

Working part-time and caring in Europe: short and medium term effects on the employment and wage career

Paper to be presented at the GSOEP conference in Berlin, July 2008

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Abstract

We use the three long-running national panel studies – for the Netherlands, the UK and Germany – to study the long-term effects (ten years) of part-time work on the future career. Part-time employment is becoming an increasingly common phenomenon in Europe. Although the majority of male workers are employed in full-time jobs, a substantial and increasing fraction of the female labour force is working shorter hours in Europe. The divergence across EU Member States, however, is large. The three countries share a common feature in that part-time employment is widely spread (among females at least). Particularly, the Netherlands is known as being “the first part-time economy in the world” as some scholars have called it (Visser, 2002). The three welfare states also have quite diverse policies with respect to supporting working mothers in the domains of income and labour market. Previous research has shown that the birth of a child does have a much larger effect on the labour market participation of females than of males (Fouarge and Muffels 2006, Dekker et al., 2000). Males tend to work full-time and are less inclined to adapt their behaviour due to the birth of children. Our estimates derived from another paper (Fouarge and Muffels, 2006) show that net of observed and unobserved characteristics, childbirth has a negative effect on annual earnings and on the hourly wage.

Similar conclusions might be drawn from the existing evidence presented in another paper using the ECHP (Fouarge and Muffels, 2006). In that paper it is found that the effects of childbirth on future labour market participation are markedly different across countries and welfare regimes. In Continental but also in Anglo-Saxon countries a higher proportion of women tend to withdraw after childbirth than in social-democratic countries but the pace of recovery from the initial drop is also stronger, particularly in the UK (see Fouarge et al., 2006). When children grow older more women tend to alter their labour market position. After an initial exit, they are likely to re-enter paid employment, or if they did not exit, to move from part-time into full-time. The patterns for males are rather different, for them part-time work seems to be a transitory state towards full-time employment.

The research questions to be tackled in the paper are therefore threefold:

1. To what extent is part-time employment a permanent state? Or to put it otherwise, do part-time workers stand a chance in obtaining employment positions with more hours?
Obviously when dealing with this question, it is crucial to deal with individual preferences and labour market constraints. While these are not measured directly in our data, we use a detailed household structure variable to account for them.
2. To what extent does part-time employment in the past have a scarring effect on the current wage level? More precisely, what is the impact of a history of part-time employment on the current wage? If part-time employment is indeed ‘scarring’, one would expect that employed persons with part-time employment experience end up with lower wages, even after returning to full-time employment.
3. Which differences are to be found across the three welfare states in the so-called ‘scarring’ effects of past part-time employment on the current employment and wage position? What is the key factor in explaining the different patterns across the three countries, and which role is played by the labour market itself or the supporting

institutions for working mothers in fulfilling their preferences with respect to their working and caring duties?

We employ competing risks models which allow for distinguishing between the various origin and destination states and which also permit to examine to what extent the transitions over time are dependent on the duration of employment in the part-time job. We explicitly account for different pathways out of part-time employment into full-time employment, unemployment and/or inactivity (withdrawal from the labour market). Following Stevens (1999) and Jenkins and Rigg (2001) we specify a discrete time hazard rate model, which estimates the probability of making a transition from part-time employment into the destination statuses and its dependence on elapsed time. We use the standard Weibull specification for the distribution of the time dependency of the hazard rate. We measure the probability that the transition will occur in the period from now to five or ten years later, given that it has not occurred already up to time t . It allows us to examine the duration or path dependence of transitions out of part-time employment into other employment statuses. Our main interest goes to the 'scarring' effects of part-time employment on the transitions into full-time employment and on the wage later in the career (here 5 and 10 years later).

For the effect on future wages we estimated two models for explaining the current hourly wage level as a function of the part-time work history and the hourly wages ten years earlier. Model 1 estimates the overall effect of past part-time work on the current wage level whereas Model 2 focuses on the effect of a part-time work history after a successful re-entry into full-time employment. The models were estimated for males and females separately.

We find adverse effects of having worked part-time in the past ten years on the hourly wage. These effects are even stronger in the British case than in the Dutch case, especially for males, but also for females. When part-time working males do return to a full time job and stay in full-time employment for the five following years, the negative effect of part-time work experience on the wage level disappears for males. That is not the case for females although the negative effect becomes smaller. Each year in part-time employment is estimated to reduce the gross hourly wage of a full-time working British female by 2.3%. The findings therefore confirm the existence in the Netherlands and especially UK of a scarring effect of part-time work history for females, even after their return into full time employment.

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