

Labour Market Transitions of Minimum Wage Workers across Europe

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EVENT

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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

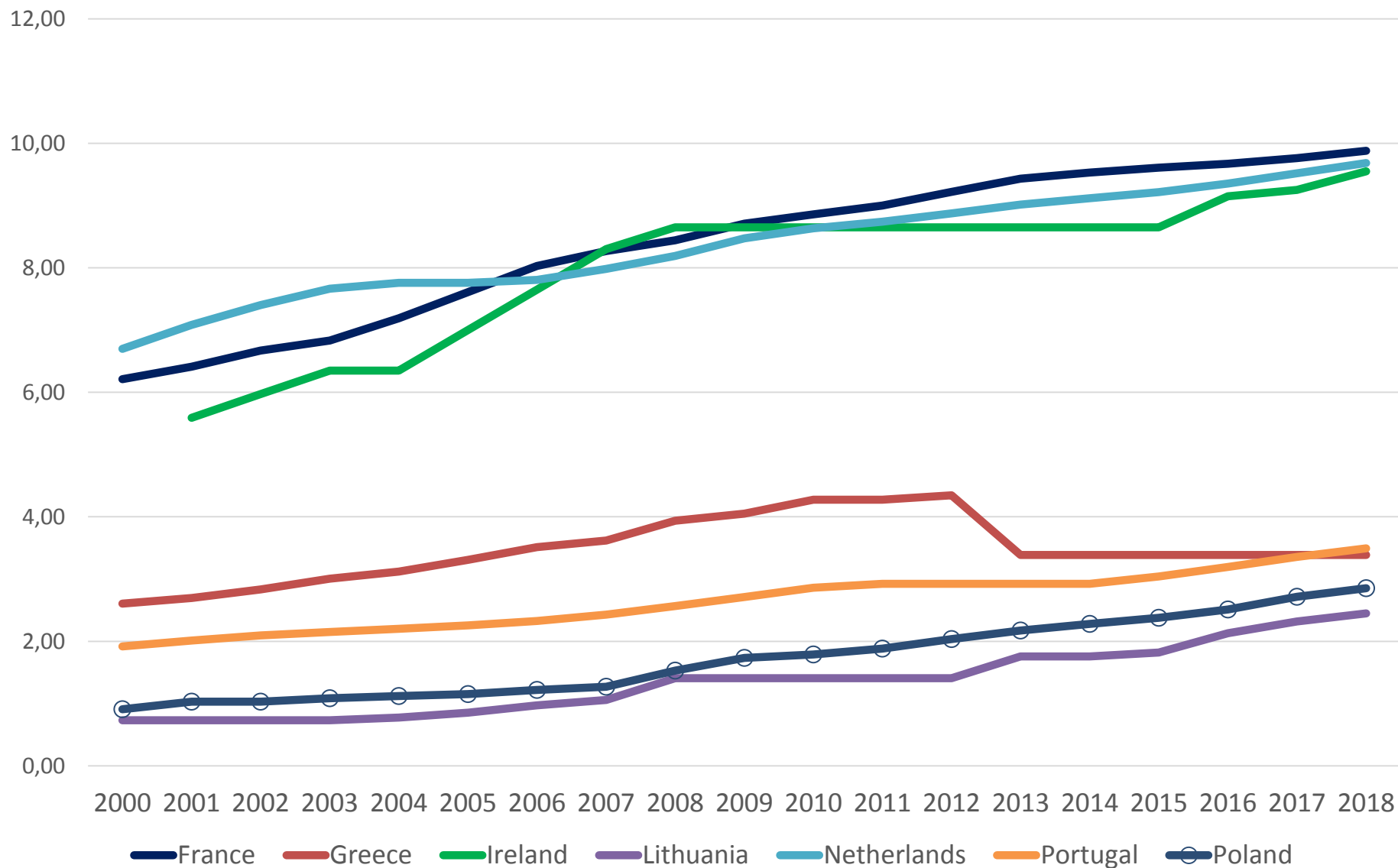
- What is the extent of labour market mobility among minimum wage workers across countries?
- What are the socio demographic and job characteristics attached to the different patterns of mobility (movers/stayers) across countries?
- What are the contributing factors to moving out of the minimum wage 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)

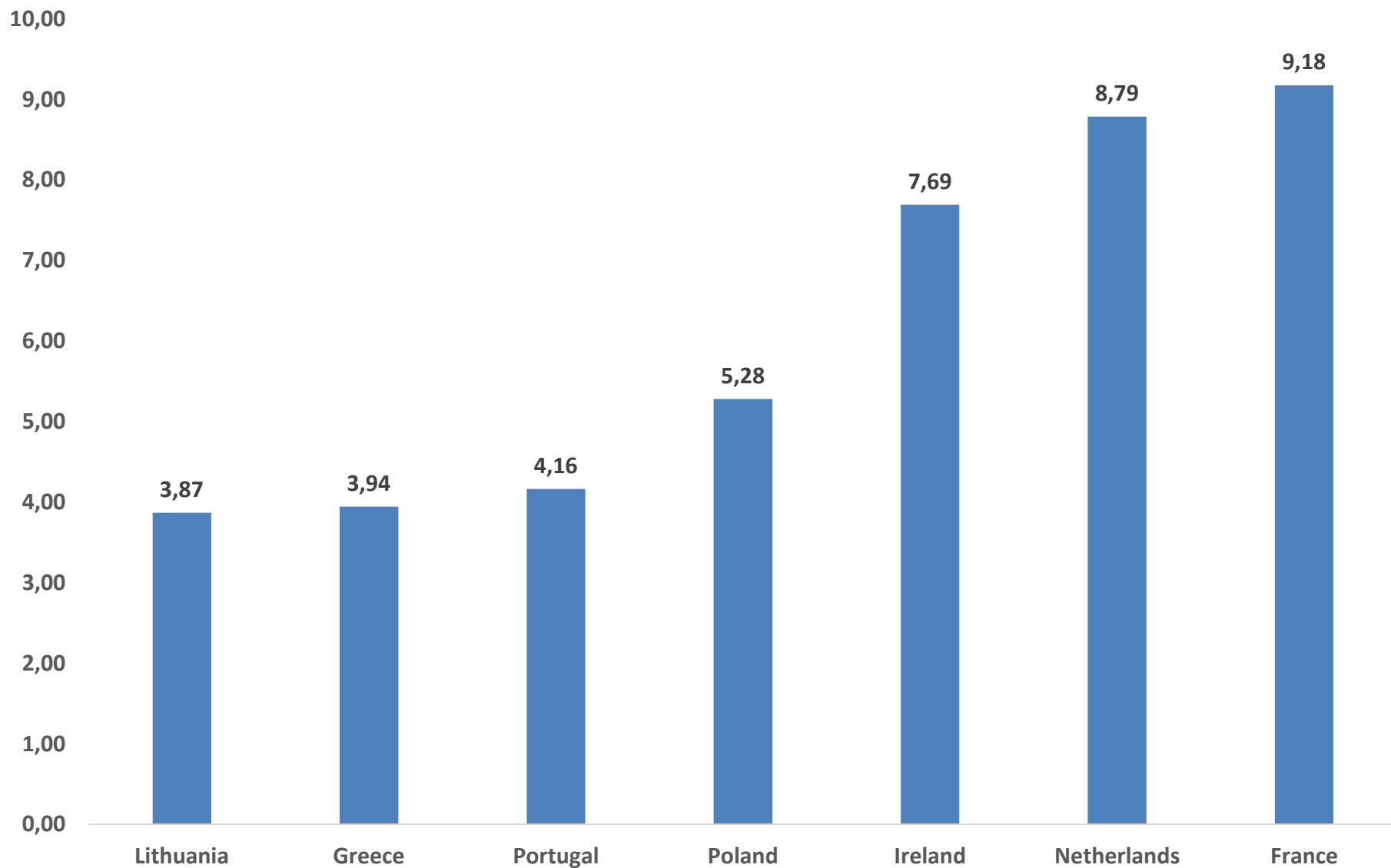
Hourly minimum wage (€) by country, 2000-2018

Source: WSI 2018

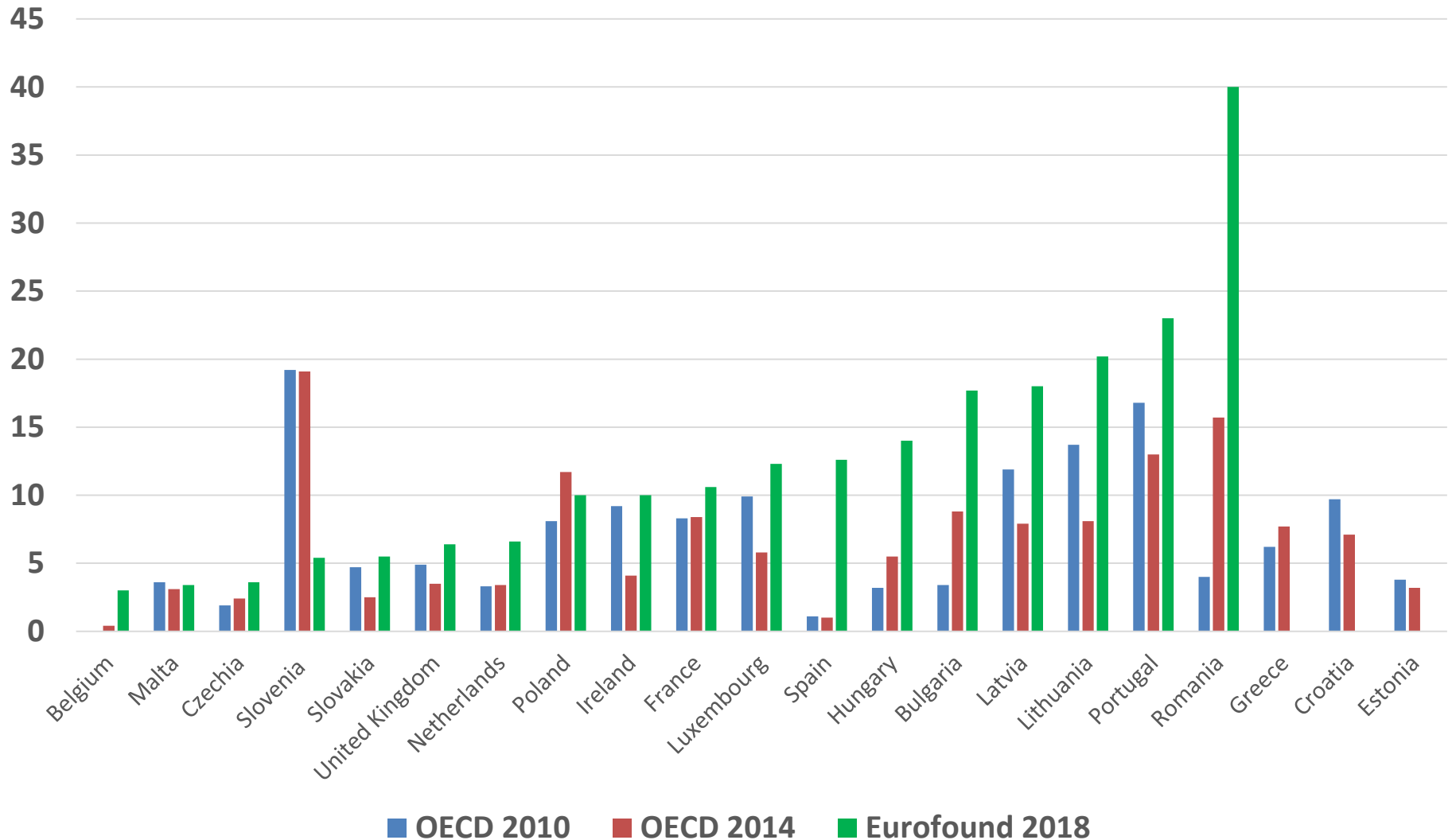


Hourly minimum wage (PPS) by country, 2018

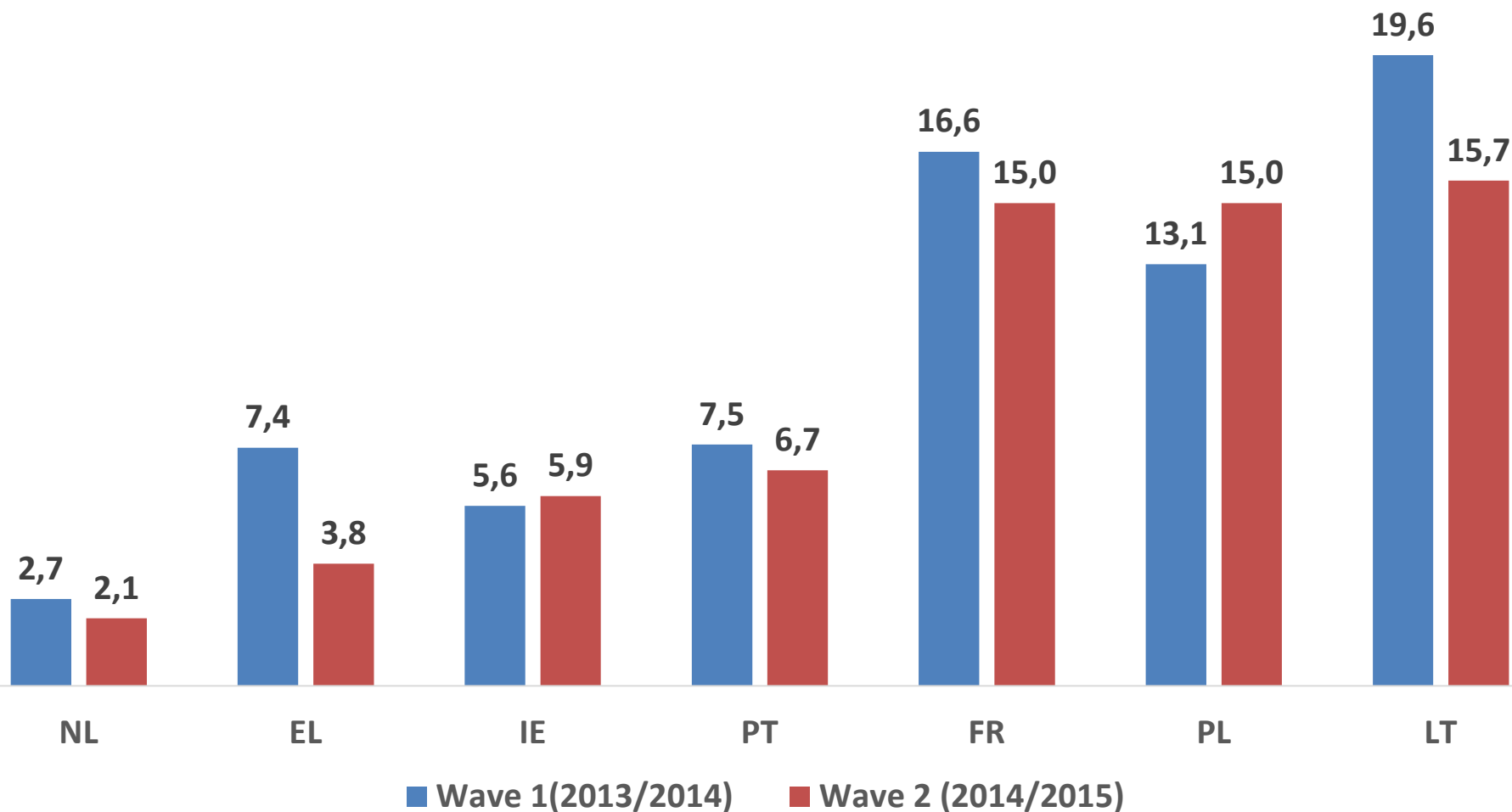
Source: WSI 2018



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



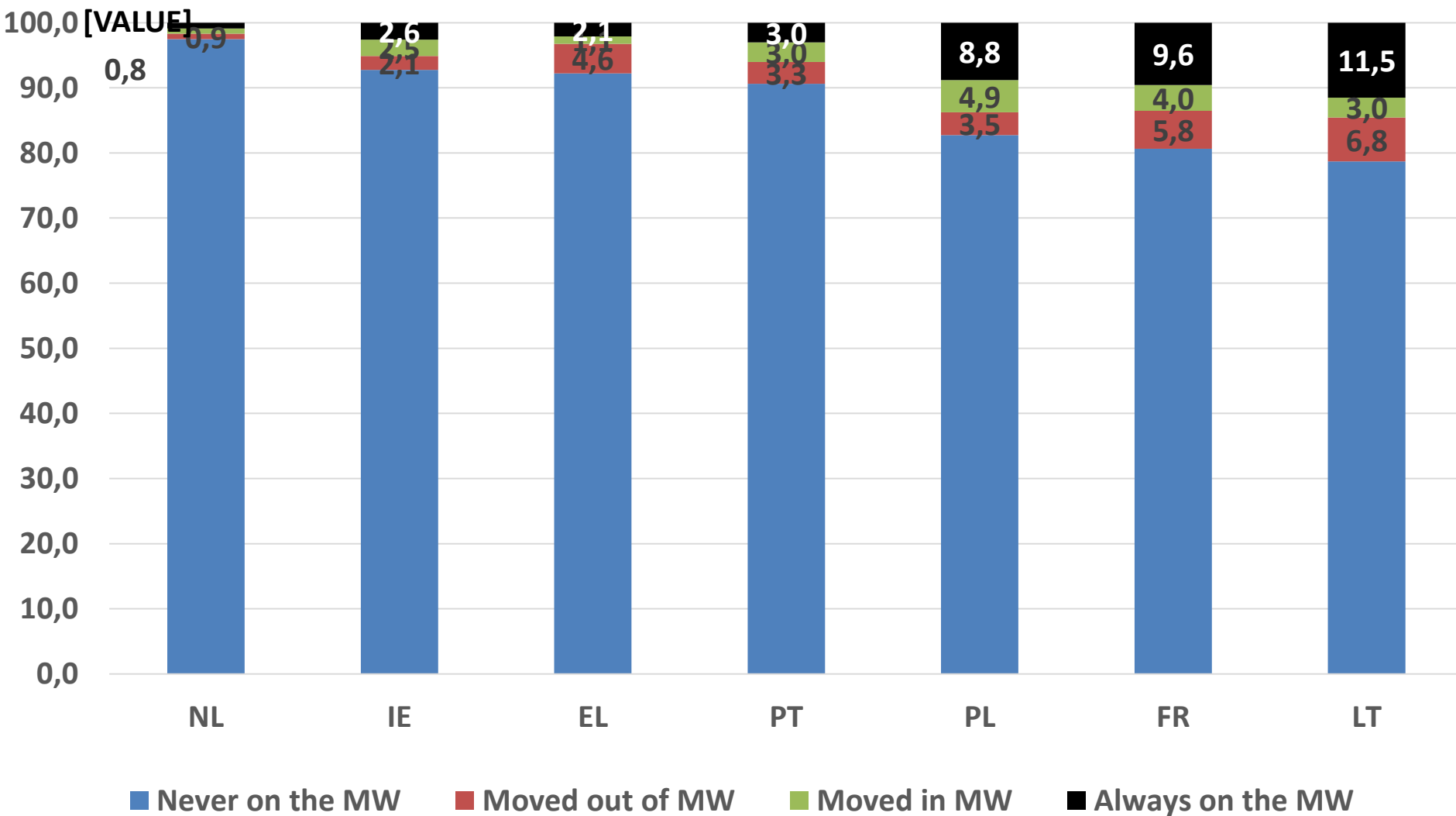
Incidence of minimum wages by country (%), EU-SILC



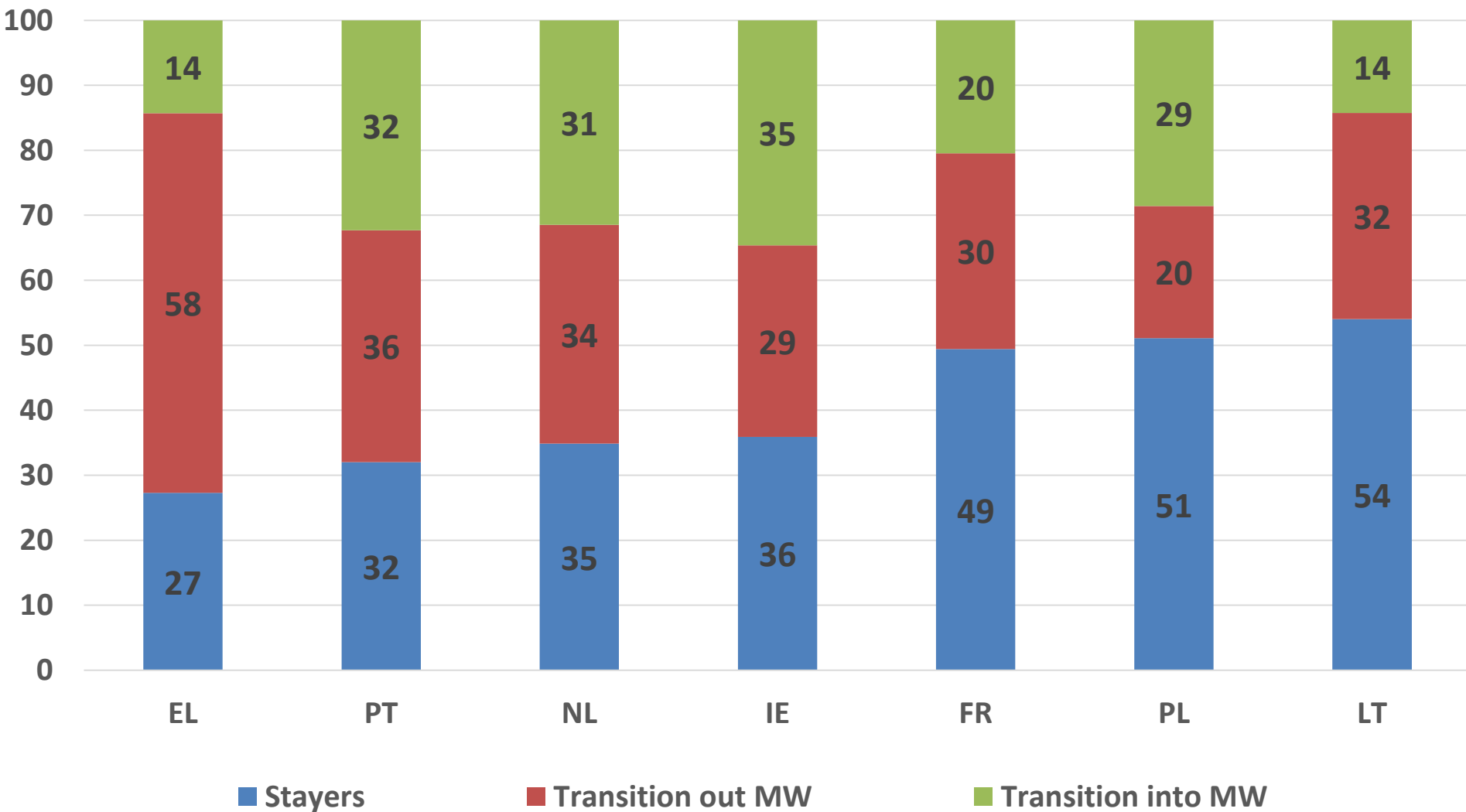
Sample size by country, EU-SILC

| | 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 elementary | 27.4 | 28.9 | 27.3 |
| 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 | 75.3 | 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 |

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