



BMWA – IAB Tagung Berlin, 8/12/2003

Low Pay and Wage Flexibility in Europe:

what does the European Employment Task Force offer ?



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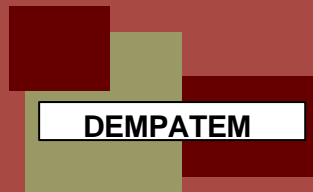
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European Low-wage Employment Research network

(since 1995, DG Research)



Earnings Mobility
Overeducation
Policies
Inequalities



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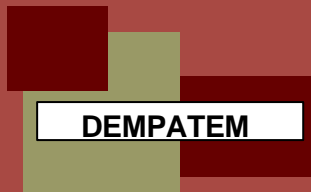
Benchmarking Low-wage and High-wage Employment

&

The European-American Employment Gap, Wage Inequality, Earnings Mobility and Skill:

A Study for France, Germany, the Netherlands, the United Kingdom and the United States

(2000-2001 DG ESA)



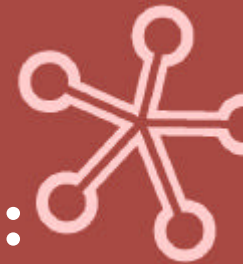
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Demand Patterns and Employment Growth: Consumption and Services in France, Germany, the Netherlands, the UK and the US

(2001-2003; DG Research;

Ronald Schettkat

Andrew Glyn, Michel Sollogoub, John Schmitt, Joachim
Moeller)

The logo for DEMPATEM, featuring a dark red square partially overlapping a light green square, with the word "DEMPATEM" in white text on a dark red rectangular background.

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Two issues

- 1) flexibility in an overrated problem
- 2) nature of low-wage employment





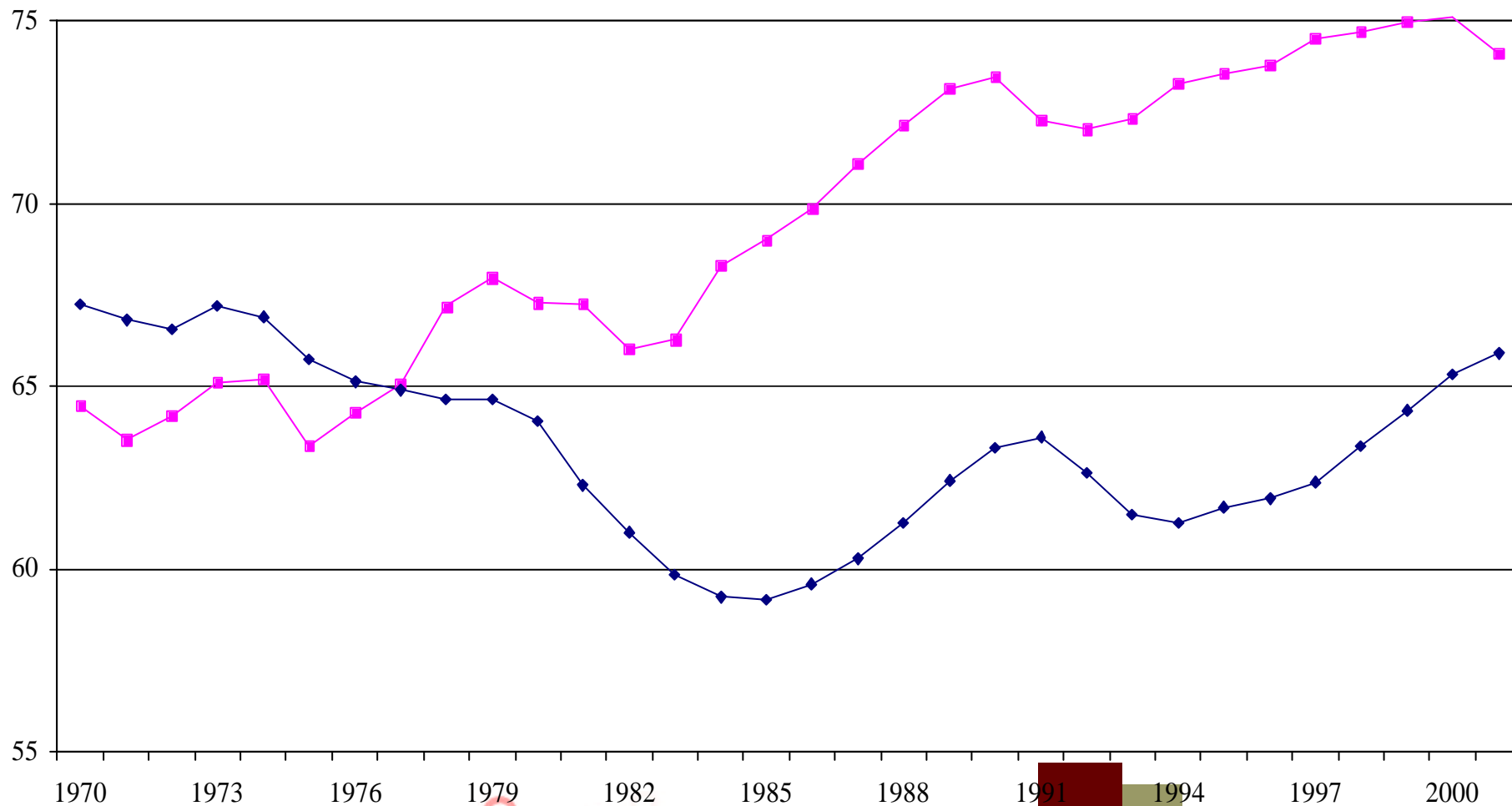
1) Flexibility is overestimated as a problem

- a. Employment changes: hiring constraints?
- b. Aggregate wage flexibility is substantial
- c. Low-wage differentials are comparable
 - High-wage flexibility is also important
- d. Firm flexibility \neq individual differentials
- e. Flexibility is no guarantee for employment





Employment gap: US – EU aggregates (EPOP)

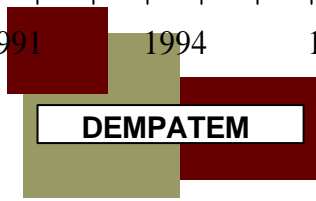


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USA EU5

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Employment gap period breakdown (EPOP, pcpt/year) head count

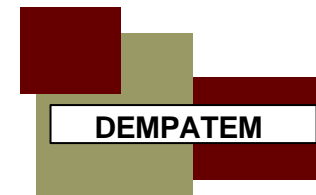
	EU5	USA	USA – EU5
1970-1979	-0.29	0.39	0.68
1979-1990	-0.12	0.50	0.62
1990-2001	0.23	0.06	-0.18
1995-2001	0.70	0.09	-0.61



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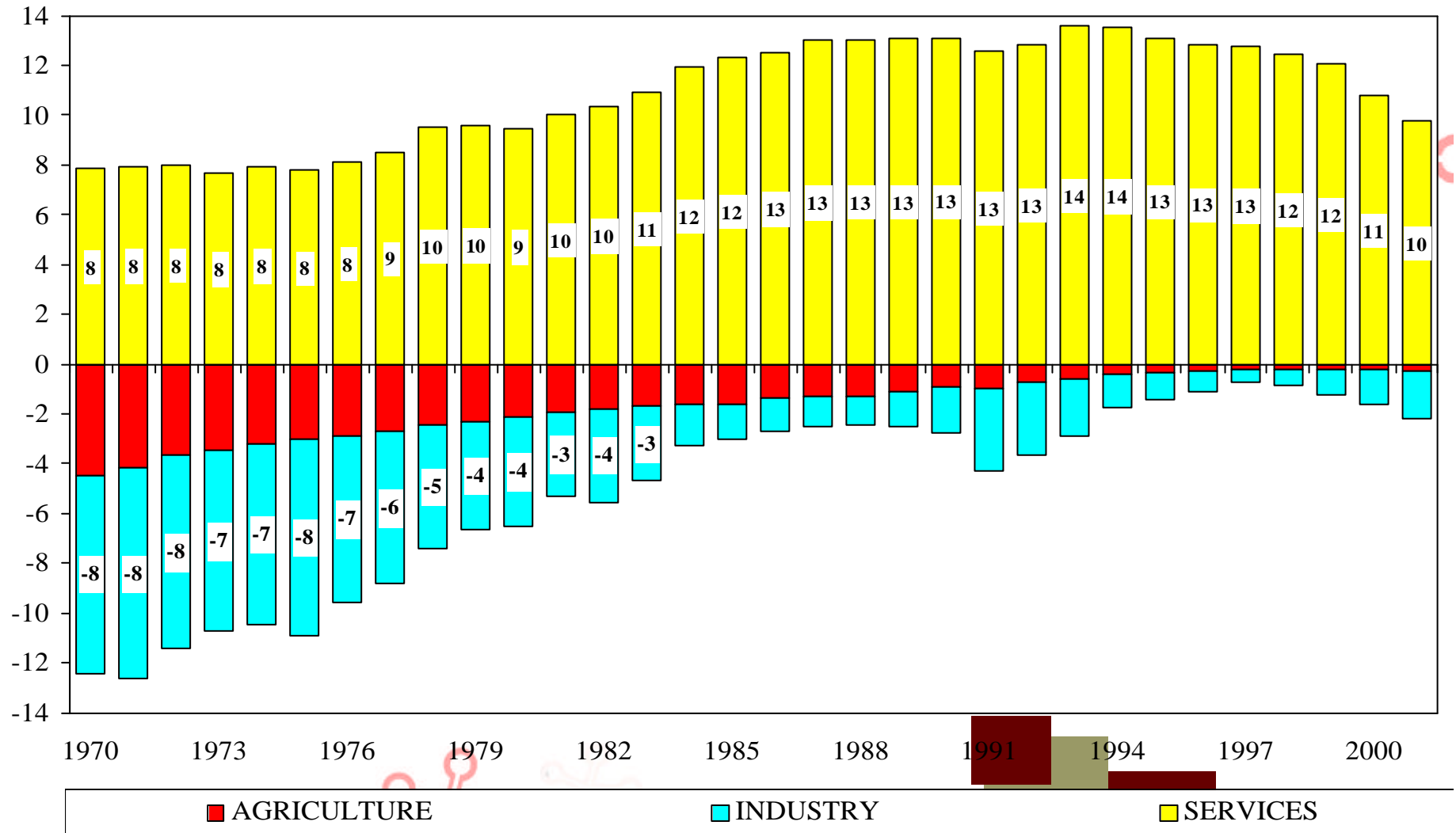


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Employment gap: USA – EU sectors (EPOP)

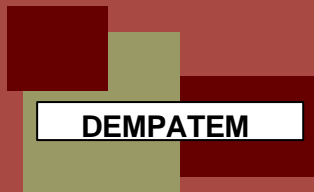


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b. Aggregate wage flexibility in Europe is substantial



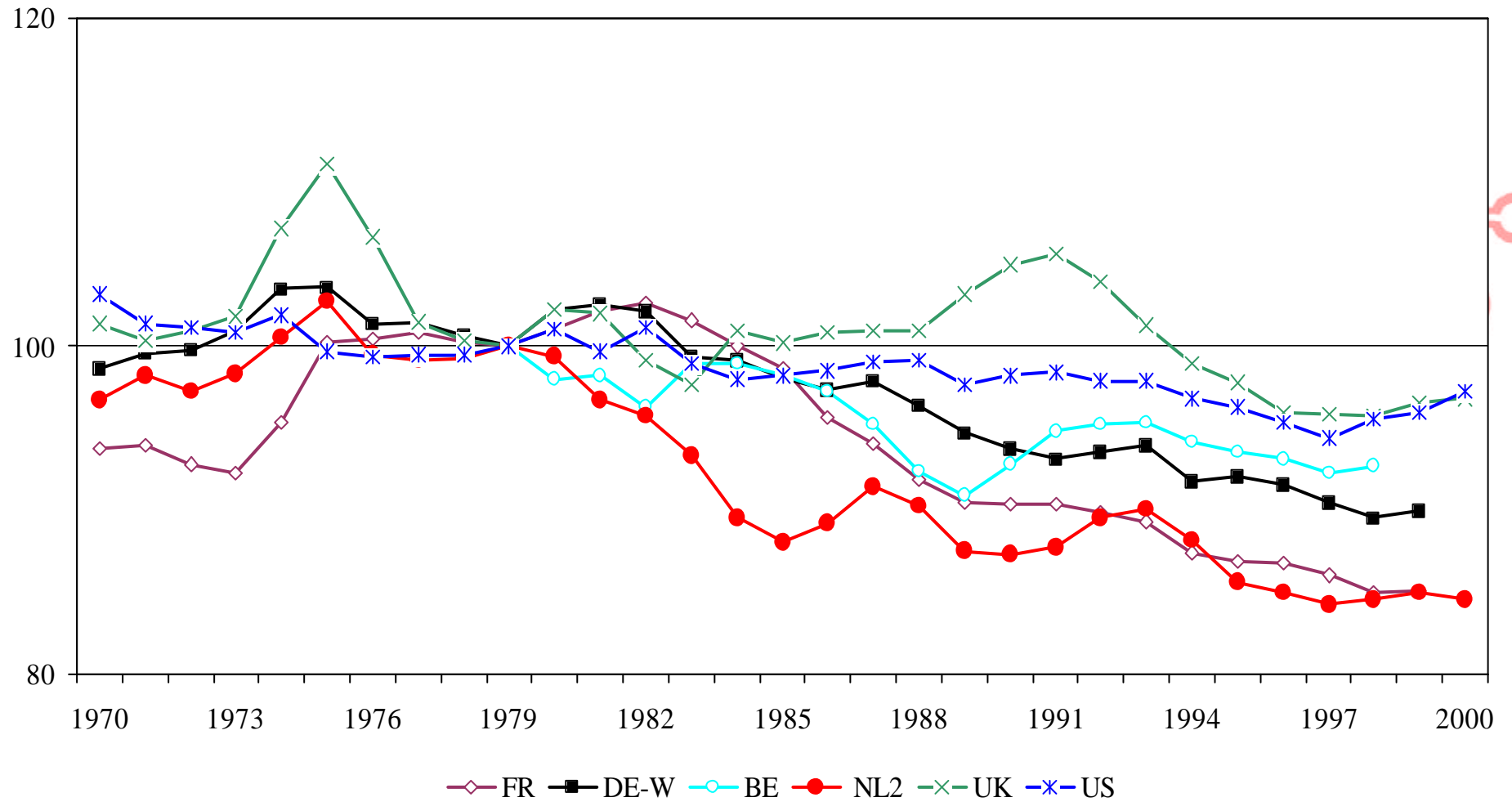
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HOURLY WAGE TO GDP-PRODUCTIVITY, 1979=100 (AUG2002)



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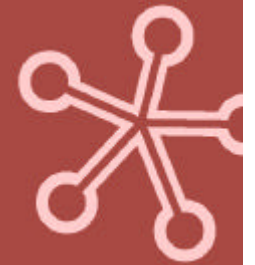


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c. Differentials are not negligible in Europe, and they are equally important for low-wage and high-wage labour markets





Pay penalties for same characteristics in Retail to Average at points in the wage distribution

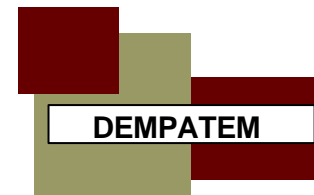
	US			DE		
	1979	1990	1997	1979	1990	1997
D2	-0.083	-0.154	-0.125	-0.168	-0.144	-0.117
D5	-0.125	-0.179	-0.180	-0.167	-0.147	-0.128
D8	-0.132	-0.181	-0.192	-0.150	-0.151	-0.150
	FR			NL		
	1982	1991	1995	1979	1989	1996
D2	-0.079	-0.088	-0.076	-0.121	-0.144	-0.187
D5	-0.118	-0.114	-0.123	-0.143	-0.156	-0.178
D8	-0.138	-0.111	-0.143	-0.159	-0.148	-0.162



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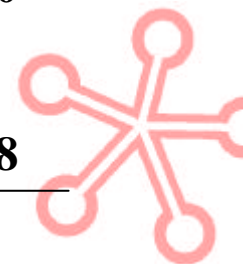
d. Enterprises do not necessarily need large individual wage flexibility for flexible wage costs: picking the work force





Decomposition of wage difference in Retail to Average at the median wage

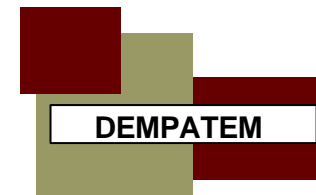
Rewards	Comp.	Interac	Tot	Rewards	Comp.	Interac.	Total
	<i>USA 1979</i>	.				<i>DE 1979</i>	
-0.13	-0.24	0.03	-0.34	-0.11	-0.16	-0.02	-0.30
	<i>1997</i>					<i>1997</i>	
-0.17	-0.25	0.04	-0.38	-0.13	-0.16	0.01	-0.28
	<i>FR 1981</i>					<i>NL 1979</i>	
-0.09	-0.10	-0.00	-0.19	-0.09	-0.29	-0.02	-0.40
	<i>1995</i>					<i>1996</i>	
-0.13	-0.12	0.01	-0.24	-0.16	-0.38	-0.01	-0.56
	<i>UK 1989</i>						
	-0.50	0.02	-0.60				
-0.12	<i>1998-2001</i>						
-0.17		0.04	-0.56				
	-0.43						



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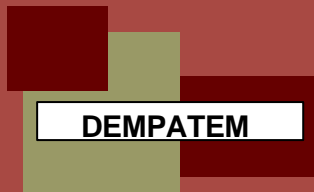


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e. Individual wage flexibility does not automatically generate jobs



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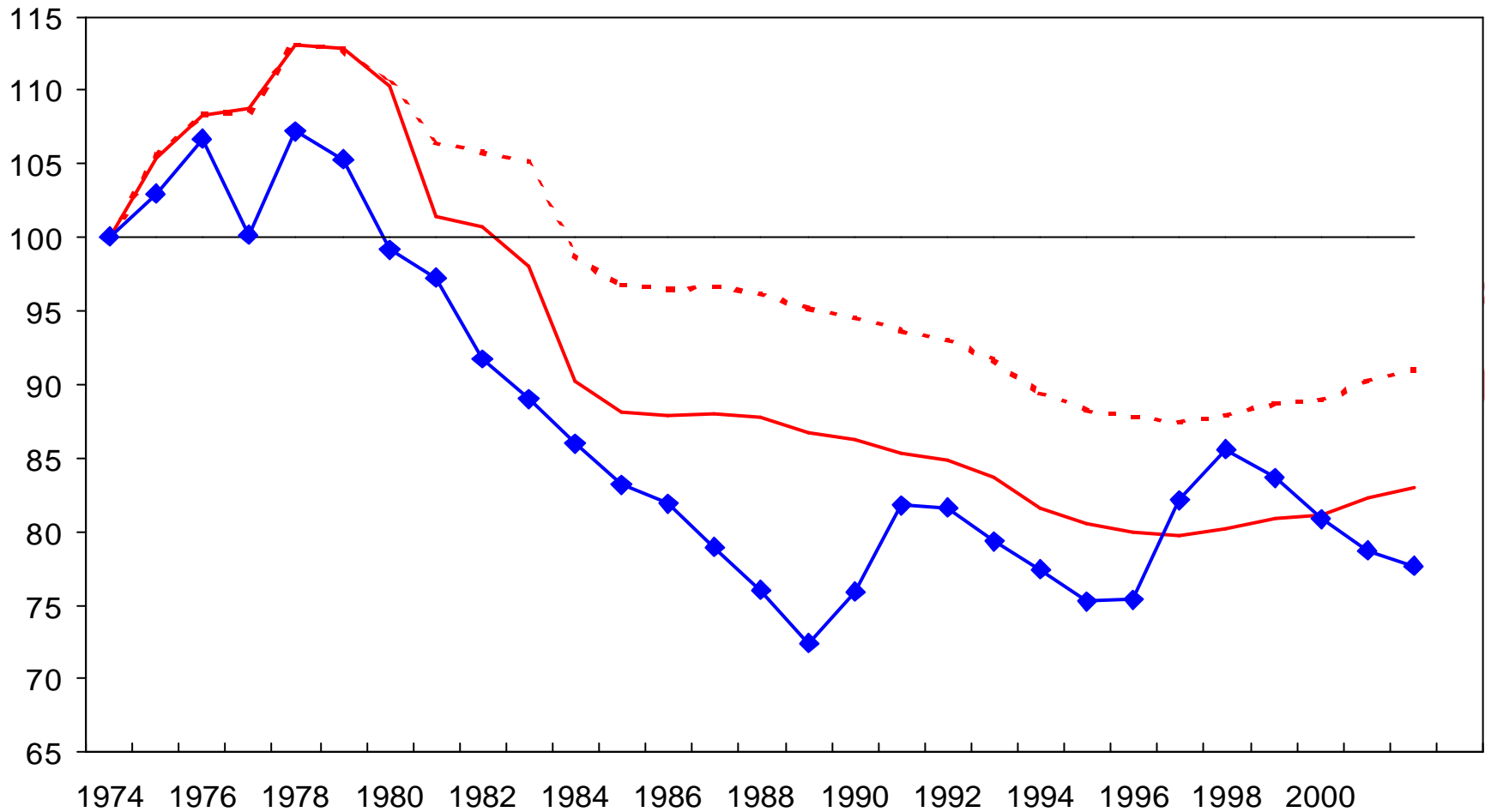
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FIGURE 4 DUTCH AND AMERICAN REAL MINIMUM WAGES, 1974-2002, 1974=100
CPI-Urban wage earners etc., 1982-84=100



— AVERAGE MW

- - - ADULT MW

—◆— US MW

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Inequality and employment growth

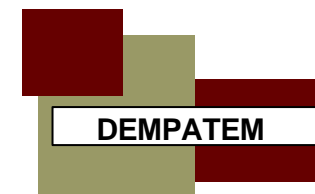
	1979–85		1985–89	
	US	NL	US	NL
Employment	+9	0	+10	+10
A. Macrolevel inequality				
Total (D9:D1)	+16	-4	+7	+5
B. Simulated inequality				
Total (D9:D1)	+5	+17	+1	-4

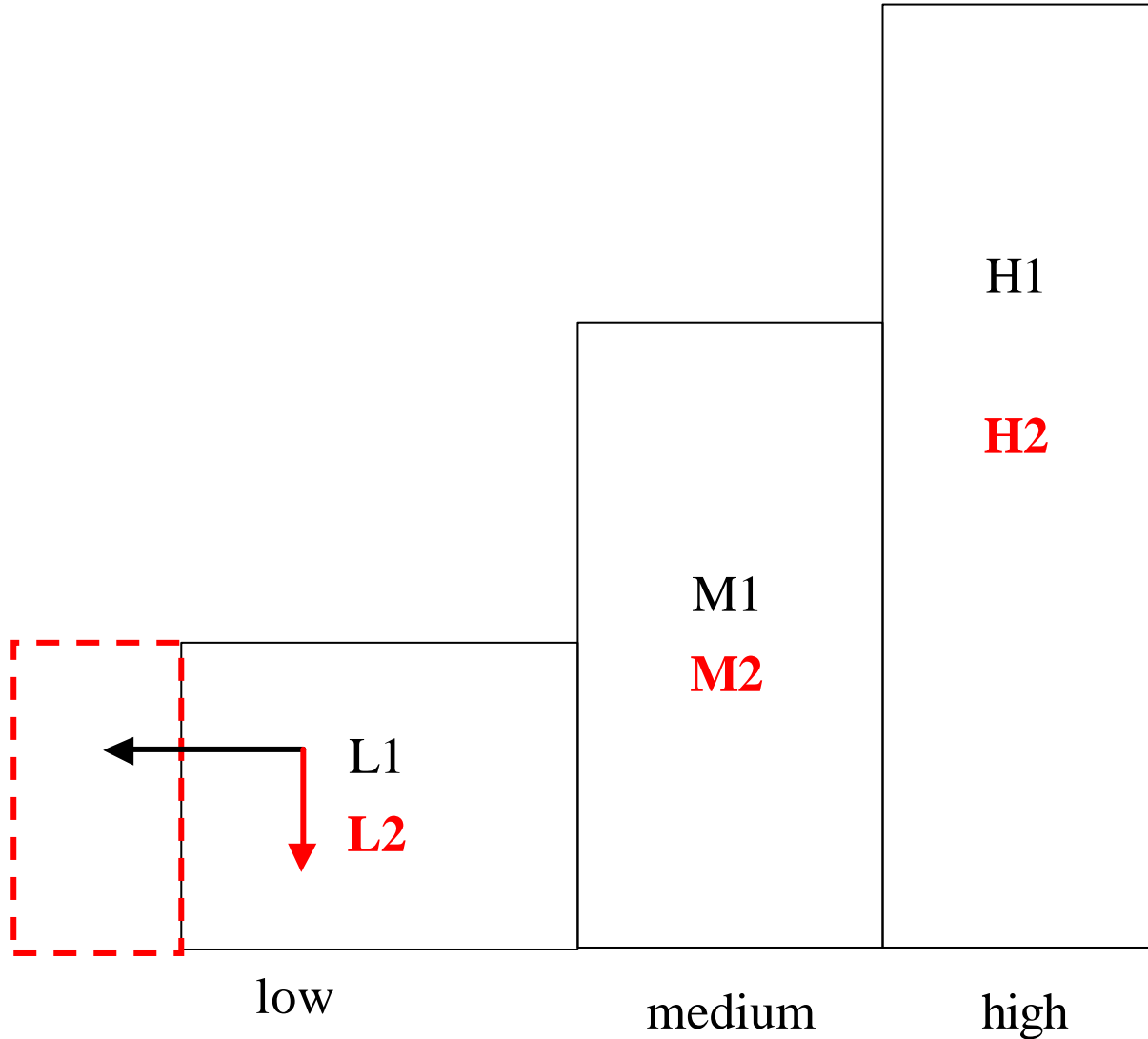


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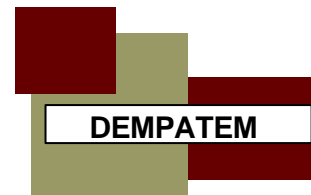




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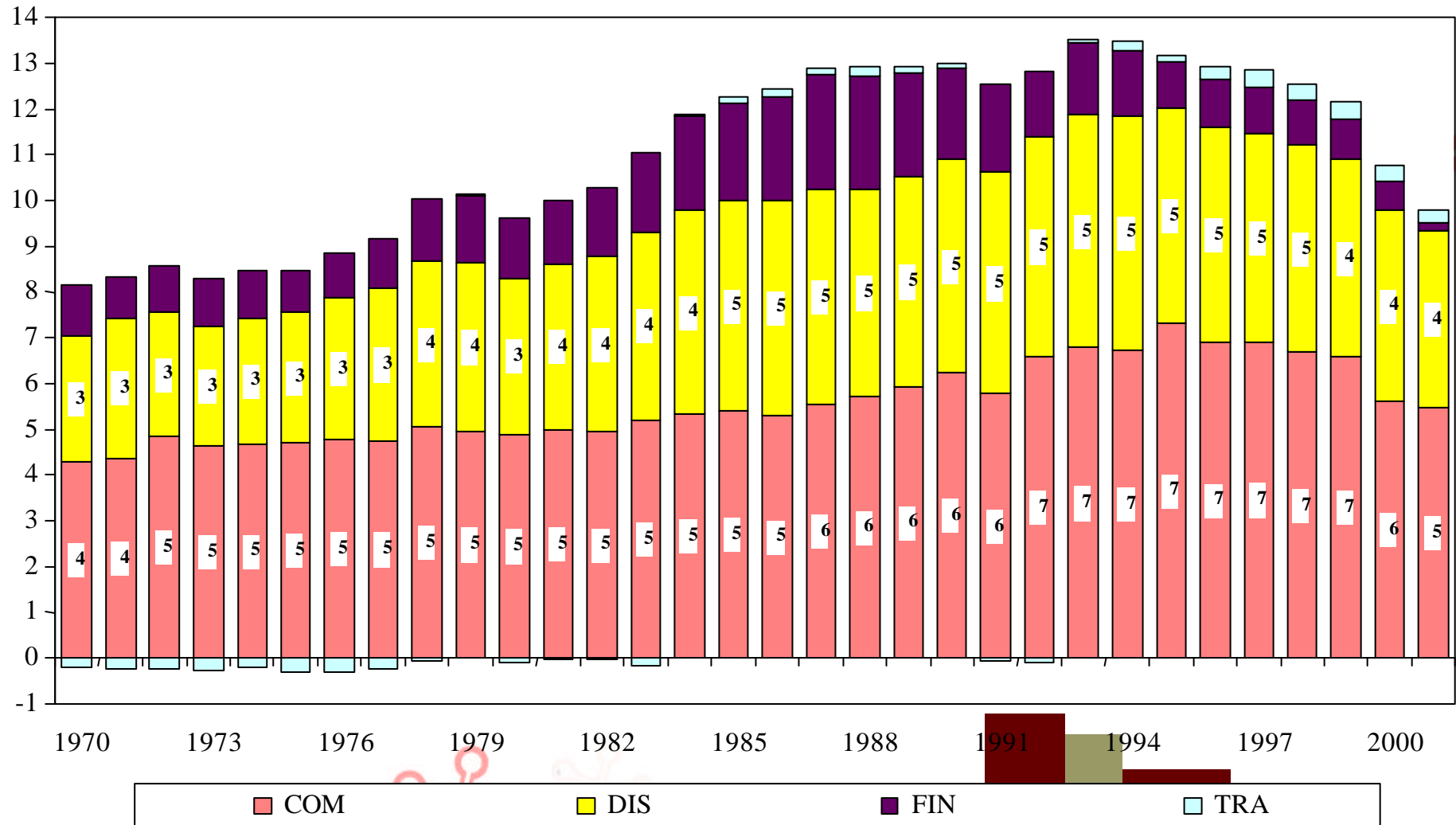


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Services employment gap: US – EU **services** (EPOP)



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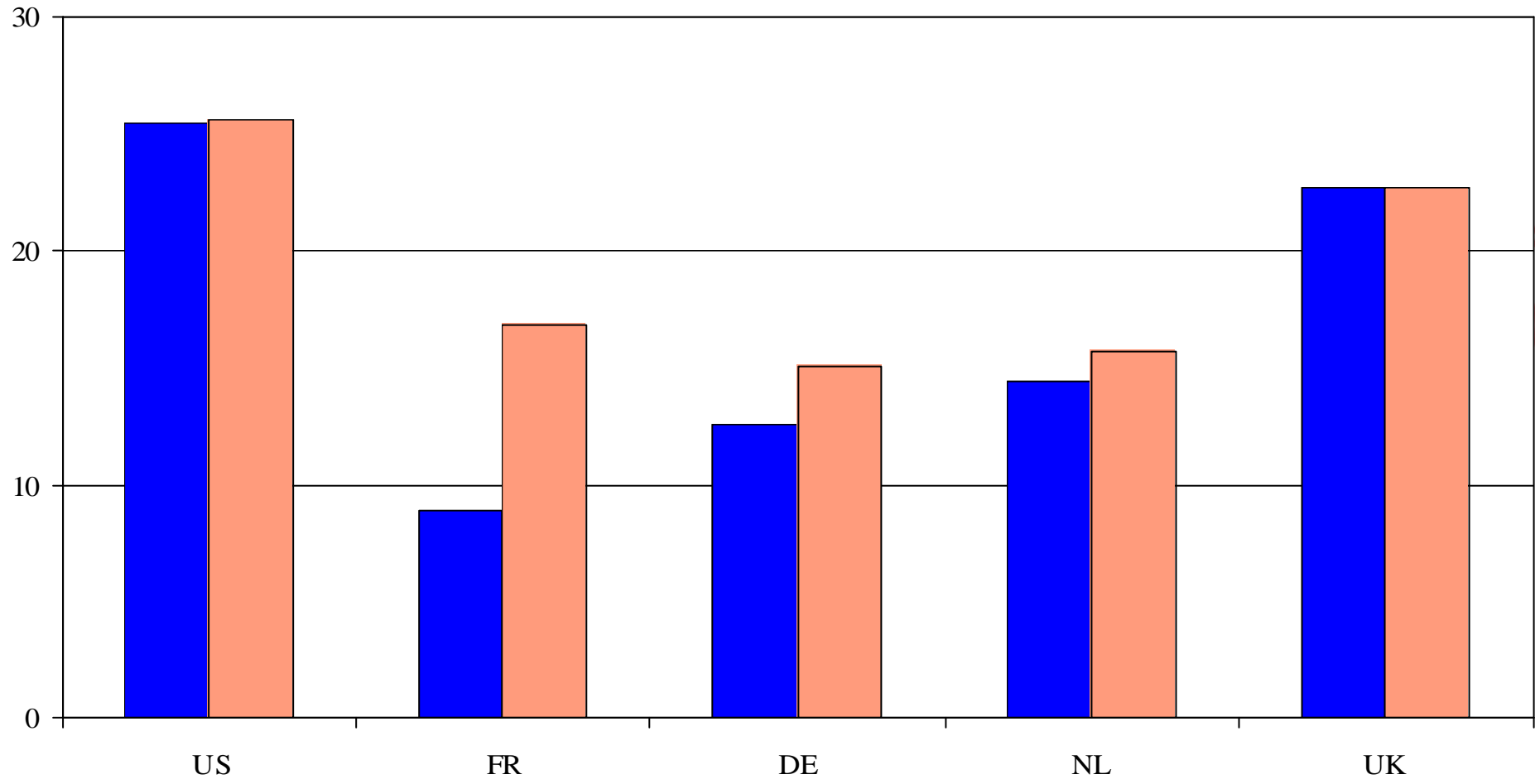
2) Low-wage employment and women

- a. High-wage gap to US
- b. American women have high-wage jobs
- c. Part-time jobs correlate with low pay
 - Contribute to skills competition
- d. Part-time-isation of low-paid jobs





Incidence of low pay and high pay (% FTE employment), 1996



■ LOW

■ HIGH

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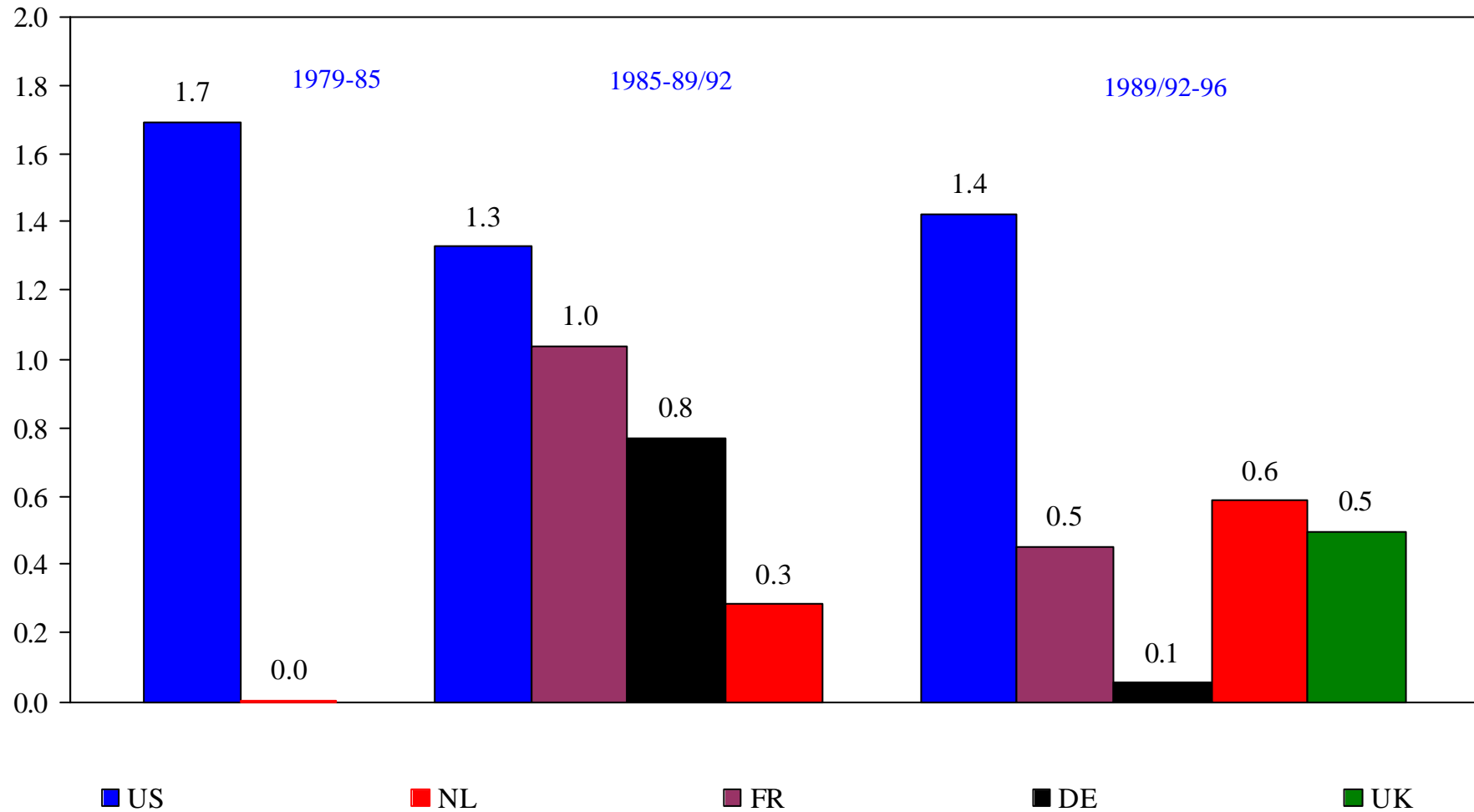


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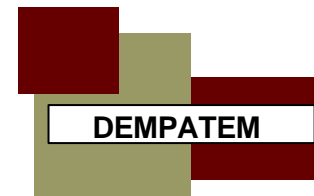
Growth of female *high*-wage employment, 1979-1996 (% of population)



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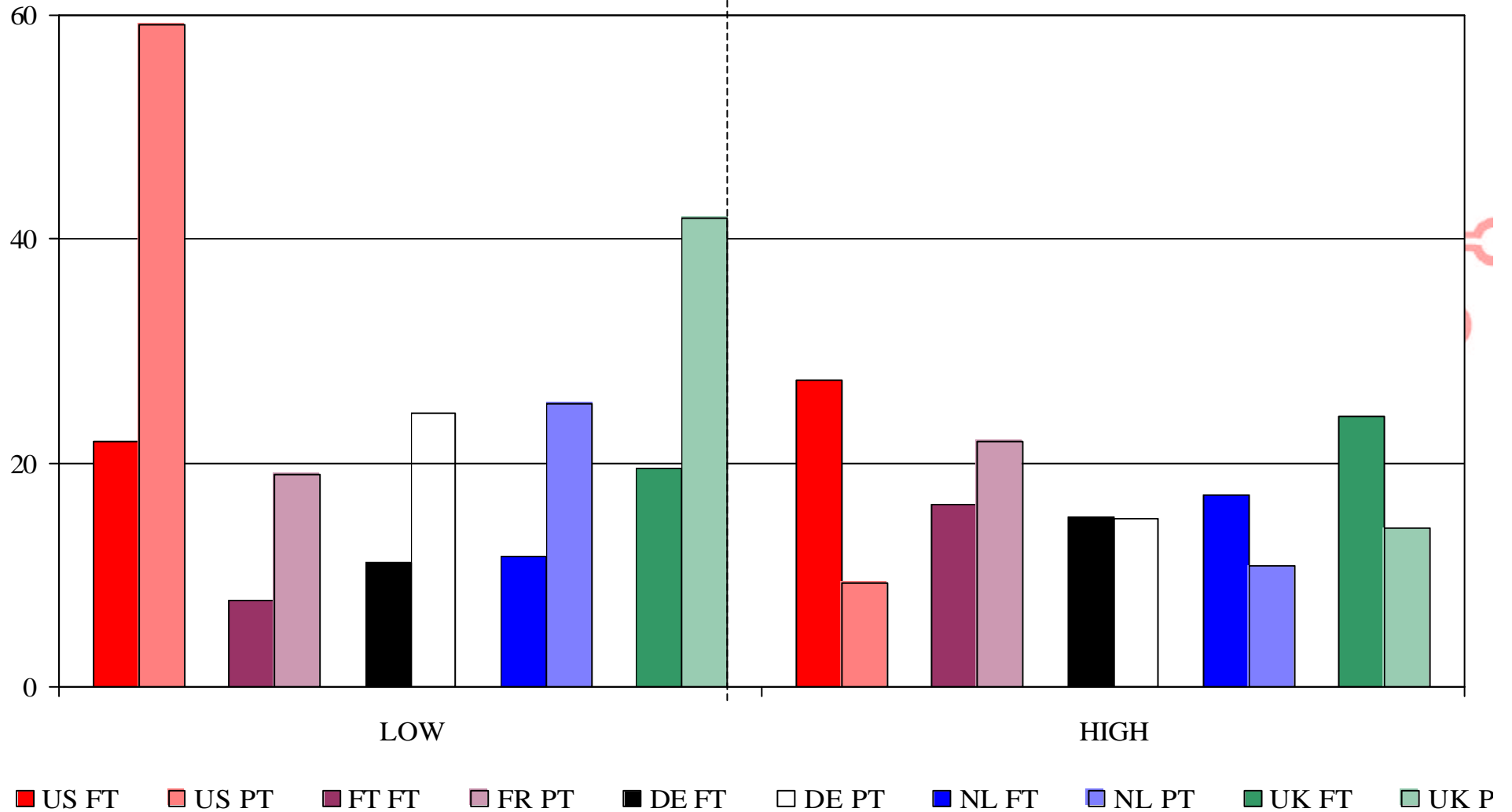


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Incidence of low pay and high pay in FTE-employment, 1996 full-time and part-time jobs



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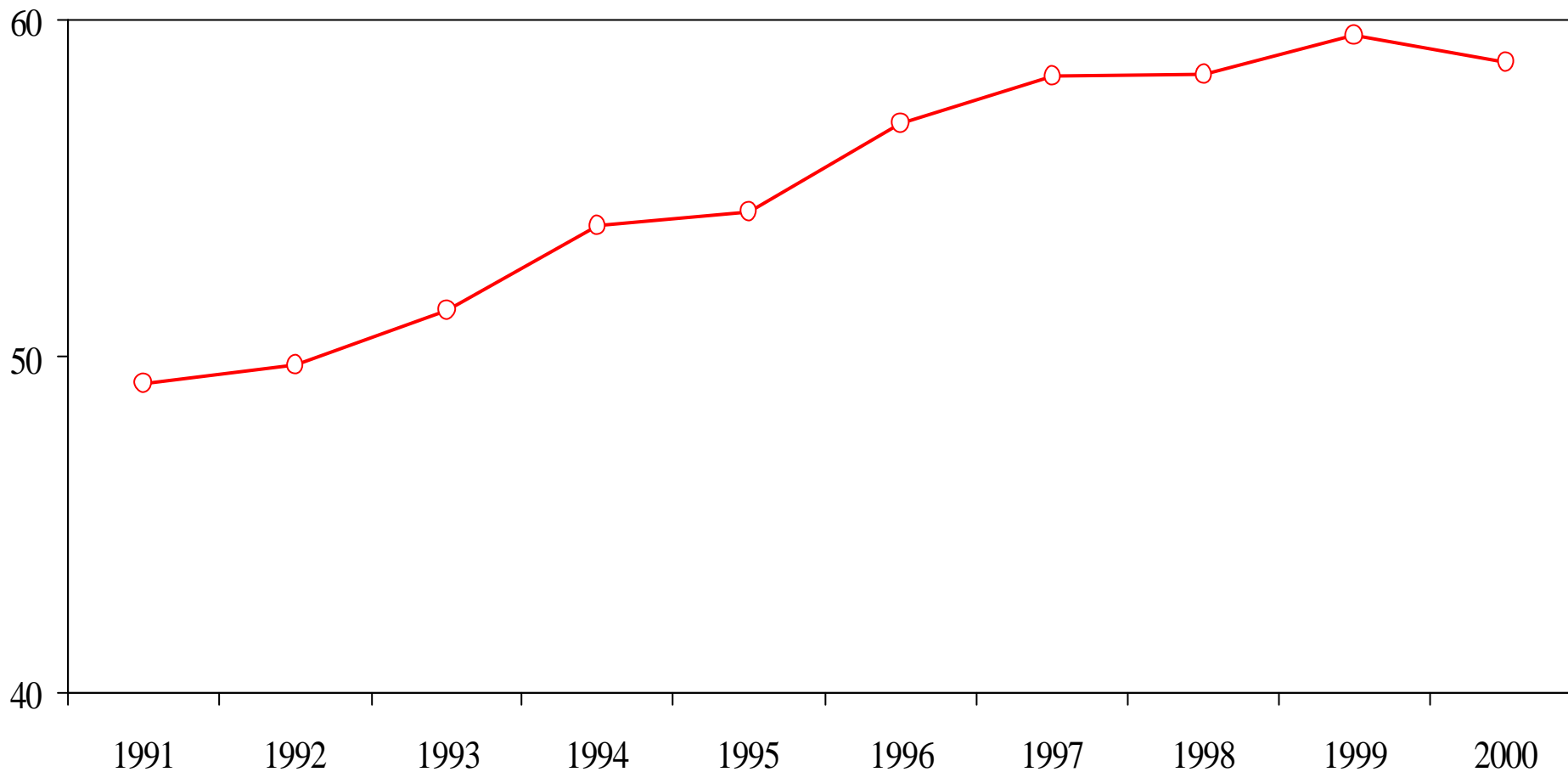


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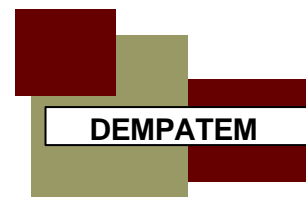
SHARES (%) OF PART-TIME JOBS IN LOWEST QUARTILE OF JOBS BY HOURLY PAY, HEAD COUNT



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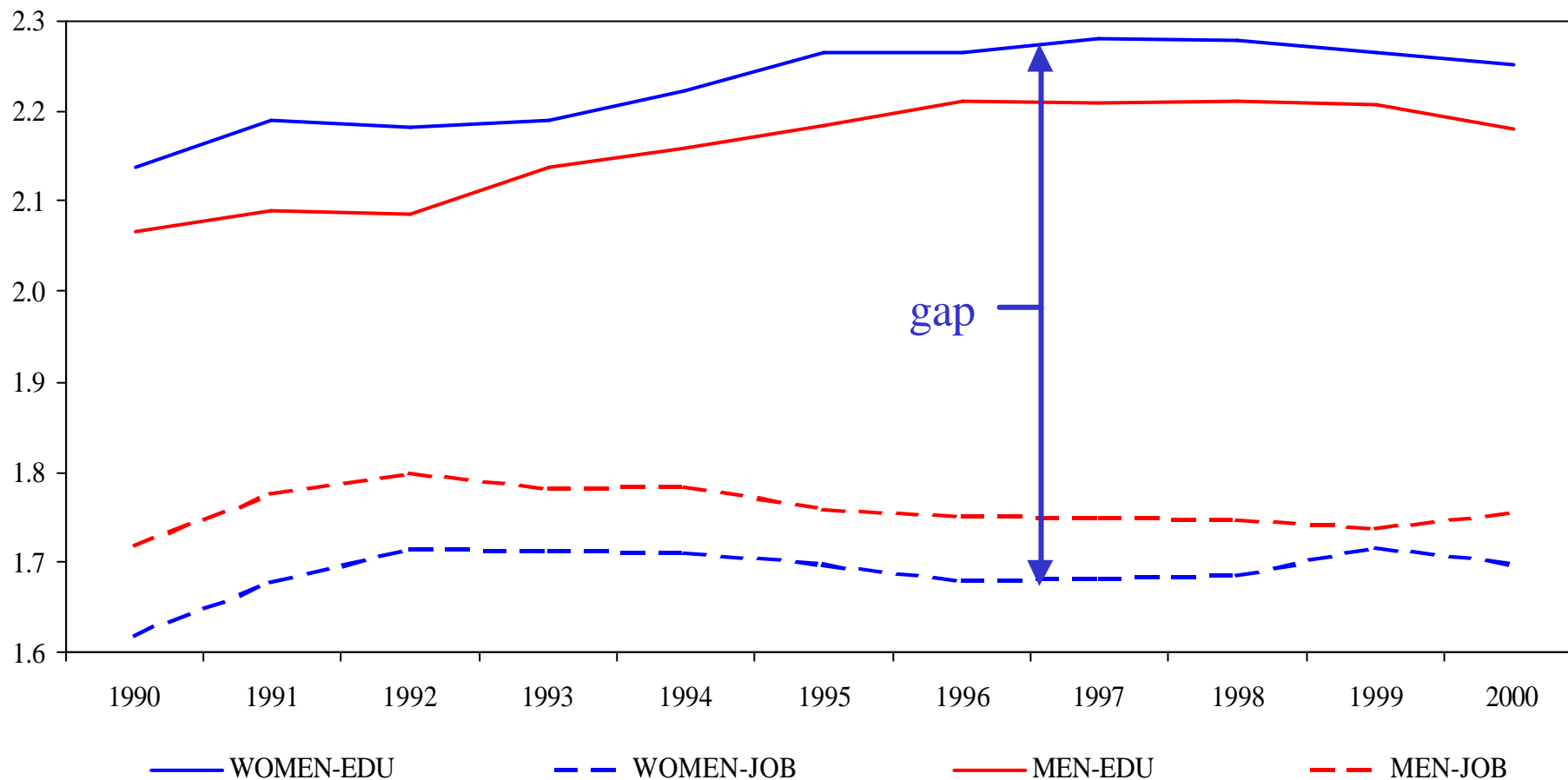


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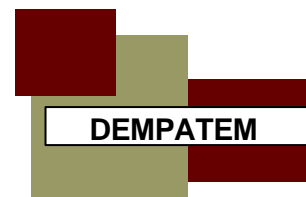
AVERAGE EDUCATIONAL LEVEL AND JOB-LEVEL IN 1ST EMPLOYMENT-QUARTILE BY JOB-LEVEL AND GENDER (>12 HOURS)



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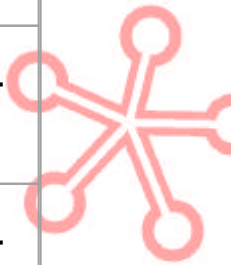
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Actual and simulated wage inequality, NL

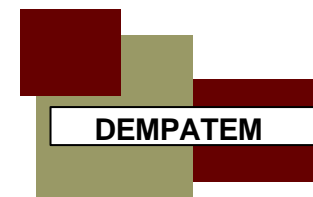
A. Inequalities	D9:D1	D9:D5	D5:D1
a. Original 1979	2.52	1.64	1.54
f. Original 1989	2.53	1.65	1.54
g. Simulated 1989 onto 1979	<i>2.81</i>	<i>1.60</i>	<i>1.75</i>
h. Effect of differentials change	112	98	114
i. Other effects	90	103	88



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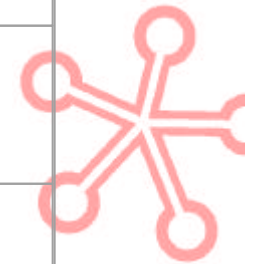
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Actual and simulated wage inequality, NL and US

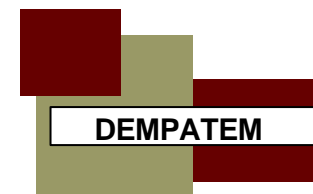
A. Inequalities	NL	US	
a. Original 1979	2.52	3.47	
f. Original 1989	2.53	4.30	
g. Simulated 1989 onto 1979	2.81	3.68	
h. Effect of differentials change	112	106	
i. Other effects	90	117	



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Pay, flexibility and the Task Force

- Europe is seems sufficiently flexible and flexibility in itself does not further job growth
- Low pay is not the answer
- *Stimulate growth of high-wage work for women, possibly part-time*





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