

Title: Labour Market Transitions of Minimum Wage Workers across Europe

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Most dynamic studies of low wage workers focus on a broadly accepted definition of two thirds of median earnings. However, there is very little research on minimum wage transitions. In this paper we propose to focus on a subgroup of low earners that are workers on the minimum wage and to explore earnings mobility around the minimum wage. In the economic literature the minimum wage is very often seen as a stepping stone to higher paid jobs and in this paper we propose to investigate whether this is also the case across several European countries. In the USA, for example, using longitudinal data from the 1980s, Smith and Vavrichek (1992) found that 60% of minimum wage workers had higher earnings one year after having been on the minimum wage. This high propensity of earnings mobility was also found in the USA by Schiller (1994) where only fifteen percent of workers stayed on the minimum wage after a period of three years. In spite of this high mobility to higher earnings there is still however a minority of workers that are being found on the minimum wage after a relatively long period of time. Focusing on the earnings dynamic of young workers, Carrington and Fallick (2001) found that eight percent of young workers were still on the minimum wage after ten years. Using more recent longitudinal data over the period 2016 and 2017, Redmond, McGuinness and Maitre (2018) found that in Ireland 30 percent of minimum wage workers moved to higher earnings while only 18 percent stayed on the minimum wage (the other categories included people with multiple transitions, those moving to unemployment, inactivity). Interestingly Redmond, McGuinness and Maitre (2018) found that in over 90 percent of cases where workers moved from the minimum wage to higher pay, the earnings mobility took place within the same occupation and was not related to a move to a different job. This indicates that the income wage status was only a transient status before moving to higher pay.

In the European Union, 22 countries have a national minimum wage. Using two waves (to reduce attrition) of the longitudinal EU-SILC data for the most recent period, we propose to look at minimum wage mobility of workers across a set of selected European countries with different employment regimes and labour market flexibility. We are interested to explore the following research questions:

- What is the extent of mobility around the minimum wage across selected 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 and how might they differ across countries?

References:

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