

Labour Market Transitions of Minimum Wage Workers across Europe

DATE

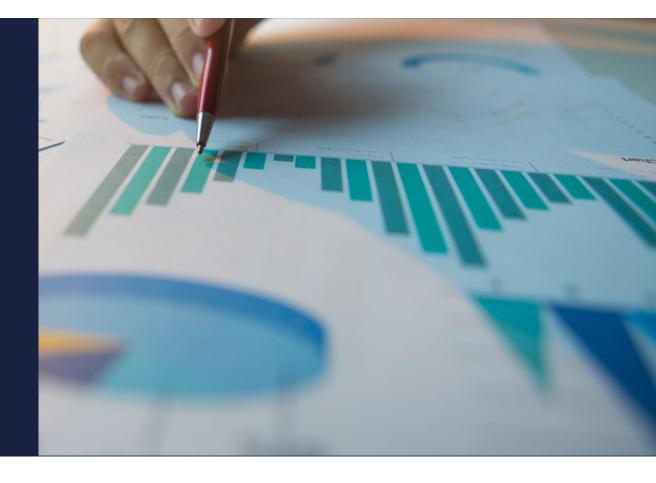
Thursday, 7th March 2019

EVENT

6th European User
Conference for EU-Microdata

AUTHORS

Bertrand Maître
Paul Redmond
Seamus McGuinness





Introduction

 Minimum wages in 28 EU member states (21 statutory regimes/ 7 sectoral regimes); 1950's in France to 2015 Germany.

 Most of the debates around effect (negative) of minimum wages on employment & productivity.
 Role of minimum wages and in-work poverty.

 Literature on low wages focuses mostly on low pay (2/3 median earnings) and very little on minimum wage dynamics.



Literature

Cai et al. (2018)

- Low pay threshold: two thirds of median hourly earnings
- Evidence of state dependence and stepping-stone effects of low pay in Britain

Stewart and Swaeld (1999)

- Low pay thresholds: half the mean, half the median and two thirds of median
- Strong evidence of state dependence
- Low paid workers more likely to experience unemployment

Smith and Vavrichek (1992)

- 60% of MW workers were earning a higher wage one year later
- Those who stayed on MW were typically part-time workers with lower levels of education

Schiller (1994)

Just 15% of MW workers were still on the MW after 3 years



Research questions

 What is the extent of labour market mobility among minimum wage workers across countries?

- What are the socio demographic and job characteristics attached to the different patterns of mobility (movers/stayers) across countries?
- What are the contributing factors to moving out of the minimum wage to higher wages or inactivity?



Data and analysis

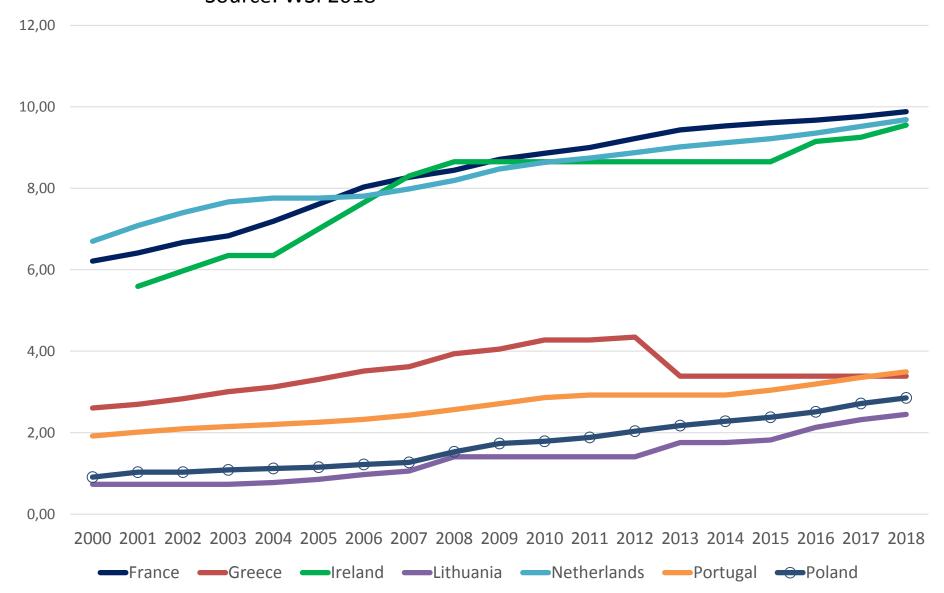
Data

- EU-SILC panel, with pair of waves (2013-2014 & 2014-2015)
- Total annual income of employees (full-time & part-time) working fully 12 months. Hourly wage= (total income from work in previous year/52)/ total usual weekly hours.
- Hourly minimum wage data from Wirtschafts- und Sozialwissenschaftliches Institut (WSI) (Jan 2018).
- Minimum wage transitions (exit, entry, stayers).
- Employees 21 to 64 years old. Demographic and job characteristics wave 1.
- Selected countries (NL, FR, IE, EL, PT,LT, PT)



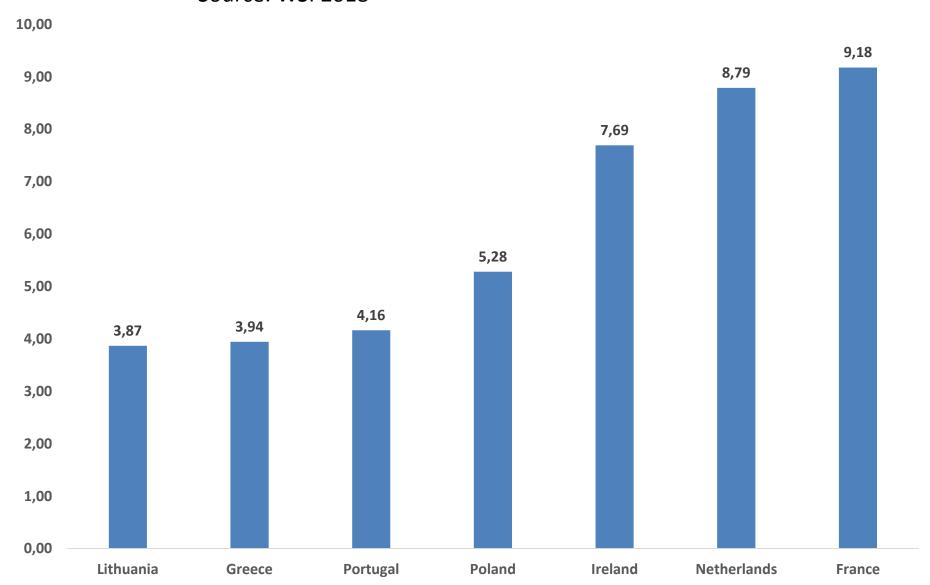
Hourly minimum wage (€) by country, 2000-2018

Source: WSI 2018



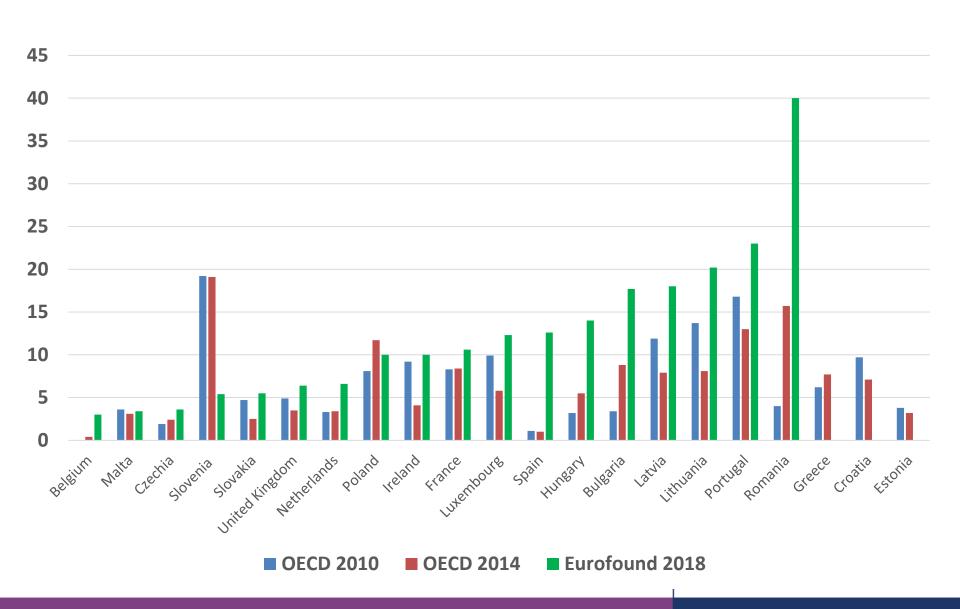


Hourly minimum wage (PPS) by country, 2018 Source: WSI 2018



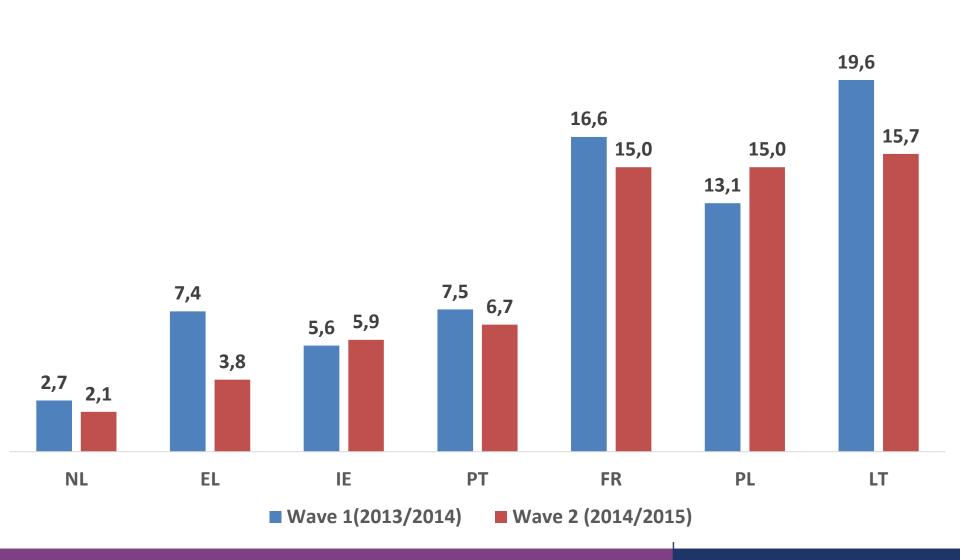


Workers earning less than 105% of the minimum wage, OECD & Eurofound





Incidence of minimum wages by country (%), EU-SILC



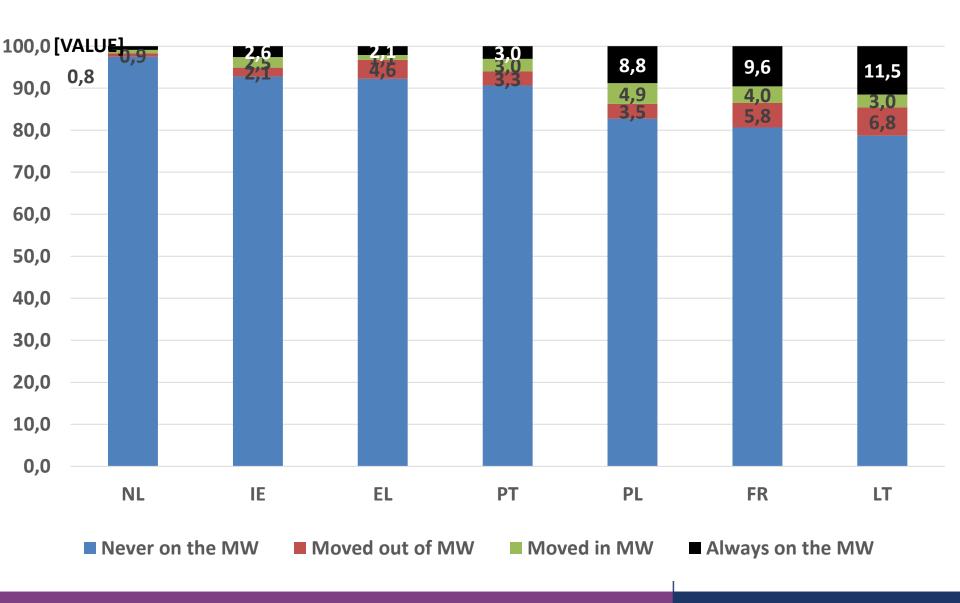


Sample size by country, EU-SILC

	Not on the MW	Moved out of the MW	Moved into the MW	Stayers on the MW	Total
IE	2,757	76	78	71	2,982
EL	3,747	144	43	84	4,018
LT	3,669	300	134	583	4,686
NL	5,140	29	26	26	5,221
PT	5,425	198	180	174	5,977
PL	9,038	404	549	982	10,973
FR	9,603	587	449	986	11,625

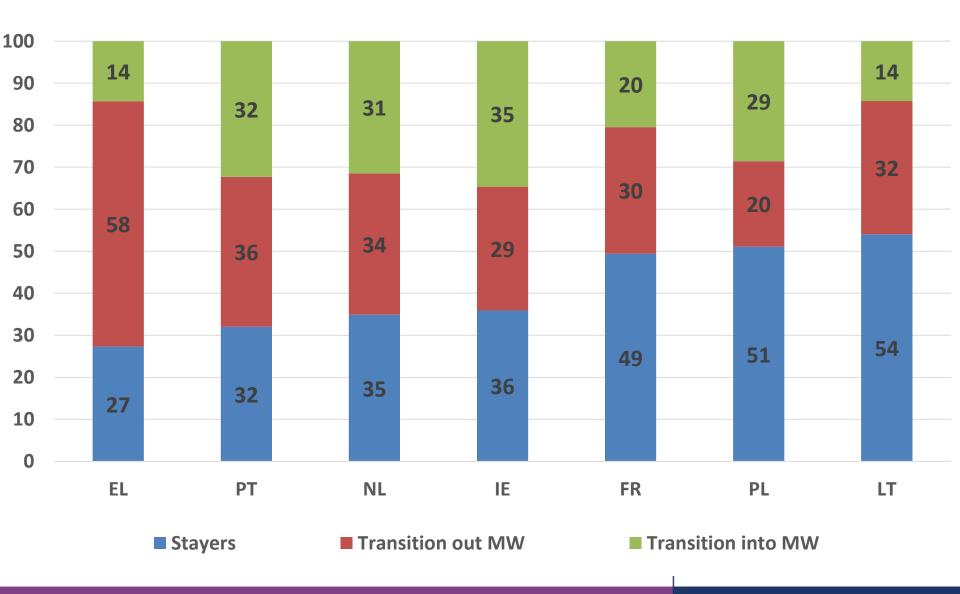


Transition matrix by country (%), EU-SILC





Minimum wage dynamics by country (%), EU-SILC





Demographic characteristics (%), EU-SILC

	Moved out	Moved in	Stayers
Gender			
male	42.0	40.3	39.2
female	58.0	59.8	60.8
Total	100.0	100.0	100.0
Age			
21-29	26.3	23.7	22.8
30 to 39	27.1	27.9	26.9
40 to 49	24.4	24.3	25.1
50 plus	22.2	24.1	25.2
Total	100.0	100.0	100.0
Education			
Primary	11.2	13.7	10.2
Secondary	53.4	58.3	61.1
Post-secondary & tert	35.4	28.0	28.7
Total	100.0	100.0	100.0
Marital status			
never married	43.9	29.5	52.1
married	45.7	54.5	45.9
separated/widowed/divorced	10.5	16.0	2.0
Total	100.0	100.0	100.0



Job characteristics (%), EU-SILC

	Moved out	Moved in	Stayers
Occupation			•
Manager/professional	13.4	10.8	8.3
Technical/clerical	16.6	15.3	12.0
Service/sales	22.6	23.7	28.1
Craft/mechanical	27.4	28.9	27.3
elementary	20.0	21.4	24.4
Total	100.0	100.0	100.0
Contract type			
permanent job	82.6	80.6	77.8
temporary job	17.4	19.4	(22.3)
Total	100.0	100.0	100.0
Full-time/Part-time			
Full-time	83.0	<i>7</i> 5.3	82.1
Part-time	17.0	24.7	18.0
Total	100.0	100.0	100.0
Hours worked			
1 to 19	3.6	9.8	4.1
20 to 34.9	14.6	18.8	14.5
35+	81.8	71.4	81.4
Total	100.0	100.0	100.0



Demographic characteristics of the movers by country (%), EU-SILC

	EL	FR	IE	LT	NL	PL	PT
Gender							
male	55.1	39.2	31.9	39.3	48.4	47.0	35.6
female	44.9	60.8	68.1	60.7	51.6	53.0	64.4
Total	100	100	100	100	100	100	100
Age							
21-29	26.9	37.1	28.5	19.5	51.2	25.6	17.2
30 to 39	33.4	22.9	20.3	25.2	36.7	30.7	29.2
40 to 49	25.8	20.8	18.0	27.8	11.7	23.5	28.3
50 plus	13.9	19.2	33.3	27.5	0.5	20.2	25.3
Total	100	100	100	100	100	100	100
Education							
Primary	10.5	9.1	3.7	0.4		8.0	47.2
Secondary	55.5	56.3	32.0	48.8	70.4	72.2	45.5
Post-secondary & tert	34.0	34.6	64.3	50.8	29.7	19.9	7.3
Total	100	100	100	100	100	100	100
Marital status							
never married	42.6	55.7	43.9	12.6	60.0	27.7	30.1
married	52.8	37.0	45.7	70.9	24.0	65.9	57.3
separated/widowed/divorced	4.6	7.3	10.5	16.5	16.0	6.4	12.7
Total	100	100	100	100	100	100	100



Probability of exiting MW to higher pay (probit), EU-SILC

VARIABLES	exit MW					
PL (Ref)						
NL	0.23***	0.23***	0.22***	0.22***	0.20***	0.22***
FR	0.09***	0.10***	0.10***	0.09***	0.08***	0.08***
IE	0.26***	0.26***	0.26***	0.23***	0.23***	0.22***
EL	0.35***	0.35***	0.35***	0.33***	0.34***	0.35***
PT	0.27***	0.28***	0.28***	0.29***	0.28***	0.27***
LT	0.05**	0.06***	0.06***	0.04	0.04*	0.02
Female (ref)						
male		0.03**	0.03*	0.04**	0.02	0.01
Age 30 to 64 (Ref)						
ag2129			0.05**	0.04*	0.03*	0.04**
Primary Educ (Ref)						
seceduc				0.00	-0.01	-0.00
thirdeduc				0.08**	0.03	0.03
Elementary occup (Ref)						
manag					0.10***	0.09***
techn					0.12***	0.11***
serv					-0.03	-0.04*
craft					0.04*	0.03
Permanent c (Ref)						
tempc						-0.07***
Full-time (Ref)						
PT						-0.05**
Observations	4449	4449	4449	4449	4449	4449



Probability of exiting MW to inactivity (probit), EU-SILC

VARIABLES	MW to INAC					
PL (Ref)						
NL	0.01	0.01	0.01	0.01	0.02	0.01
FR	0.02**	0.02**	0.02**	0.02**	0.03***	0.03***
IE	0.06**	0.06**	0.06**	0.07**	0.07**	0.08**
EL	0.07***	0.07***	0.07***	0.08***	0.09***	0.09***
PT	0.05***	0.05***	0.05***	0.05***	0.05***	0.06***
LT	-0.02**	-0.02**	-0.02*	-0.01	-0.01	0.00
Female (ref)						
male		-0.01	-0.01	-0.01	-0.02**	-0.02**
Age 30 to 64 (Ref)						
ag2129			0.02*	0.02**	0.02**	0.01*
Primary Educ (Ref)						
seceduc				0.01	0.01	0.01
thirdeduc				-0.01	-0.01	-0.01
Elementary occup (Ref)						
manag					-0.02	-0.02
techn					0.00	0.01
serv					-0.01	-0.00
craft					0.02*	0.03**
Permanent c (Ref)						
tempc						0.04***
Full-time (Ref)						
PT						0.02
Observations	5326	5326	5326	5326	5326	5326



Conclusions

- Large variation in the incidence of minimum wages. Not closely related to level of economic development & MW level.
- No clear pattern between level of stayers, MW dynamics and country's wealth. State dependence high in FR, LT, PL (over 50%) to a low 30% in EL, PT, NL.
- Greater likelihood of MW exit to higher pay for male, younger employees, highly educated. Opposite for temporary contract and part-timers.
- Greater likelihood of exit to unemp/inactivity for women, young (?), temporary contract.
- Data limitations in estimating hourly wages & sample size.



Thank you

@ESRIDublin #ESRIevents #ESRIpublications | www.esri.ie