Proposed Research on Low pay and minimum wages

Research on low pay, and on the impact and effectiveness of minimum wages in various EU member states, generally relies on data obtained in household surveys. This can be rich in terms of information on key individual characteristics such as age, gender and education, limited in terms of information on job characteristics, and very limited in terms of firm characteristics. This means that much interesting work can be done on low pay using the ESES establishment data, to complement this individual perspective. This will be particularly valuable if combined with a harmonised household survey dataset, which fortunately is now available in the form of the European Community Household Panel Survey (ECHP).

The first task is to compare the extent and nature of low pay shown by these alternative data sources, and seek to reconcile them. This can build on work already done in a report for DG Employment by Nolan, Salverda, Maître and Muhlau (2000) comparing the pattern of low pay shown in the ESES and ECHP, but which was based on special tabulations from the ESES rather than direct access. This showed the broad patterns of low pay and earnings dispersion shown by these two data sources to be generally consistent with each other and with what is known from other sources, but with serious divergences for some compositional variables and for certain countries. A more detailed comparison will be possible now given direct access to both datasets, and will allow such divergences to be more fully explored and their implications for analysis of the ESES in particular understood.

The next task will be to use both the ESES and ECHP to estimate econometric models of the characteristics affecting the likelihood of being low paid. This will allow the explanatory power of the different range of variables available in the two datasets to be compared, and the relative importance of individual versus firm/sector-specific factors to be assessed. Comparisons across the member states of the role of different factors, and the extent to which these operate in the same way in different institutional and labour market settings, is likely to be particularly illuminating. The role of earnings dispersion within and between sectors, both in low pay and in the overall extent of earnings inequality, will be of particular interest.
Finally, the focus will be more directly on institutional factors such as minimum wage regulations and bargaining coverage. It may be difficult to capture often complex minimum wage-setting regulations in a way that can be applied to the dataset at hand, but efforts will be made to do so in least some countries. The aim will be to investigate the effectiveness of various minimum wage regulations in limiting the extent of low pay, and in particular to see where having information about the characteristics of the firm and the sector add to our understanding of the operation of minimum wages in a comparative perspective.