

# Low wage mobility in Central Europe

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8<sup>th</sup> European User Conference for EU-Microdata

March 16-17, 2034

# Introductory remarks

- Low-wage employment as a double face phenomenon: stepping stone or trap?
- Mobility among low-wage earners reflects a nature of the labour market (dualization, segmentation) as well as a structure of opportunities.
- Focus on Visegrad countries characterized by economic model based on low wages as a source of competitiveness.
- Objective: to identify future prospects of low-wage earners.
- Research questions:

What are the most likely prospects for low-wage earners in the CE region? To what extent and for whom do low-wage jobs operate as a vehicle for upward wage mobility?

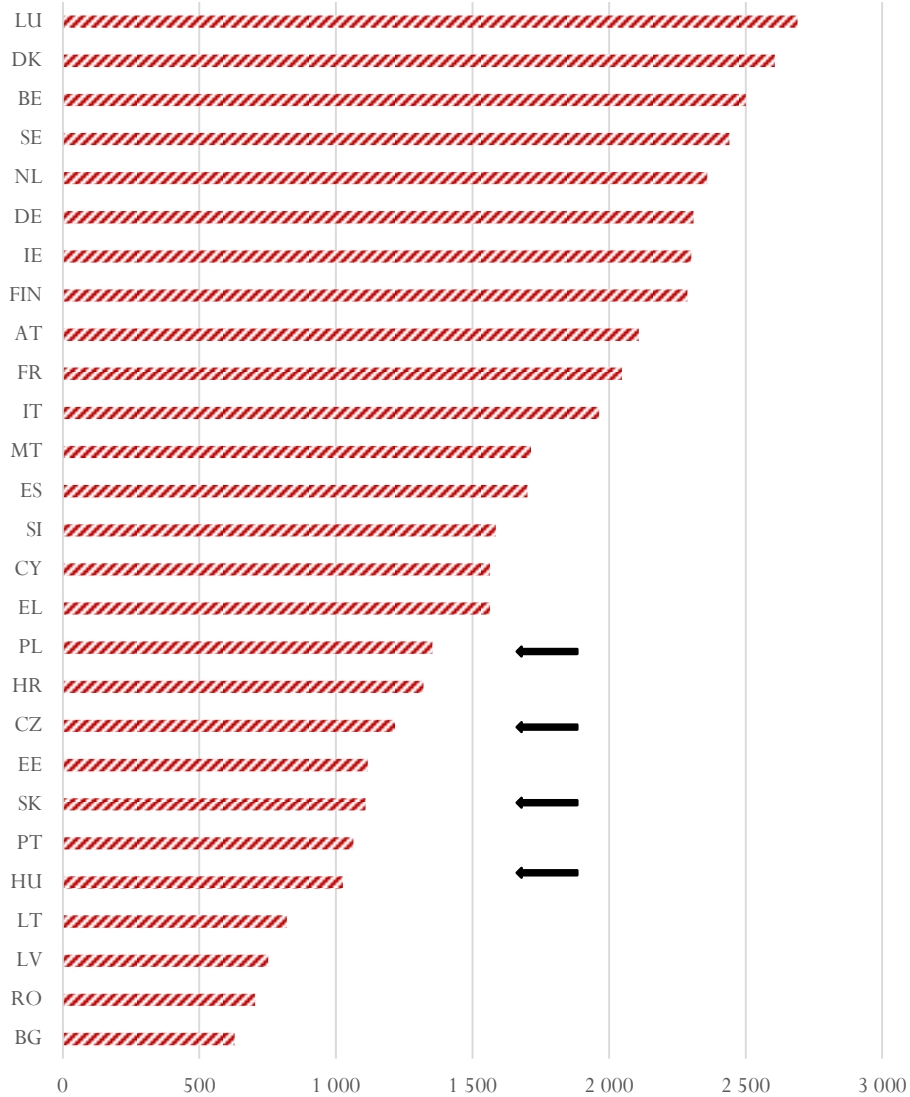
What are the main dividing lines among the CE countries in terms of the low-wage earners' prospects?

# Data, methods and key concepts

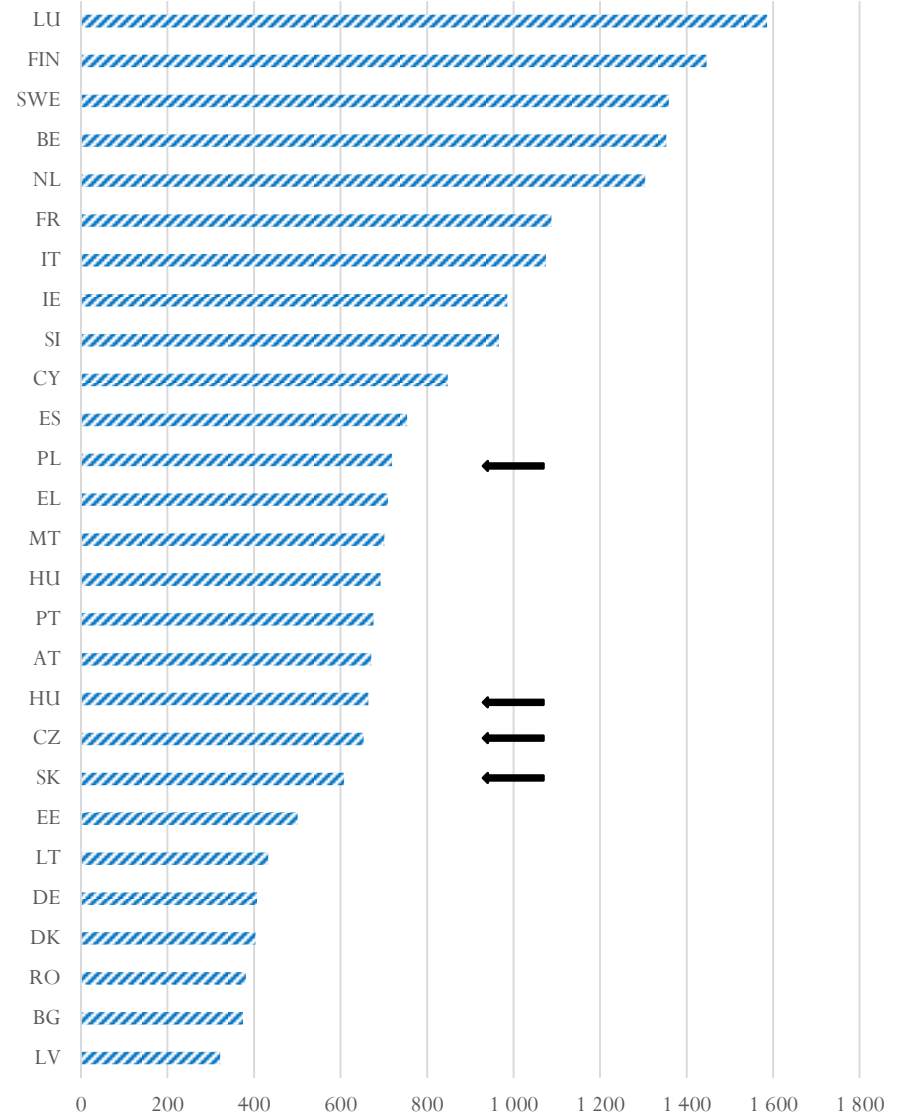
- Longitudinal data – pooled dataset EU SILC 2011 – 2016.
- Sample restricted to workers aged 20-64 (excluding self-employed), who were followed in the datasets for at least three consecutive years.
- Low wage – a wage below  $\frac{2}{3}$  of the median hourly wage in the country in given year. The category of low-wage workers is constructed based on wage distribution in each year.
- Focus on transitions from low pay, with three potential outcomes:
  - i) transition into higher-paid job, ii) transition into unemployment/inactivity, iii) stability (reproduction) of low-wage status.
- Methods:
  - i) transition matrices (description of mobility patterns),
  - ii) multinomial logit models (identification of future prospects and their determinants)

# Low wages in CE countries

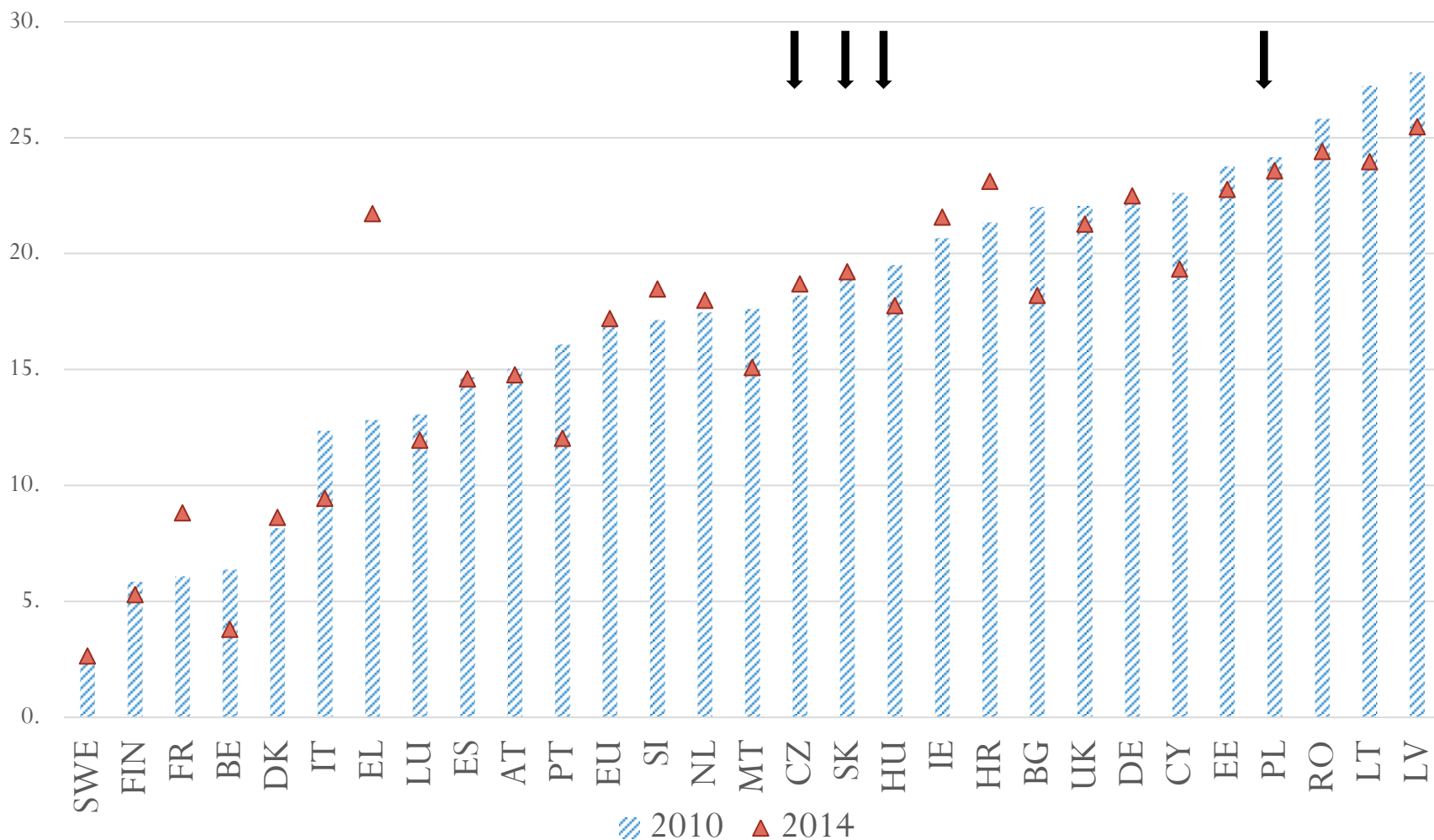
## Median earnings in PPS (2014)



## First decile earnings in PPS (2014)



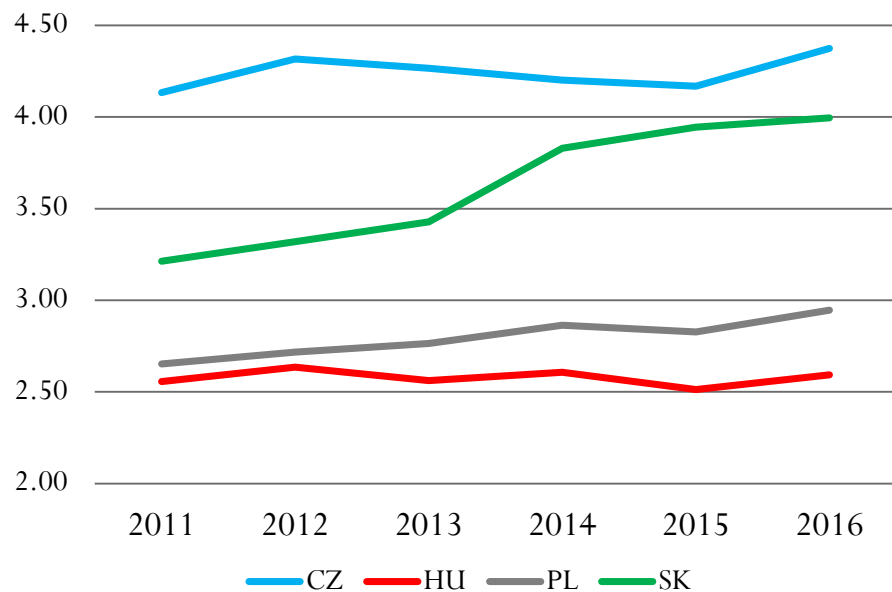
# Low-wage earners as a proportion of all employees (%)



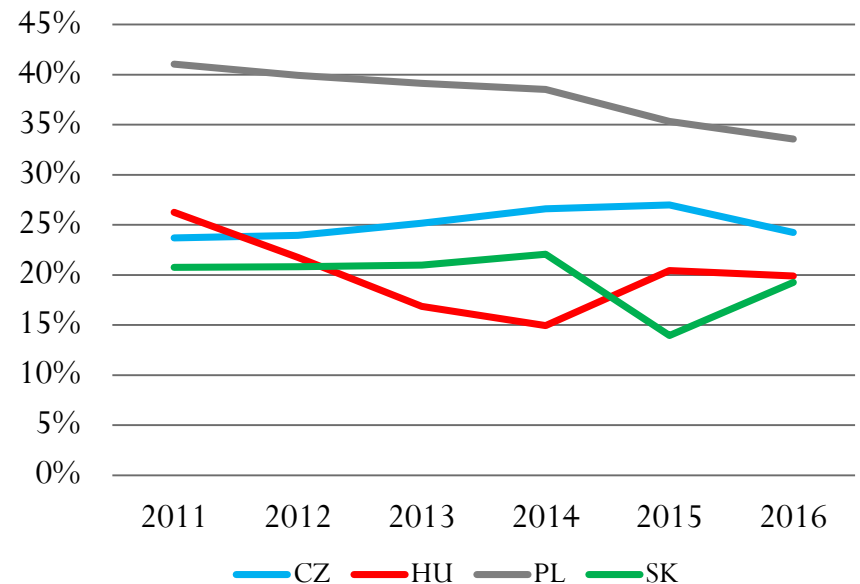
# Low wages in the EU SILC dataset 2011-2016

	CZ	HU	PL	SK
Sample size 2011-2016	43 937	49 445	68 094	38 425

Calculated low wage threshold (€)



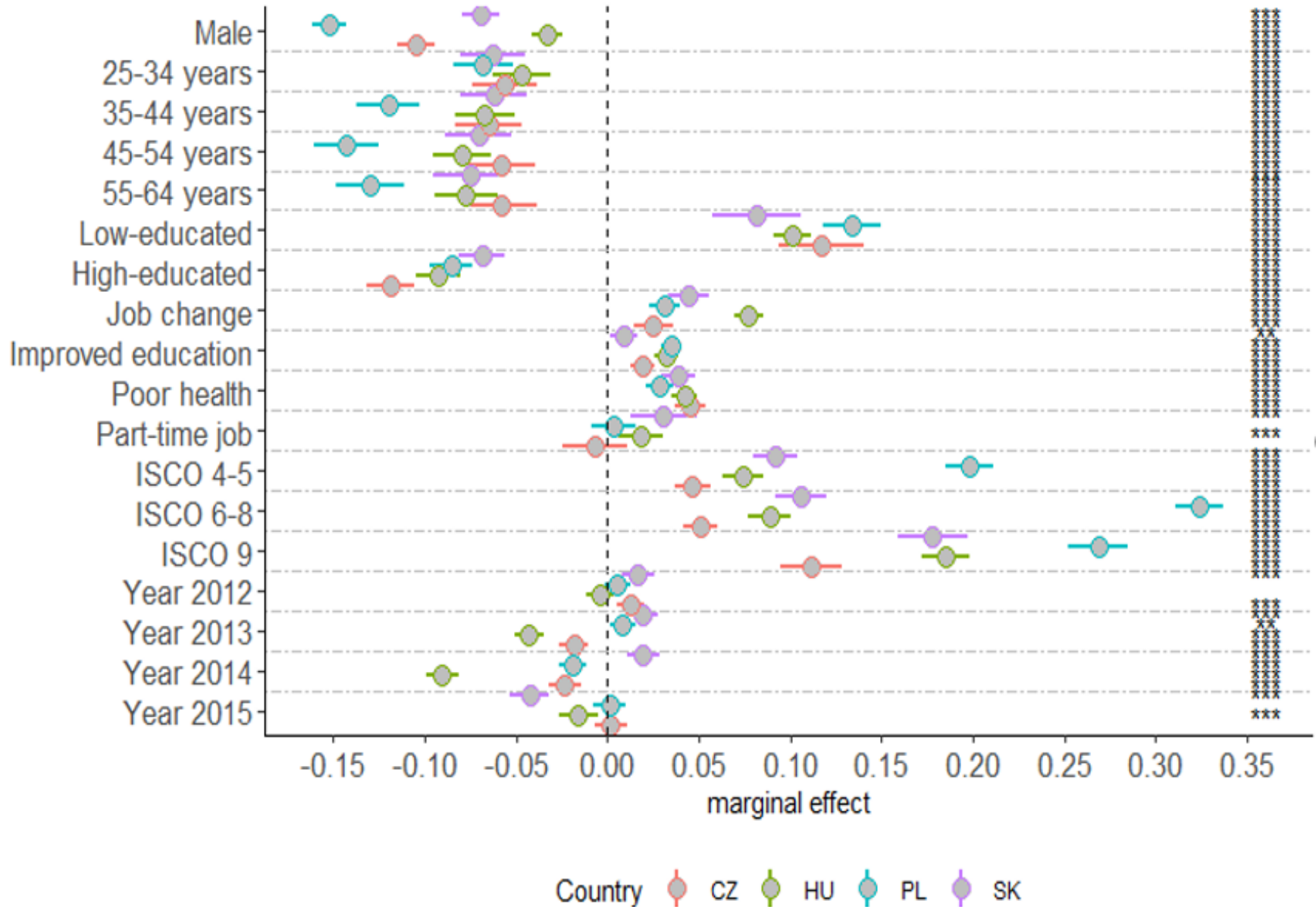
% of low-wage earners in the samples



# Who are the low-wage earners in the CE region?

- Results of logistic regression with the outcome variable „incidence low pay“ (1 = low pay, 0 = higher pay) – only working persons with non-zero earnings
- Higher chances to become low-wage earner for:
  - females
  - young persons (under the age of 25 years)
  - employees with lower education
  - employees in low-skill occupations
  - employees who changed their job during the last year
  - employees with poor health
- These patterns can be observed in all four countries

# Probability of earning low wage - marginal effects





# Analysis of the future prospects of low-wage earners

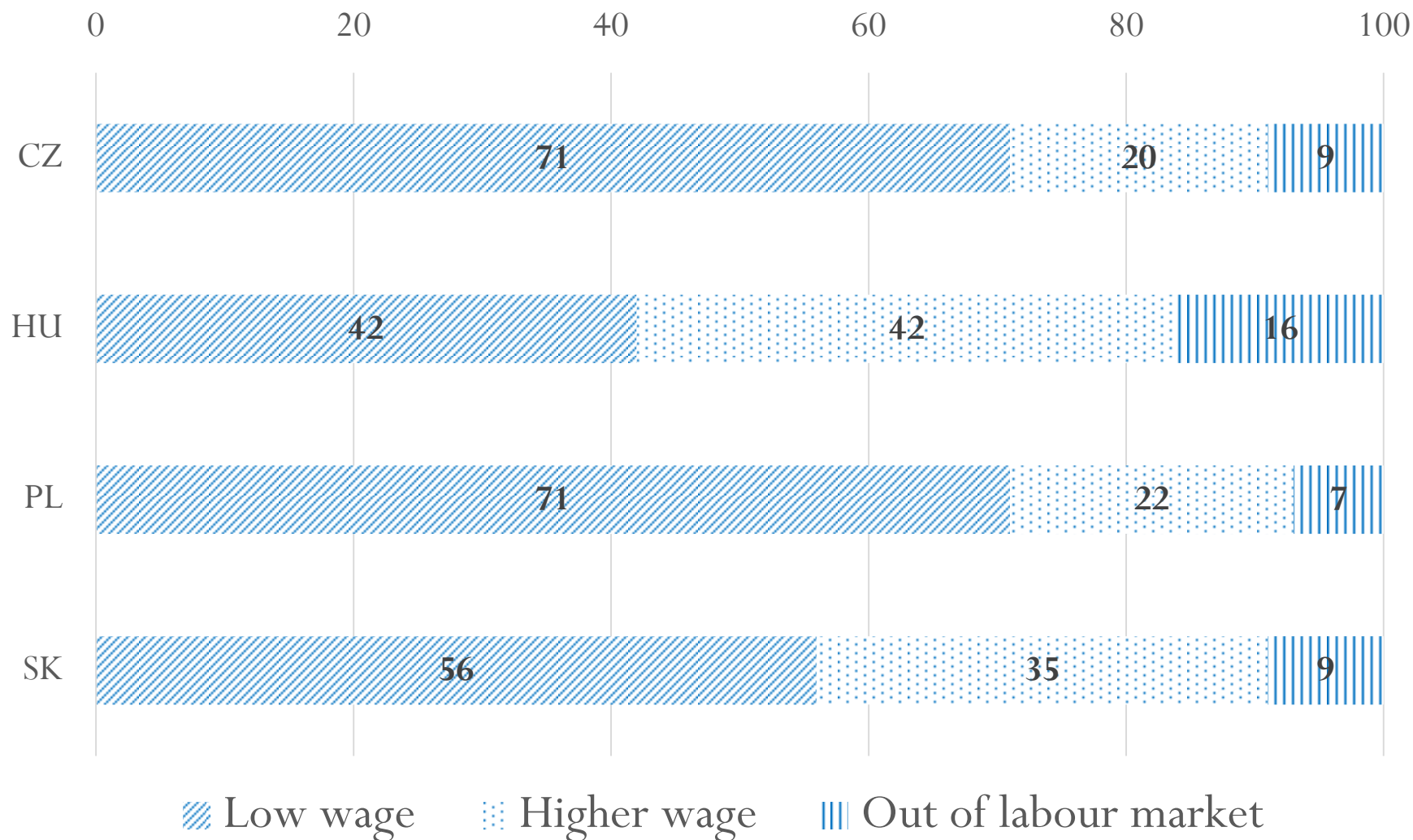
- Focus on transitions between year  $t$  and year  $t+1$  in the given period
- Three positions (low-paid, higher-paid, out of labour market) were constructed for each year, based on given wage distributions in each year.
- Focus on transitions from low wage (at time  $t$ ) to three potential outcomes (at time  $t + 1$ ): i) Transitions into higher-paid jobs, ii) Reproduction of low wage status, iii) Leaving the labour market to unemployment/inactivity
- Methods and measures:

Transition matrices

Typology of trajectories in relation to low-wages (type1 = longer experience with lw, type 2 = fluctuation, type3 = occasional exp.)

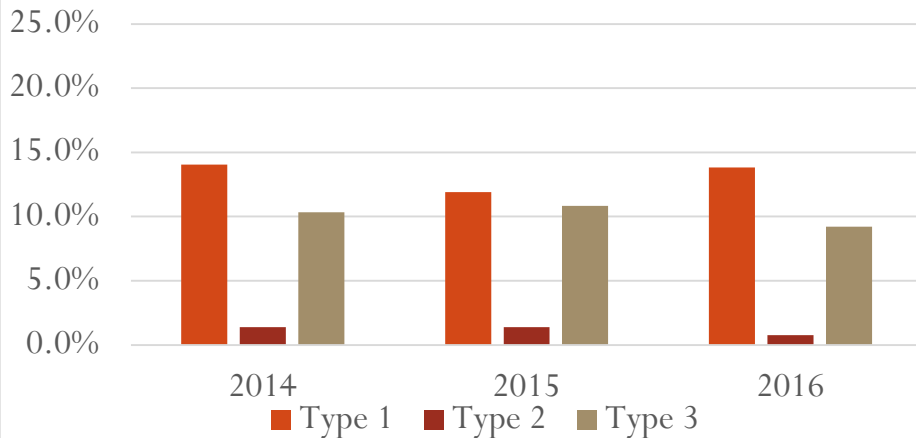
4 Multilogit regression models (one model for each country)

## Transition rates for movements from low wage (% , 2010-2016) (based on transition matrices)

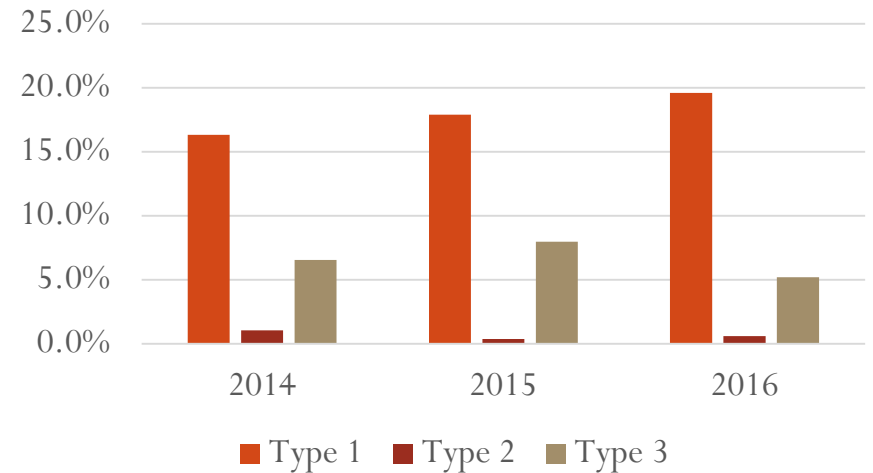


# Presence of various trajectories in relation to low wages

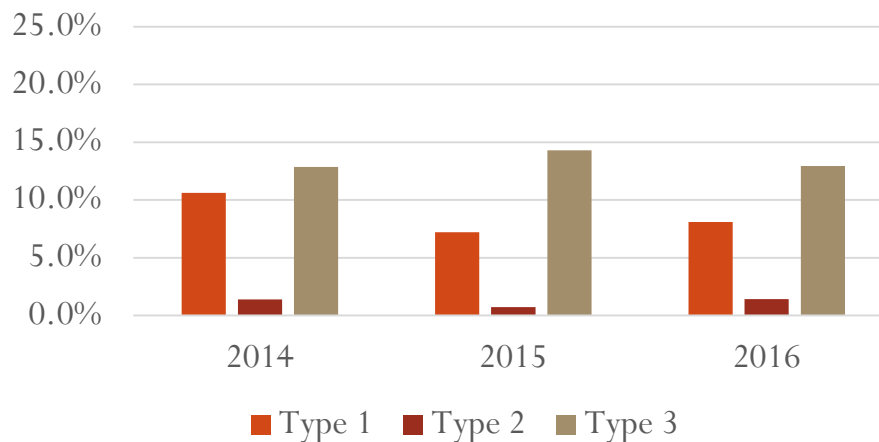
Slovakia



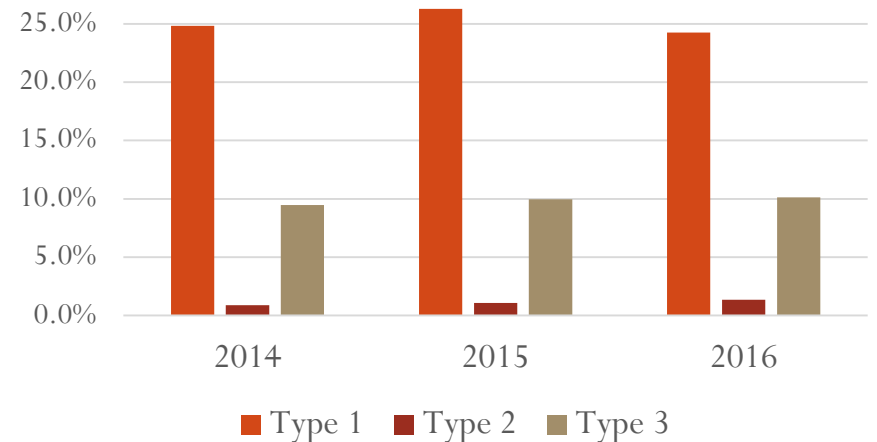
Czechia



Hungary



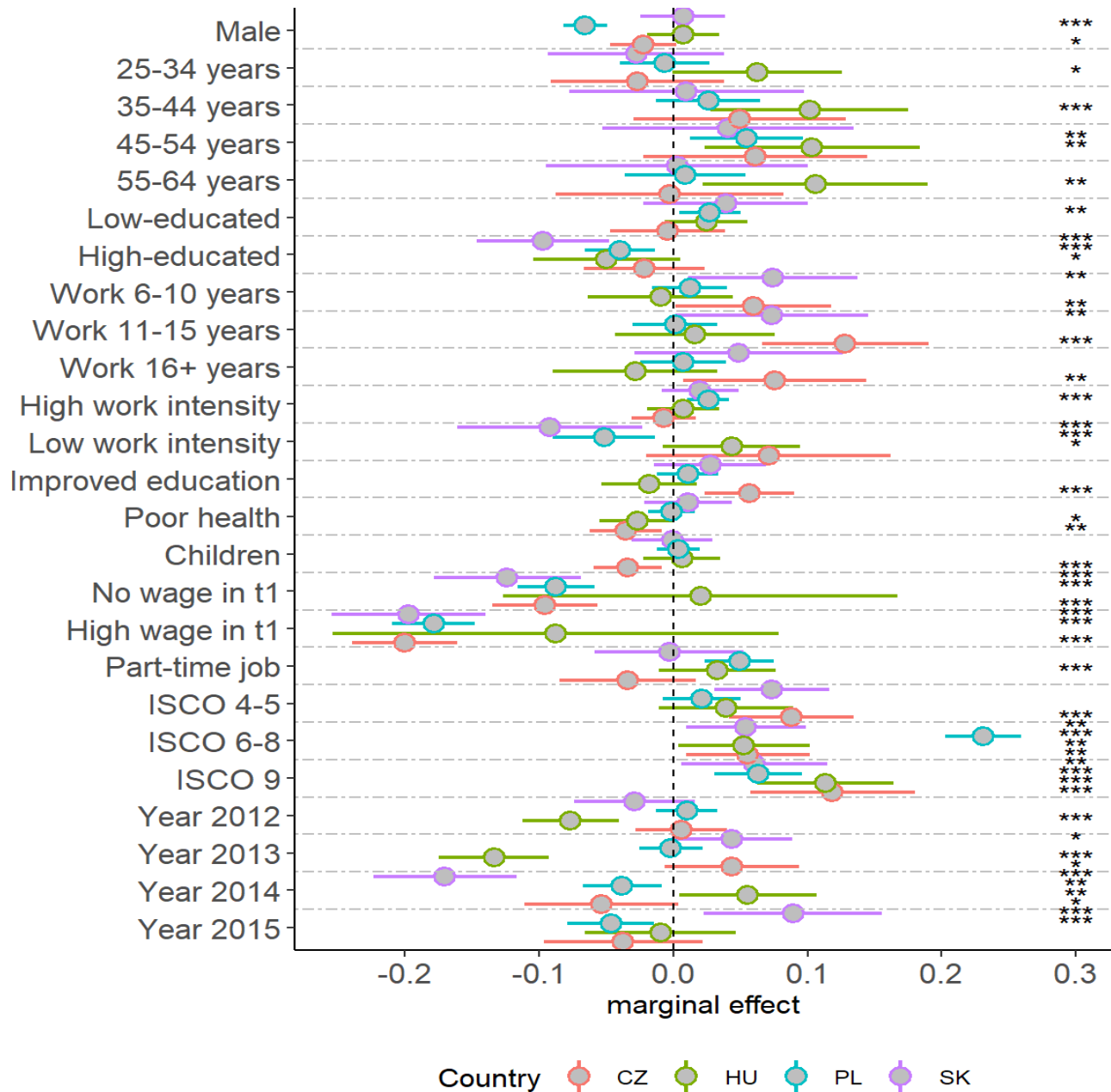
Poland



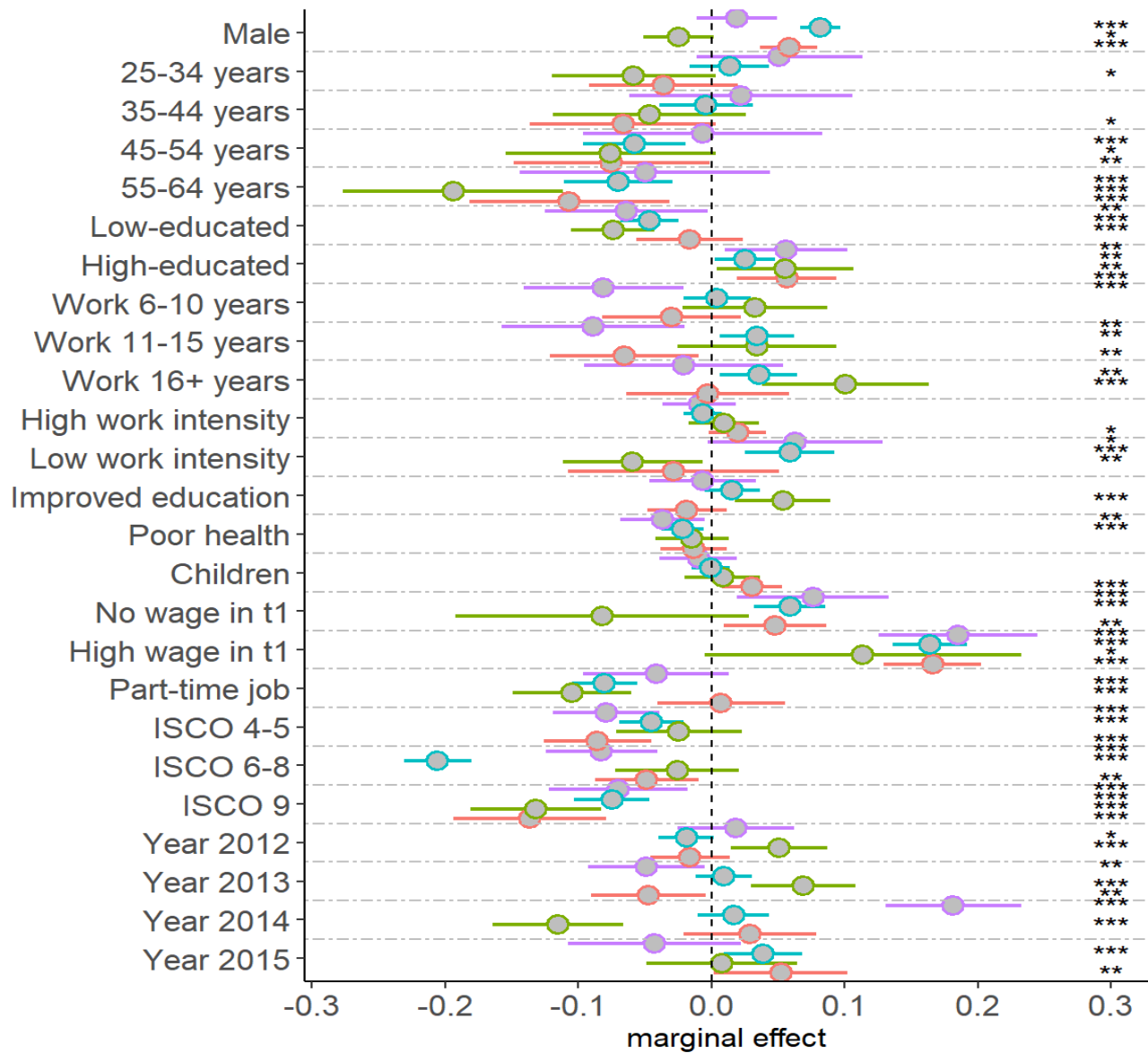
Contributing factors to low wage  
mobility

- estimations from multilogit panel  
regressions

## Marginal effects on stability of low wage



# Marginal effects on upward wage mobility



Country CZ HU PL SK

# Marginal effects on exit form labour market



## Main findings I

- Main question: do low wages represent a long-standing or transitory phenomenon in the CE region?
- CE countries do not represent homogeneous group, despite the fact that they arrived at similar regimes of international competitiveness based on low wages and despite the common experience with liberalization and flexibilization of labour law since the 2000s (which opened the doors for an increased use of non-standard forms of employment)
- Two regimes of low wage persistence/mobility



## Main findings II

- In regard to determinants, several factors have „universal“ effects (in terms of direction) across all four countries. Upward mobility is more likely among:

younger persons, higher-educated persons, persons working in „better“ occupations, persons who had higher wages prior their experience with low pay

- However, important differences between countries do exist.....explanations can be found in relation to character of labour market dualism: differences in terms of presence of precarious jobs (involuntary non-standard forms of employment) and their gendered character
- In terms of theory, there is rather limited support for „signalling“ and „human capital accumulation“ theories. „Labour market segmentation“ theory seems to be more suitable for the CE countries

Thank you for the attendance

This study was supported by the Slovak Research and Development Agency [grant numbers APVV-20-0621 and VEGA 2/0150/21].