

Joint Policy Conference
*Economic change, inequality and social
inclusion in Europe*
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1

Inequalities of Earnings and Low Pay

Wiemer Salverda

AIAS

&

LoWER

Amsterdam Institute for Advanced Labour Studies

European Low-wage Employment Research Network

uva-aias.net

&

uva-aias.net/22

Set up

Three parts

- **A. Where the results come from**
- **B. Main Results**
- **C. Discussion**

A. Sources

1

LoWER

- **LoWER network - basics**

Some 40 labour economists and sociologists, in Europe and beyond.

Three phases over 12.5 years, with essential FP4, 5 and 6 support.

Working on data, analysis and policy.

Particularly in the areas of

- earnings inequality and mobility,
- skills, training and bumping down,
- gender and part-time,
- employer behaviour, product demand.

Many conferences, workshops and publications [for dissemination: #3, 7].

A. Sources

2

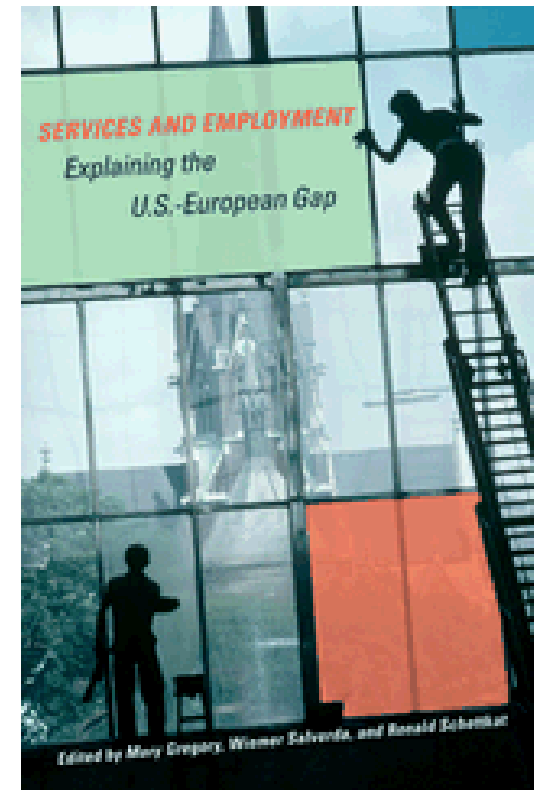
Related projects

- **LoWER network - extensions**

Various related research projects:

Demand patterns and employment growth
(DEMPATEM) FP5 [#9].

Forthcoming
publications
drawn on here:
*Oxford Review of
Economic Policy*
[#14], based on
Concluding
conference, heavy
use of ECHP,
and ...



A. Sources

3

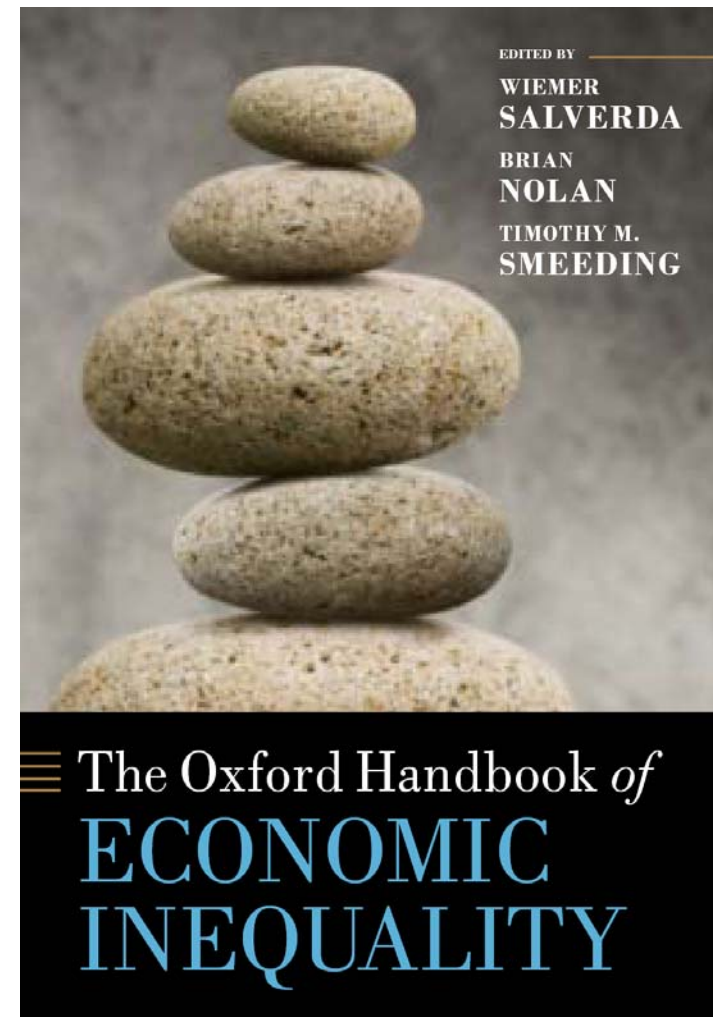
Handbook

- **LoWER** with **equalSOC**[®]
INCREASING INCOME, QUALITY OF LIFE & SOCIAL COHESION

It's almost there!
19 February ...

The world's
leading scholars
contributed
on many aspects.

Offer from OUP
in conference bag,
dummies on
display.



A. Sources

4

Russell Sage

- **RussellSage.Org/Publications**
Low-wage Work in ...
€ 9.95 each



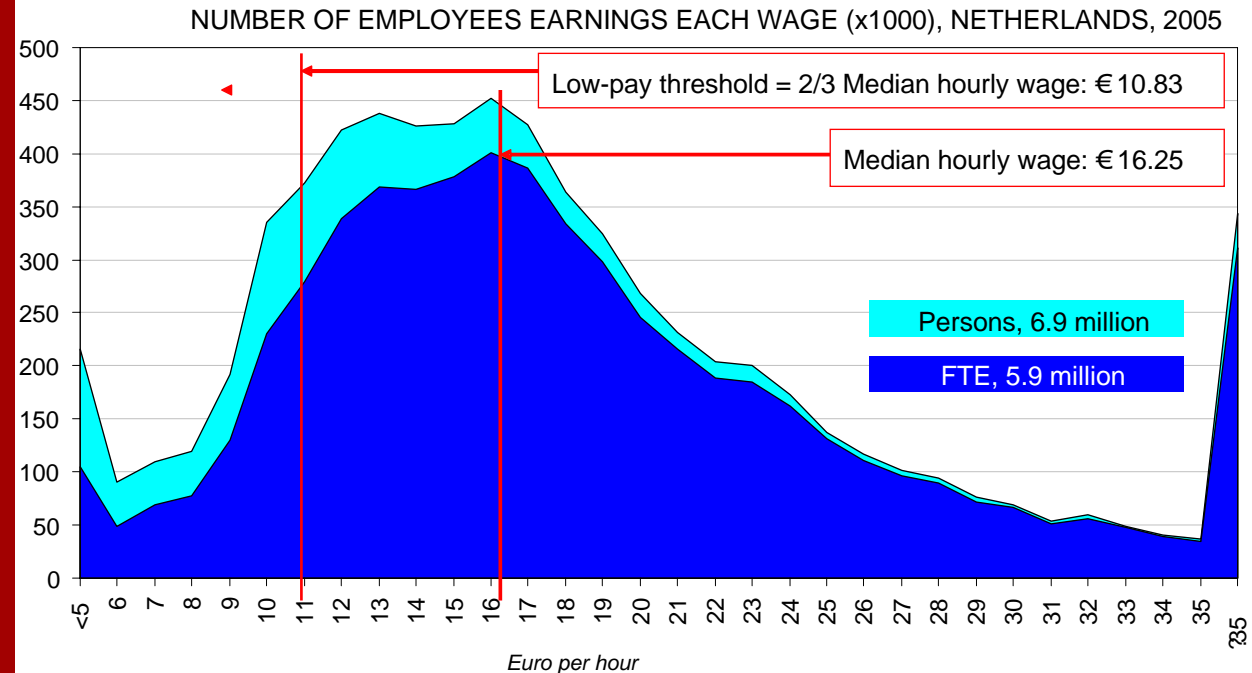
- Internationally comparative volume (including US) to be presented in Washington, in September 2009 around Labor Day.

Results

1

Definition

• Low Pay - definition



As OECD/EU \neq US: poverty wages.

Here on hourly basis to allow including part-time jobs, which are increasingly important and also often low paid.

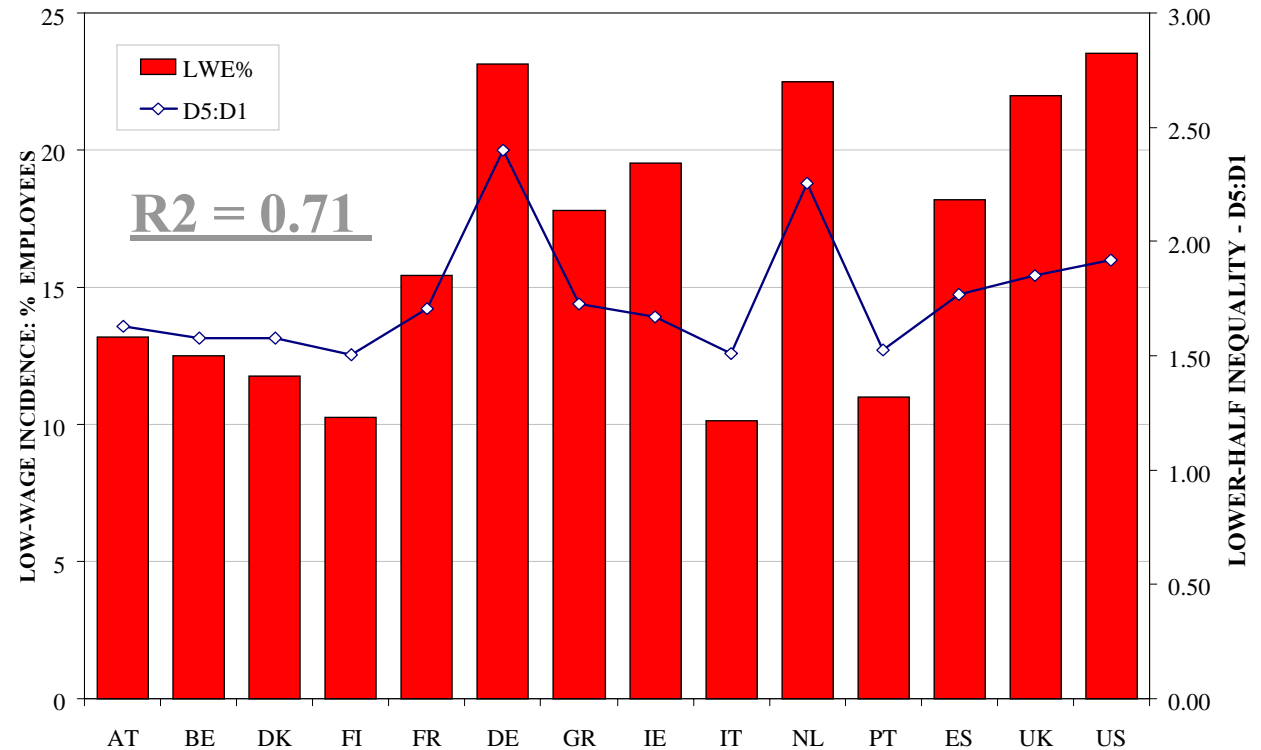
Results

2

Incidence & Inequality

- **Low Pay – incidence/inequality**
Decile measures: D9:D1, D9:D5, D5:D1.

LOW-WAGE INCIDENCE AND LOWER-HALF INEQUALITY, 2001



Weak relation to upper half ($R^2=0.15$), possibly different mechanisms.

Results

3

Evolution

- **Low Pay – structure**

Universally similar composition:

- youth (171–530)
- women (102–128; only DK, FI <100)
- minorities (–510)
- low skilled (127–325)
- part-timers, esp. small jobs (–515; IT <100)
also large shares among low-wage jobs
(50–65%)
- retail trade, hotels & catering,
personal services, agriculture, some
manufacturing (–353).

Multivariate analysis confirms this.

Shift-share analysis shows little effect of structure, instead there is a different incidence across the board.

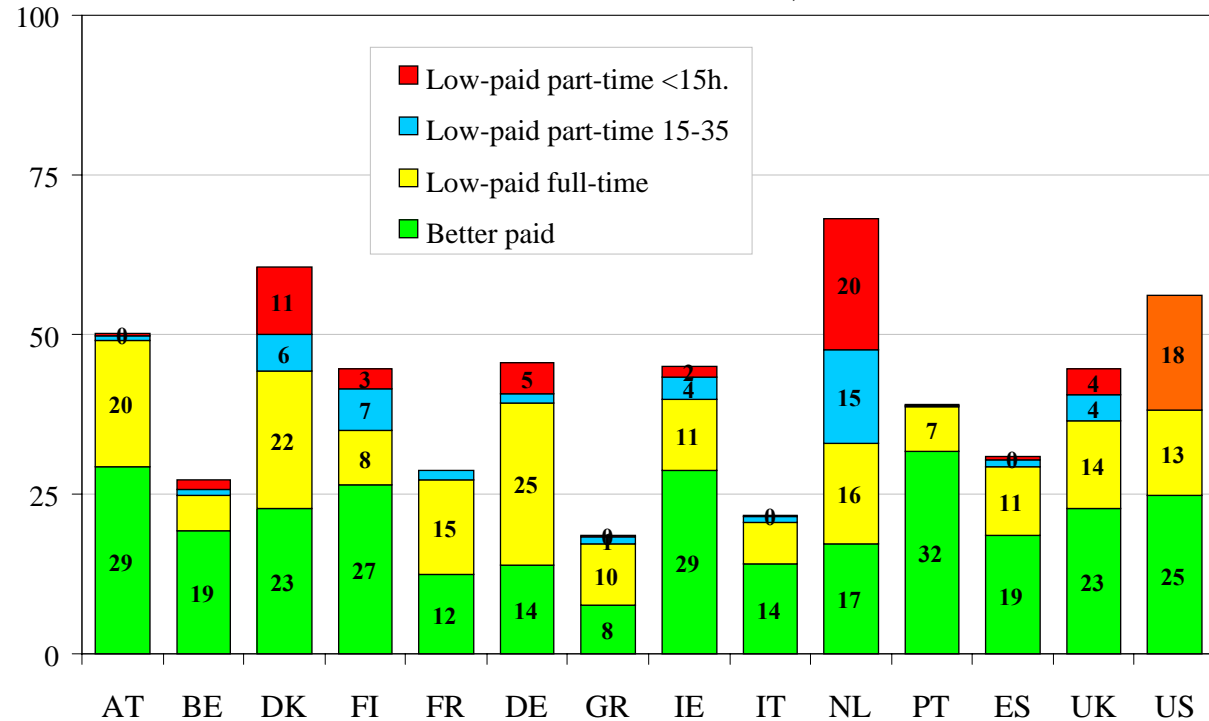
Results

4

Youths

• Low Pay - youth jobs

YOUTH EMPLOYMENT-POPULATION RATE, BY PAY AND WORKING HOURS, 2001



Youth employment has changed radically, overlap with education; competition of students: better-educated, clear interest in part-time jobs, and support of grants.

Results

5

Escape from low pay

- **Low pay - mobility**
(ECHP, PSID 1995-2001; Cappellari-Jenkins)

	AT	BE	DK	FI	FR	DE	IE	NL	ES	UK	US
<i>From low pay at t-1 to: low pay (L) again, high pay (H) or non-employment (NE)</i>											
→ L	0.60	0.50	0.49	0.38	0.49	0.60	0.54	0.62	0.41	0.58	0.53
→ H	0.26	0.34	0.29	0.33	0.34	0.26	0.28	0.25	0.36	0.28	0.39
→ NE	0.14	0.17	0.23	0.31	0.17	0.15	0.18	0.14	0.24	0.15	0.08
<i>From high pay t-1 to high pay (H), low pay (L) or non-employment (NE)</i>											
→ H	0.89	0.87	0.89	0.86	0.87	0.90	0.87	0.90	0.84	0.87	0.87
→ L	0.03	0.05	0.03	0.04	0.05	0.03	0.05	0.04	0.05	0.06	0.08
→ NE	0.07	0.08	0.08	0.11	0.08	0.07	0.08	0.06	0.11	0.07	0.05

More differences for low pay than for higher pay. Higher chances of remaining low paid in AU, DE, NL and UK. Low drop-out chance in US.

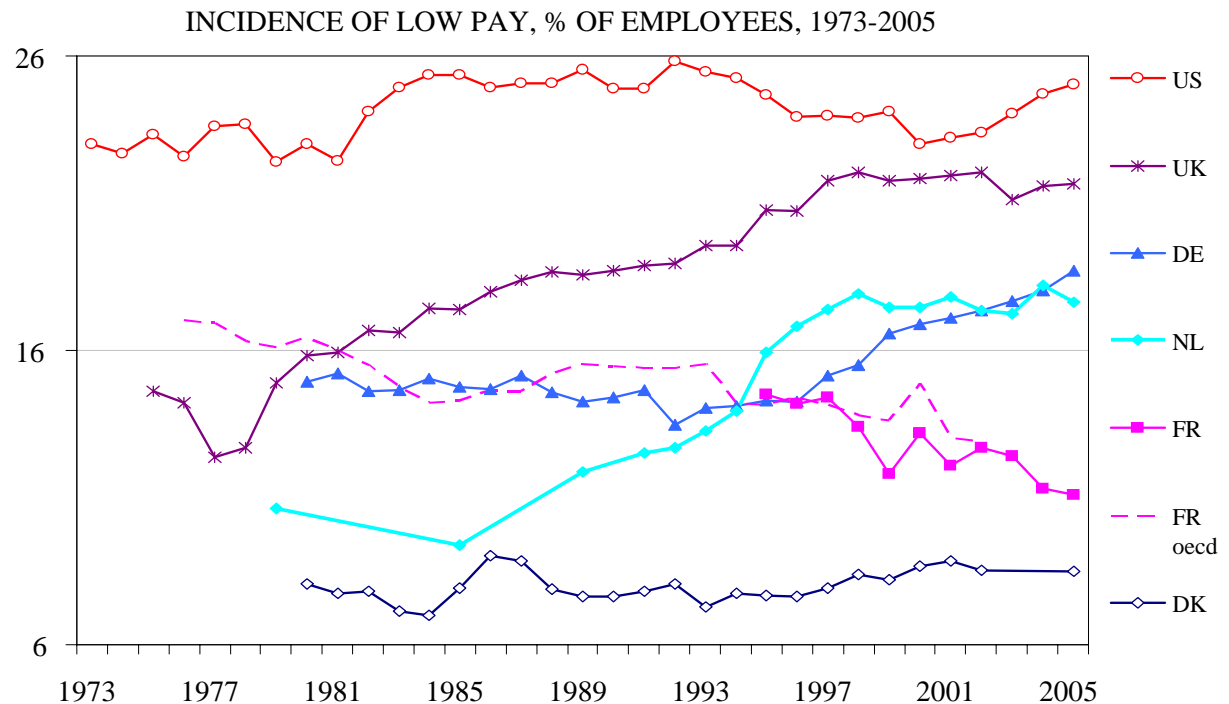
Results

6

Evolution

● Low Pay – evolution

Very few strictly comparative data.



Strong growth for Germany, UK and Netherlands; stable in US, Denmark; large and enduring differences.

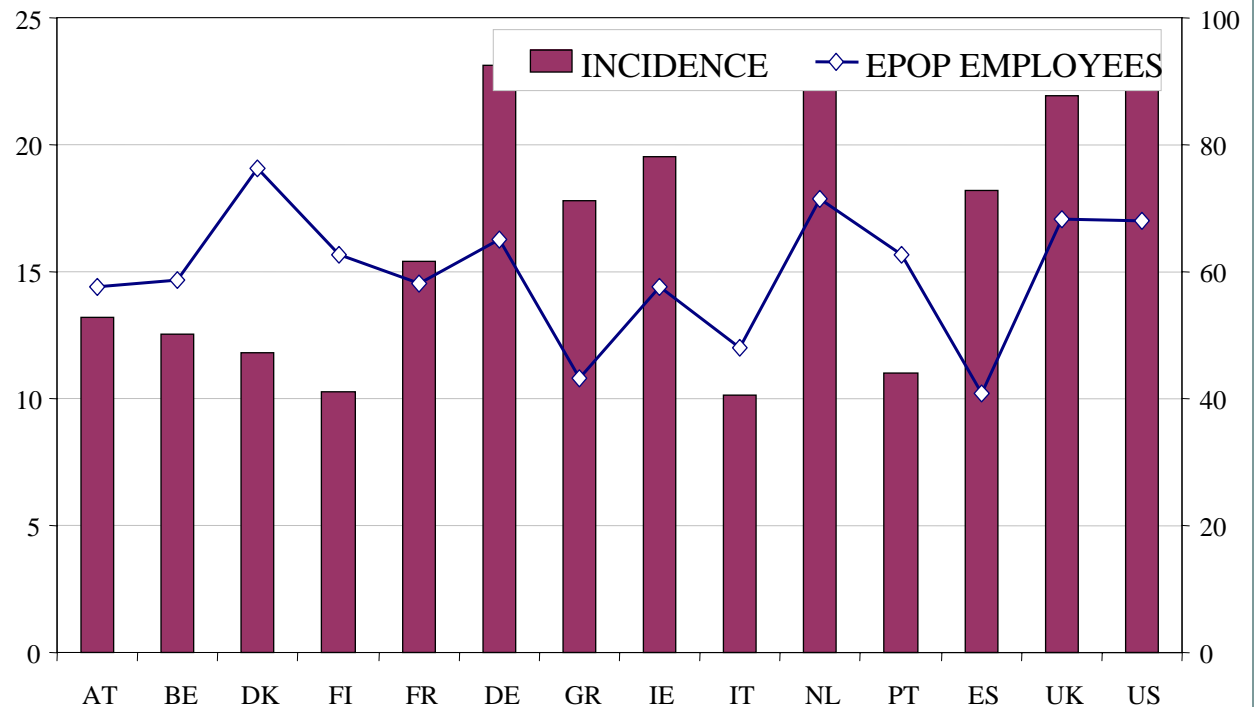
Results

7

Employment 1

- **Low Pay – aggregate employment**

Employment rate uncorrelated, can be high while low-wage incidence is low (2001).



Extremes of low wage incidence (DK, US) have similar employment rates.

Results 8

Employment 2

- **Low Pay – low-wage employment**

Low-wage services are main gap EU-US gap, of long standing.

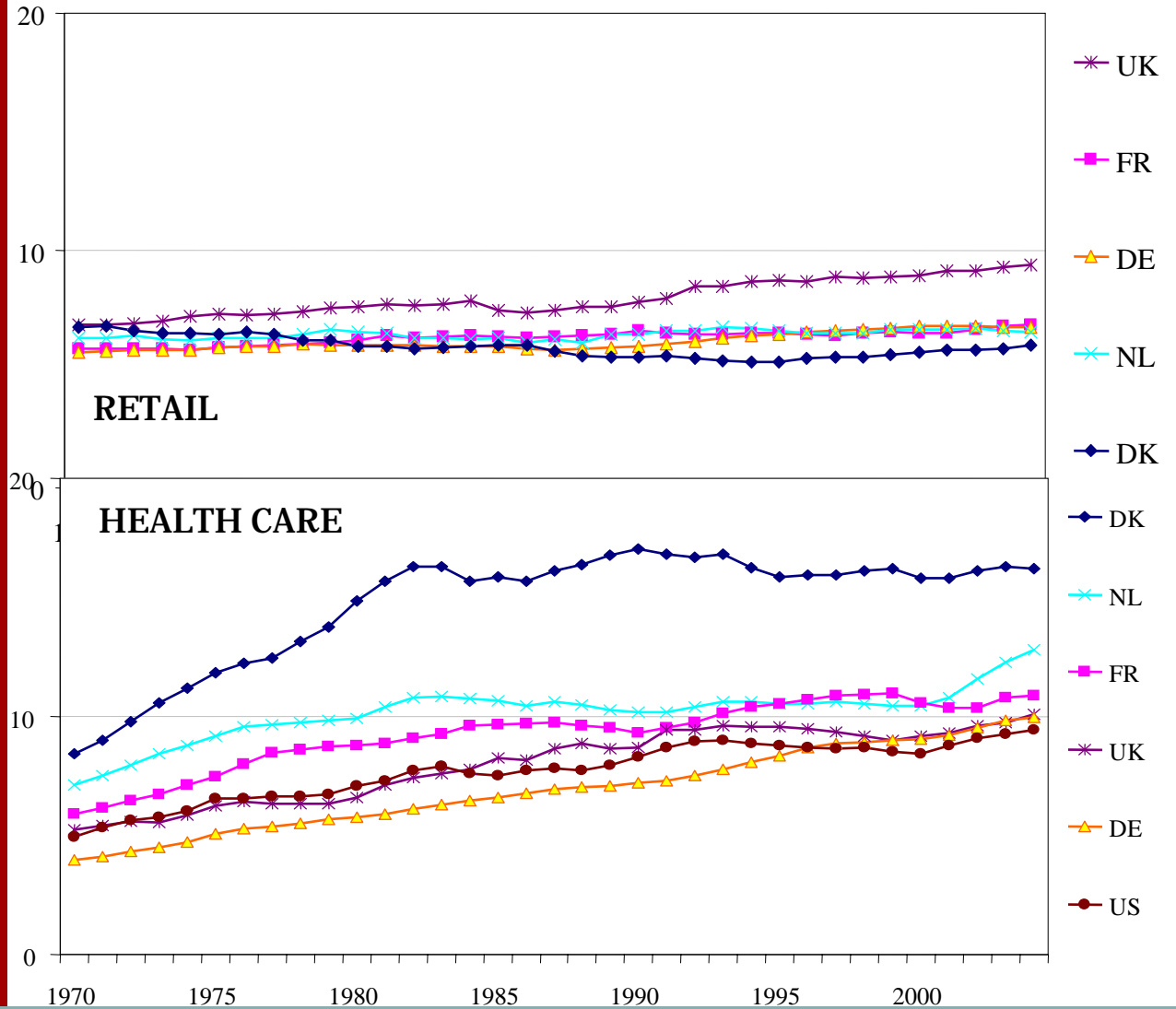
	AT	BE	DK	DE	ES	FR	IE	NL	PT	SE	UK	US
SERVICES ONLY												
RELATIVE WAGE												
1979	78	80	82	82	95	81	69	73	59	82	62	67
1991	75	86	80	82	82	80	72	78	74	86	67	64
2005	74	78	77	78	79	80	67	74	61	84	71	61
HOURS SHARE												
1979	17.1	9.7	14.2	13.1	15.0	13.0	18.2	13.7	19.8	14.6	16.4	20.5
1991	19.3	11.0	14.0	14.4	17.4	14.6	20.9	14.1	18.5	14.4	18.6	22.4
2005	21.0	12.6	15.4	17.2	21.3	16.2	21.2	15.3	22.5	15.2	22.0	24.3
RELATIVE GROSS VALUE ADDED PER HOUR WORKED (ALL)												
1979	81	60	78	74	79	70	66	58	60	61	65	45
1991	73	68	78	70	72	72	62	63	72	62	66	45
2005	69	70	67	63	75	68	50	60	69	67	68	48

Together with pay, US productivity is at very low level. Shares of low-wage goods production are virtually identical.

**Results
9**

Employment 3

• Compensating for low-wage segment



Discussion

1

Summary

- **Summary**

Low pay mirrors D5:D1 inequality.

Vital role of part-timers ↔ hourly pay.

Wide international variety of levels with significant stability and change.

Same suspects – in mutual competition.

Unrelated to aggregate employment performance,

... and to productive structure,

... and lower-end performance.

Discussion

2

Analysis

- **Competing low-wage groups**
 1. Rapid increase female supply
 2. Rapid decline self-employed/family
 3. Rapid shift towards students
 4. Rapid growth of immigrants & children
 5. German unification shock
 6. Decline of low skilled.
- **Potentially fierce competition**
 1. Better educated
 2. Interest in part-time jobs (fewer taxes).

Discussion

3

Policy

- **Coping: in- or exclusive labour relations**

1. Collective bargaining – Wage leadership
2. Minimum wage
3. Apprenticeship system
4. Taxation and contributions
5. Union activity & levels of presence (workplace, industry, national).

OVERALL: INEQUALITY IS A CHOICE, BUT NOT A SIMPLE ONE.

- **Further research**

Urgent to gather systematic, detailed, long-run data to go beyond case studies (add to EU-KLEMS – DG Research).