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Author Y. Hu  
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# Chapter 7

## Summary

### 7.1 Summarizing the findings

The past few decades saw the unfolding of major changes in European labour markets. While the labour markets continued to produce full-time stable jobs, diversification of forms of employment has been on the rise. Among a number of non-standard types of employment, part-time employment and fixed-term contract jobs have received a great deal of attention. At the same time, changes in industry structure, the fall in fertility and the increased level of education have enabled women to become more integrated into the labour markets. However, women do continue to participate in the labour force in ways that differ from men. One point of difference is that women are predominant in part-time employment, reflecting their greater efforts to balance work and family. Another point of difference is that women on average still earn less than men, although the gender wage gap is narrowing over time. Changes also relate to young people because statistics show that their proportion in the labour markets is decreasing. Compared to that of the older generation, the profile of education of young workers has improved significantly. Due to technological progress, the requirement of relevant workplace skills for younger workers has increased.

The impacts of these structural changes in the labour markets are wide and deep. My study touches on a number of important issues. These include: part-time employment, fixed-term jobs, the gender wage gap and cross-cohort wage differentials. Analysing the wage differentials is the major theme in this thesis. The main papers in this thesis are written based on empirical research using data sets for the Netherlands and the UK.

For most EU member countries, the flexibilization of the labour market and the expansion of various forms of non-standard employment have been used by governments

as a means of improving the efficiency of the labour market and tackling the problem of persistent unemployment, as well as coping with increasing global competition. This background is highlighted at the beginning of Chapter 2. The main purpose of Chapter 2 is to set the scene for the analyses in Chapters 3 and 4.

The figure in Chapter 2 reveals that the growth of part-time jobs is far from even across different countries. The high level of part-time employment in the Netherlands has been in stark contrast to the relatively low incidence of part-time employment in southern European countries. It has been argued that such a divergence at the national level can be partially explained by referring to the background of the specific national institutional setting. For example, in the Netherlands, a series of active measures have been taken to promote the development of part-time jobs since the 1980s. These measures have been carried out by the Dutch government in cooperation with social partners. The comparisons across the countries show the importance of taking into account the specific national institutional contexts and societal differences when explaining the development of non-standard forms of employment across different countries.

Using the European Community Household Panel, Chapter 3 makes a comparative study of part-time work in the Netherlands and the UK. The results of estimating the ordered probit model demonstrate that in both countries women have higher likelihood of working part-time than men; marriage and the presence of children increase the probability of taking up a part-time job. Moreover, there is evidence that women in the Netherlands are more likely to work part-time than their counterparts in the UK. Such a difference is interpreted against the background of institutional contexts and the societal differences between two countries.

In Chapter 3, the results of estimating the wage equations and decomposing the wage differentials show that, despite a significant proportion of workers taking up part-time jobs in the Netherlands, the wage differentials between part-time and full-time workers are considerably smaller than those in the UK. In the UK, little difference in hourly wages exists between short part-time and long part-time workers, implying that they both suffer relatively larger wage penalties. In the UK, workers in part-time jobs are more likely to have lower levels of education; moreover, they acquire less job training in comparison with full-time workers. The protection of low-paid workers in the UK has

lagged behind the development of the labour market. It was not until 1999 that the National Minimum Wage was introduced in the UK. Although the National Minimum Wage has benefited low-paid workers, the strength of a hierarchical society makes part-time workers more vulnerable to discrimination.

A fixed-term contract is a type of contract that expires on a certain predetermined date. The delimited character and the relatively shorter duration of the contract might give rise to a sense of insecurity and precariousness. In view of this, one would expect that those in fixed-term employment would demand compensation in the form of higher wages. Using the AVO data, Chapter 4 examines fixed-term jobs in the Netherlands and explores two main issues: first, who is more likely to take up fixed-term jobs? Second, to what extent is the wage level of fixed-term workers comparable to that of full-time workers? The results of estimation reveal that, although in general men are less likely to work on a fixed-term basis, there is evidence that young men constitute a higher proportion of workers on a fixed-term basis than young women. For those who re-enter the labour market for various reasons, the job interruption makes it more difficult to find a permanent job. As expected, working in hotels, restaurants and catering increases the probability of having a fixed-term job.

Fixed-term contracts provide firms with some flexibility to hire and fire workers in response to market fluctuation. But this flexibility comes at a price, which is the cost of the relatively lower wages of fixed-term workers. In Chapter 4, the estimated wage equations demonstrate that in the Netherlands those in fixed-term contracts suffer a wage penalty. Moreover, this penalty is greater for men in fixed-term jobs than for women in the same situation. Hence, it costs more for men than for women to have fixed-term contracts.

It is fair to say that the increasing use of non-standard forms of employment in the past two decades has provoked numerous discussions about the disadvantages of this type of work. In contrast to this, the discussion of the gender wage gap has a much longer history. Using the latest British Household Panel, Chapter 5 investigates the gender wage gap during the 1990s in Great Britain. The analyses consist of two parts: the first part is the decomposition of the gender wage gap; the second part involves decomposing the changes in the gender wage gap. Although the British government has taken a series of

measures to ensure that female workers are treated equally in the labour market, the gender wage gap still existed during the 1990s. The results of decomposing the gender wage gap show that the gendered differences in returns to the observed characteristics played a significant role in shaping the gender wage gap during the 1990s in Great Britain. The results have identified the need for policy-makers to continue to combat the persistent gender wage gap. The policy solutions from this perspective should involve reducing regional wage differentials, as this was one of the largest factors contributing to the gender wage gap during the 1990s. The government also needs to provide more public childcare services to support married women in committing themselves to their paid work. As such, women can increase their labour market attachment, and thus invest more in firm-specific skills that can raise their rewards for experience.

The changes in the gender wage gap during the 1990s in Great Britain are also examined in Chapter 5. When examining such change, the JMP method developed by Juhn, Murphy, and Pierce (1991) is used. The change in the gender wage gap is decomposed into gender-specific and wage structure parts. The gender-specific part refers to the changing differences in observed and unobserved characteristics, while the wage structure part reflects the effect of the changing prices of observed and unobserved characteristics. The results show that between 1991 and 2000, the changes in the gender-specific factors worked to narrow the wage gap, while the changes in the wage structure served to widen the gap. Another finding is that the effect of wage structure played a smaller role in widening the gender wage gap during the 1990s than in the 1980s. It has been argued that such a difference can be explained by a slower pace of labour market institutional reforms during the 1990s relative to that in the 1980s when Margaret Thatcher was prime minister.

As in other European countries, the British labour force is ageing. In addition to the changing composition of the labour force, the improved education level of young workers and technological advances might also influence the wage level of recent cohorts of workers relative to that of earlier cohorts of workers. Chapter 6 uses the General Household Survey to inspect the cross-cohort wage differentials of male workers during the past two decades in the British labour market.

It has been shown that, during the past two decades, recent labour entrants were paid more highly than earlier cohorts, and this pattern holds true for all education groups. Comparisons across different education groups suggest that this cohort-specific effect was greatest for those with A level. The results show that the age-earnings profiles have been becoming flatter for more recent cohort groups; the magnitude of the flattening age-earnings profile was larger for those with A or O level qualifications. The role of cohort effects is further investigated by estimating an interquantile regression within each education group. The results indicate that recent cohorts of highly educated workers experienced faster growth in the 90–10 wages differentials than earlier cohort groups. Among those without any qualifications, more recent labour entrants had higher 90–10 wage differentials, but they experienced slower growth in the 90–10 wage differentials over time than earlier cohorts.

In Chapter 6 the education-related wage differentials across cohorts are also examined. The study focuses on the wage gaps between highly educated workers and those with A level qualifications, and between highly educated workers and those with lower educational background (including O level and no qualifications). For A level workers, although more recent labour entrants had a lower wage gap, they faced faster growth in the wage gap over time than earlier cohorts. On the other hand, for those with lower levels of education, recent cohorts of workers appeared to have a higher wage gap at entry to the 'mature labour market', but they experienced slower growth in the wage gap as they aged than earlier cohorts.

## **7.2 Future research**

At the end of Chapters 3 and 4, some aspects of my future research are mentioned. In what follows, I will discuss my future research related to Chapters 5 and 6.

Most of the analyses in Chapter 5 focus on full-time workers in the UK. This focus makes it possible to control for the impacts arising from different working time arrangements. One could argue that because women are predominant in part-time employment, the overall gender wage gap is also affected by the lower wages of part-

time workers. A number of studies have shown that low-paid part-time jobs are the important factor in shaping the overall gender wage gap in the UK (see, e.g. Lissenburgh, 2000; Walby and Olsen, 2003). Indeed, taking into account different working time arrangements can shed more light on the causes of the overall gender wage gap. The simplest way of taking account of the impact of part-time work is to design a dummy variable when estimating the wage equation. However, under the framework of panel estimation, difficulties might arise when explaining the estimated coefficient of this dummy variable. For example, Swaffield (2000) used the BHPS 1991–1997 to estimate the female wage equation. The results based on both fixed effects and random effects models revealed a significant and positive coefficient of the part-time dummy, implying that part-time workers in the UK earned at a higher wage rate than full-time workers. Alternatively, one can use the predicted probabilities of one's working part-time to replace the dummy variable of part-time work. This method allows us to control for the sample selection problem. Nevertheless, how to use the part-time dummy correctly under the panel estimation framework needs to be further investigated.

Another topic for my future study related to Chapter 5 is the technique used to decompose the gender wage gap. To the best of my knowledge, most researchers employ cross-sectional data for a specific year to decompose the gender wage gap. From a historical perspective, cross-sectional data was the main source for empirical research during the 1970s when the Oaxaca method was invented. Nowadays, more and more panel data sets are available. In this situation, it would be extremely interesting to study how to make full use of the characteristics of panel data to analyse the gender wage gap, including how to use panel data to analyse the change in the gender wage gap. In my opinion, it is not a big problem to use panel data to estimate the wage equations (when decomposing the gender wage gap, the first step is to estimate the wage equations). The key point is how to identify the contribution of each factor in the panel-estimated wage equation to the gender wage gap.

Chapter 6 studies the changes in men's wage distribution and the cohort effects. The research can be extended to how the cohort effects influence the wage levels of female workers in Great Britain. As in most European countries, the participation rate of British women in the labour force has increased consistently over time. On the one hand,

declining fertility and smaller families enable women to work longer hours outside the home; on the other hand, the increasing flexibility of the labour market offers them a certain diversity of forms for reconciling family and working life. The old pattern for women of work until marriage and then permanent withdrawal from the labour market has changed dramatically. As a result, for recent cohorts of women, their labour market attachment has increased compared with that of women in earlier cohort groups. In addition, younger women have grabbed more opportunities to enhance their human capital; the increasing level of education can push up women's wages. Another factor that could affect the cross-cohort wage differentials is the size of the female labour force. Nevertheless, it would be interesting to investigate how the integration of women into the labour market, the increase in women's education attainments and the change in the size of the female labour force impact upon the generational wage differentials of women in Great Britain. Such a study could reinforce our understanding of how the evolving role of women in the economy influences women's labour market position, and should be able to identify the need for coordinated policies for further improving women's social economic status.

