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Low-paid Employment and the Flexibility of Wages (summary)

While discussing the Taskforce report's recommendations regarding low-wage employment I intend – given the severe time constraint – to disregard the observations I sympathise with and focus on the disagreements. I'll argue that, unfortunately, a proper analytical foundation that spells out interdependencies is missing and that as a consequence, recommendations seem:

- to partly miss the point – e.g. the focus is fully on labour costs while the role of product demand (particularly in consumer services that relate strongly to low-wage jobs) is not discussed, implying that, on the economic side, the importance of flexibility for job growth may be overestimated and that, on the labour market side, the potential negative effects of mechanisms of overeducation in low-skilled jobs are overlooked. In addition, compared to the US, Europe's lack of high-wage employment growth is equally important – the report remains silent about that.
- to be insufficiently precise – e.g. a systematic treatment of the distinction between head-count employment (significant for hiring practices as well as labour supply preferences) and hours-count employment (important for economic significance and efficiency) is missing. In recent years hiring does not seem to have suffered from a lack of flexibility.
- to be contradictory in certain respects – e.g. the growth of part-time work that is advocated, may conflict with the promotion of the employment of the low-skilled. Increasingly, low-skilled employment seems available on a part-time basis only, making it harder for the low skilled to make a living out of these jobs. Also it does not seem evident to advocate part-time employment for countries with a high rate of *full-time* female employment such as Portugal. In addition, it may be hard to reconcile wage restraint and productivity growth.
- to be looking for solutions in the wrong direction – e.g. the furthering of female part-time employment will enhance their concentration in low pay and stimulate overeducation in relation to the jobs. In the US all of high-wage employment

growth in recent decades has gone to women – in Europe there is not match for that.

- to be sometimes overoptimistic – e.g. the role of temp work agencies may be more limited than acknowledged both in relation to employment over the economic cycle, its reach among labour supply and the significance of a long-term attachment (“flexicurity”).

very general, nearly everything is touched upon without much in-depth analysis: ageing, women, immigrants, low-paid, new business, productivity, job quality, R&D
superficial
heard this before, jobs jobs jobs, flexicurity
tempting to discuss them all, but other working groups today – except self-employment?

nevertheless a relatively strong focus on the low end of the labour market
 reduce non-wage labour costs for low-wage earners – strangely brought together
 with the fostering of new business, also leaving out value added tax
 making work pay

practical recommendations ?

contradictory part-time vs low-skilled – competition better skilled + part-timeization of employment

what is the unused potential to be tapped? low-skilled women, older?

our research: low end / benchmarking, Dutch model, Eur. employment strategy and national level, Challenge, youth/kleine baantjesNL/flex
concentratie/inzakin1994/forthcoming growth, US -NL