics attached to the person or the job may generate differences and the inequalities corresponding to one characteristic, e.g.

education or industry, may be compensated by those of another, e.g. age or gender. It means that economic agents, being confronted with different patterns of differentials in different countries, may optimise their position combining the same characteristics in a different manner. It would therefore be unwise and potentially distorting to focus exclusively on education and training while leaving out the rest.

Second, the US debate appears to pay little attention to the mechanism of bumping down in the labour market. If present, this mechanism principally disconnects the training level required for a job and the training level attained by its occupant and it may strongly disturb the relation between training and wages. Almost by definition, these consequences loom much larger at the lower end of the labour market. This lack of attention may be explained by the relatively low level of unemployment in the US, which might leave less room for the mechanism to have an effect. Partly, it may also be the consequence of a common economic approach to education and pay. Often, this equates the distribution of personal capacities directly with the intellectual demands of the jobs being performed. A recently American study paid attention to this problem, in the context of explaining inequality (Pryor & Schaffer, *Who's not working and why? Employment, cognitive skills, wages, and the changing U.S. labor market*, Cambridge UP, 1999). For Europe, the **LoWER** network is currently preparing a state-of-the-art publication on educational crowding out (De Grip and Borghans, eds, *The Overeducated Worker: The Economics of Underutilization of Skills*, Edward Elgar, forthcoming).

Thirdly, the issue is often studied in cross-section. Thus it misses out on the individual dynamics of the process. Individual mobility of earnings over time is a significant element which should not be omitted from a proper study of the role of education and training, especially not from a study concerned with low pay. It is of particular importance to know whether situations of low pay and possible discrepancies between pay and training are a temporary, almost volatile phenomenon or something durable, and what are the determinants of the mobility. The **LoWER** network recently published a study of earnings mobility in Europe, (Asplund, Sloane and Theodossiou, *Low Pay and Earnings Mobility in Europe*, Elgar, 1998). The approach taken was still rather descriptive, as is equally the case for other studies such as reported by the OECD in its *1997 Employment Outlook*. So far, the main question was whether people stay on low pay for long or not, and, if not, if they happen to fall victim to the low-pay-no-pay cycle of alternating between jobs and unemployment or inactivity.

In the present research we do intend to go beyond this and take an important step by studying the determinants of the movements across the earnings distribution at the individual level. It is our contention that particularly the role of training (but also of gender etc.) can be studied more adequately in such a framework, on the condition that it also integrates the aspect of industry, as pay significantly correlates with industry. This is equally important for high pay and low pay. It is also of great import to know whether high pay connects to low pay at the individual level or not². What determines the flow of employees into high pay? Are there two separate cycles, one of low-pay-no-pay and the other of high-pay-rapid-career? And what determines the possible connection?

Finally, there is the problem of comparing educational performance across countries and over time. It is common knowledge that systems of education vary widely between one country and another and that as a consequence formal qualifications and diplomas are difficult to compare. Recently, the International Adult Literacy Survey, organised by Statistics Canada

² Another potential connection is that the high-paid hire the services of the low-paid. This possibility is part of the study proposed in CONLOW, *Economic growth and Employment of the Low-Skilled: Consumer Behaviour and Service-Sector Jobs*, submitted by Wiemer Salverda, Mary Gregory, Andrew Glyn, Ronald Schettkat and Stephen Machin to the Fifth Framework Programme, June 1999.

and the OECD and covering a substantial number of countries, has staged an internationally comparable testing of several types of literacy. It seems to indicate that low-educated people in EU countries such as Sweden, Germany and the Netherlands are much better qualified than their counterparts in Anglo-Saxon countries such as the UK and the US³. We hope that a closer study of these literacy data in relation to the formal qualifications will throw a new light on the comparison of wages in relation to education across countries. In a similar vein, it should be noted that the correspondence between personal capacities and formal educational qualifications might be changing quite dramatically over time. As the average level of education is rising rapidly in most countries, the most able persons may be sorted upward to higher levels of education thus lowering the level of the remaining low skilled. For an adequate comparison over time, percentiles of the educational distribution are more to the point than educational levels⁴.

It is against the background of these observations that we propose a complementary approach along two lines, combining the perspective of the (changing) structure of the economy on the one hand and that of individual earnings mobility on the other. We have termed these the economic and the individual dynamics respectively. The approach aims to deepen existing research while at the same time covering the long term and making full use of panel data. We subsequently discuss each of the two lines. After that we will continue discussing the issue of job quality which we consider another step towards a deepening of scientific insights.

2.1 Economic Dynamics of Low Pay and High Pay: the Role of Wage Inequalities

Following the approach used by Salverda⁵ for comparing the role of wage inequality in the US and the Netherlands over the 1980s we will estimate an amended⁶ version of the wage equation for each of the above five countries on the basis of the microdata already mentioned (on an FTE-basis to correct for the varying incidence of part-time jobs). This will again be done for the mid-1980s to mid-1990s, and years around 1980 and 1990 if time allows. The estimation will help to determine the structure of individual wages in a country depending on personal and job characteristics (including inter-industry differentials) for the different years. This estimation will enable two types of analysis, first of the wage structures across the five countries for the mid-1990s – this will help to understand the international differences in the low-paid and high-paid labour force – and, second, for the change in wage structure over time in each of the countries – to get a better grip on the role of differentials played in the (lacking) growth of low-paid and high-paid employment over time.

a International Differences in the Composition of Low-Wage and High-Wage Employment in the 1990s

The approach will help to explain the labour force composition of low-wage and high-wage employment in the different countries. This role can be understood from three important observations on pay by industry. Generally, the hierarchy of wages by industry is highly

³ Unfortunately, no data are available for France.

⁴ Further elaborated in Glyn and Salverda, *International Employment Inequalities, Challenge* (forthcoming).

⁵ Incidence and Evolution of Low-Wage Employment in the Netherlands and the United States 1979-1989, in Bazen, Gregory and Salverda, eds, *Low-Wage Employment in Europe*, Elgar, 1998.

⁶ Treating age treated differently, adding seniority for the 1990s and allowing for interaction effects between certain characteristics. In addition, literacy data from the IALS may be integrated.

comparable between countries as well as over time⁷. Low-paying industries are almost identical, e.g. retail trade, catering and personal services. At the same time, inter-industry wage differentials, that is industry wage levels *ceteris paribus* (following from a wage equation that corrects for the incidence of age, gender, education etc.) are much larger in the US than in many European countries where they are generally small. By contrast, *average* wages of low-paying industries relative to the national average, that is irrespective of the composition of the labour force, seem to differ amazingly little⁸. This is less surprising than it may seem at first sight as Europe has no lack of competitiveness in the global economy and therefore cannot deviate too much in its price structure.

These observations can be reconciled by having a look at the other wage differentials, by age, education etc, than between industries only. For example, in the Netherlands age differentials are large, much larger than in the US. Unsurprisingly, the role of youth in Dutch low-paying industries is considerably larger. In other words, the structure of wage should be viewed as a whole. Employers using their personnel policies to arrive at a certain level of average wages may hire a labour force allowing this outcome. Thus it seems possible to understand the differences in the composition of low-wage employment, or high-wage employment for that matter, as the other side of the coin of the wage structure. It is important to check if these outcomes also hold for other countries and extend into the 1990s. This will greatly improve the understanding of the role of inequality for explaining the employment gap: is it lacking in Europe or not?.

b Changes in Wage Inequality and the Composition of the Economy

The estimation of a similar wage equation for different years will allow us to determine the contribution of wage inequality to the evolution of employment in the five countries. From the above Dutch-American comparison it followed that, over the 1980s, the inequality of the Dutch wage structure increased much more than in the US but that, paradoxically, this left little trace in employment growth as many of the least well-paid, especially youths, massively dropped out from the labour market. By contrast, the notorious increase in overall inequality in the US had much more to do with a shift in the composition of employment than in the Netherlands. By implication, this raises the question what is the role of demand factors in explaining employment relative to wage inequalities.

To put it more systematically, we will analyse the change in the variance of wages decomposing the change by the contributions made by the different characteristics, particularly skills. It implies an important extension of the earlier analysis. First for the US and NL the recent period will be covered, but, second and more important, the research will be replicated for other EU countries which differ considerably not only with respect to labour force characteristics such as female participation and part-time work, but also concerning inequality. France has a high but stable inequality, Germany low and stable inequality like the Netherlands, and the UK high and rapidly increasing inequality like the US. In this comparison it will be possible to consider whether a wider distribution of wage earnings is needed for closing the employment gap. How does it relate to the significant differences in the level and evolution of female employment between the countries? Particularly, would an expansion of low-paying or high-paying industries necessitate a widening of inter-industry

⁷ Cf. C. Teulings and J. Hartog, *Corporatism or competition? Labour Contracts, Institutions and Wage Structures in International Comparison*, Cambridge UP, 1998.

⁸ Richard Freeman and Ronald Schettkat, Low Wage Services: Interpreting the US – German difference, in: Gregory, Salverda and Bazen, eds., *Low-Wage Employment: A European Perspective*, forthcoming; W. Salverda, *Low wages, industrial structure and product demand: the case of Dutch and American retailing*, paper LoWER conference on Analysis of Low-wage Employment, London, 12-13 December 1997.

and/or educational differentials, bringing them up to American levels? If industry differences need to increase, should low pay fall or high pay increase or both? Or may perhaps the existing wage structure do the job? How does job level fit the picture?⁹

2.2 Individual Dynamics of Low Pay and High Pay: Patterns and Determinants of Earnings Mobility

While the overall trends in labour market inequality are important, the individual dimension is of great concern in terms of social exclusion and policy-making. If labour market disadvantage is a temporary phenomenon for young workers or those returning to employment after a period of unemployment or voluntary withdrawal from the labour force, the social consequences are arguably of less importance. This provides an adequate justification for studying earnings mobility.

We think, however, that it is important and feasible to go beyond this. A focused and integrated study of earnings and job mobility is highly relevant as it may also greatly enhance our understanding of the workings of the labour market for low pay as well as high pay and their possible interconnections. Through this, it may provide new insights explaining the US/EU employment gap and contribute to answering the question of if and how this gap might be diminished or even closed. There are significant international differences in these patterns (cf. *1997 Employment Outlook*). Behind the debate on the American ‘working poor’ lies the fact that low-wage employment in the US is much more a matter of adults and of full-time workers than it is in many EU countries. For these reasons, particular attention will be paid to the relationship between job changing and earnings mobility and particularly how this relates to movements within or across industries, notably those industries paying low wages or high wages.

The panel dimension of the data (except IALS) that will be used enables the analysis of the dynamics of mobility at the individual level in as far as individuals can be matched from one year to another. Individual specific effects can be taken into account using appropriate statistical techniques. The use of different cohorts will enable us to test whether the functioning of the labour market has changed over time by comparing whether job tenure of those in well-paid jobs corresponds to finding a stable job at an earlier age compared to subsequent cohorts. Finally, wage differentials can be calculated at different points in the earnings distribution using quantile regression methods.

We will approach the issue in a number of ways, first in a general fashion, second specifically focused on the skills-wage gap and third and fourth particularly focused on the three categories usually most involved in low-wage employment: women, part-timers (only women for data reasons), and youth. Women and youth are also the groups showing the largest gap in employment rates to the US (but with important differences in both level and evolution between France, Germany, the Netherlands and the UK). The various approaches will be applied in as comparable as possible a manner across the five countries and the datasets. Finally, we will add some insights gained from the International Adult Literacy Survey.

For information about the datasets to be used see the overview given in section C.4. As the various datasets do not cover the same time periods we will keep an eye on the effects of an economy’s different position in the economic cycle, particularly for youth whose position depends most on the flows of jobs and vacancies. The extensive use of a range of

⁹ Particularly less-educated women have a much lower employment participation in Europe and thus many better-educated women occupy low-paid jobs: are these below their capacities but suited for the less-educated?

datasets makes this the largest individual part of the present proposal in terms of work and budget.

a. Wages and Job Mobility

Gross job flows are fairly high relative to net job changes (i.e. changes in the level of employment) and job changes are often associated with different working conditions, occupational status and pay levels. Involuntary separations followed by a period of unemployment are found to lead to lower pay on average on re-employment. Voluntary separations due to withdrawal from the labour market (for maternity or long term health problems) are also associated, in many cases, with lower occupational status and pay. Voluntary job changing on the other hand is part of the process of occupational and wage mobility through which young persons and those dissatisfied with their current job and working conditions seek jobs that correspond more closely to their human capital and preferences.

This study will not only construct standard transition matrices, that show the extent of mobility, but it will also look in detail at the sources of earnings mobility. Specifically, it will make a distinction between within-job wage growth and between-job wage growth. The latter is potentially of great importance for workers with limited skills and for workers entering the labour market. For these workers there may be substantial payoffs to moving across jobs until a good match is found.

Using panel data for the five countries the reasons and consequences of job changes can be assessed in terms of occupational mobility, wage variations and human capital-job level match. We propose analysing the effect of job mobility on earnings for the following:

- the unskilled
- females
- young workers
- different sectors.

b The Skill-Wage Gap

In addition to this, we will scrutinise the evolution of the skill wage gap Widening skill differentials have been observed in a number of countries and a number of explanatory factors have been proposed. These include skill-biased technical progress, the use of computers, and changes in the stock and quality of human capital. Such demand and supply side influences are clearly at work at the economy level but at the individual and sectoral levels other factors and trends may be important.

The first issue to clarify is whether skill differentials have widened in all sectors and whether the skill-wage gap has increased once the human capital and other characteristics of workers have been controlled for. The second issue that will be examined is whether changes in skill differentials have been brought about through increased job mobility or as a result of firm or sector-specific factors. In particular, we will examine whether low-skilled workers experience more or less mobility than higher skill workers Finally, there is the question of whether skill differentials are widening because the earnings of unskilled workers have fallen away or because the earnings of higher skill workers have risen.

c. Gender and Part-time Work and Earnings Mobility

One of the most striking developments in recent times has been the rise in female participation and the increasing importance of part-time employment in many European

countries. An important issue is whether women returning to work after child-care move into lower level occupations and there is concern particularly in the de-regulated labour market in the UK that part-time jobs (which have been a major source of employment creation) are predominantly low paid. The average hourly wage of part-time relative to full-time workers has declined for the cohort born in 1958 from 97% in 1981 to 69% in 1991 in the UK. In France, part-time employment has not developed in the same way and generally women with children either work full-time or not at all. Furthermore, there is some indication that hourly earnings for part-time workers are not necessarily lower than those for full-time workers. In the Netherlands a similar trend is found to the UK in terms of part-time employment but not necessarily associated with lower wage rates. After analysing the gender dimension in general, we propose examining the pattern of female part- and full-time workers' pay differences for the same group of countries. It will be most interesting to find out whether the above differences across countries go together with different female and part-time positions vis-à-vis low-paid or high-paid jobs and low-paying or high-paying industries or not.

d. Young Persons and the Labour Market

The labour market circumstances of young persons have altered substantially in the last twenty years. While more young persons undergo higher education and the general level of formal education is significantly higher than it was twenty years ago, access to jobs and levels of pay for young persons have deteriorated. The key issue is whether a young worker escapes from this predicament as a result of simply growing older or whether earnings mobility occurs as a result of acquiring labour market experience. Also the effects of combining (part-time) work and education (frequent in the UK and the Netherlands but almost absent in France) or of extensive vocational training (Germany), for the transitions out of low pay or into high pay are highly interesting. Finally, the larger share of adults on low pay in the US suggests that chances of remaining in low-paid employment may be different for American youth.

We propose examining the following issues using panel and survey data :

- of those young workers who move up the wage hierarchy (or enter at a higher level), do they remain in the same sectors and firms or is it the result of job changing ?
- for those who remain in the lower part of the earnings distribution past the age of twenty five or thirty, do they experience less or more mobility ?
- is there a generation effect in so far as young persons today do not have access to stable, reasonably paid jobs to the same extent as previous generations ?
- is the matching process between job level and formal education different for recent labour market entrants compared to previous generations ?

e. Escape from Low Pay and Literacy

In addition, we will consider the role played by literacy compared to formal educational qualifications. Unfortunately, the literacy dimension is missing in the above panel datasets. The International Adult Literacy Survey, which does not have a panel character, contains information on wages by five quintile classes. This enables estimating the chances of being in the lowest-paid quintile or in the highest-paid quintile compared to other quintiles. It will be considered whether the chances by level of literacy differ systematically from those by level of education, accounting also for interaction effects. The data also allow us to consider the role of (recent) off-the-job training. The comparison will include Germany, the Netherlands, the UK and the US; unfortunately, France is missing from the data.

3 Low Pay and Working Time: the Concept of Job Quality

The incidence of part-time work differs significantly between the four European countries under study. At the same time part-time jobs are strongly concentrated at the lower end of the labour market. It is a highly important question how this equates with the observation that the great majority of part-time workers in Europe are satisfied with their situation in the sense that they do not aspire to a full-time job (*European Labour Force Survey*, see also OECD, *Employment Outlook 1999*, chapter 1). Perhaps, working part-time offers certain advantages which compensate for the low pay. Apparently, the quality of the job does not only reside in the level of pay. Other attractions of the work, e.g. the possibility of combining paid work with household work or with an education (especially in the Netherlands and the UK) may be of great importance for the people concerned. The same seems to hold for the US¹⁰.

It would go too far to fully elaborate this for all the countries involved in the framework of the present project. We think, however, that conceptualising job quality is an important issue to raise as it may contribute considerably to the understanding of the workings of the labour market in the low-wage segment. It may also ease the political concerns of increasing low-wage employment. Discussing first thoughts will help to qualify the significance of the results booked in the project by simply looking at the level of pay, low or high, and helps to draft the agenda for future research. We propose to structure this around Peter Sloane's research on job satisfaction as a way of getting at job quality from the perspective of the worker. Thereto, he will renew earlier work and update results (based on the SCCLI dataset of 1986/87) with new British Household Panel Study data. With the data one can test whether workers in low-paid jobs are less satisfied controlling for earnings and other variables. The relevance for the high-paid jobs will also be considered. At the seminar to be organised one of the sessions will focus on the topic, inviting other researchers operating in the field.

Peter Sloane will also be the local organiser of the open seminar, which will be held in Aberdeen.

Naturally, all the above (sections C.1 to C.3) is primarily a description of work packages. It is not necessarily appropriate to structure the reporting of the results in exactly the same way. After all, this may be done fully or partly on a country-by-country basis. However, the most accessible way to present the results can only be determined later. In the Final Report we will certainly also discuss the implications the differences and similarities that have been found will have for the room for manoeuvre that is available to EU member states for diminishing or even closing the employment gap.

¹⁰ R. Blank, *Contingent Work in a Changing Labor Market*, in R.B. Freeman and P. Gottschalk, *Generating Jobs. How to Increase Demand for Less-Skilled Workers*, Russell Sage Foundation, New York, 1998.