

Gerhard Bosch

**Low wage work in five European countries and the
US**

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Prof. Dr. Gerhard Bosch
Institut Arbeit und Qualifikation
Lotharstr. 65, LE, 47057 Duisburg
Tel.: +49 203 / 379 1827; Fax: +49 203 / 379 1809,
Email: gerhard.bosch@uni-due.de ; <http://www.iaq.uni-due.de/>

Low wage work

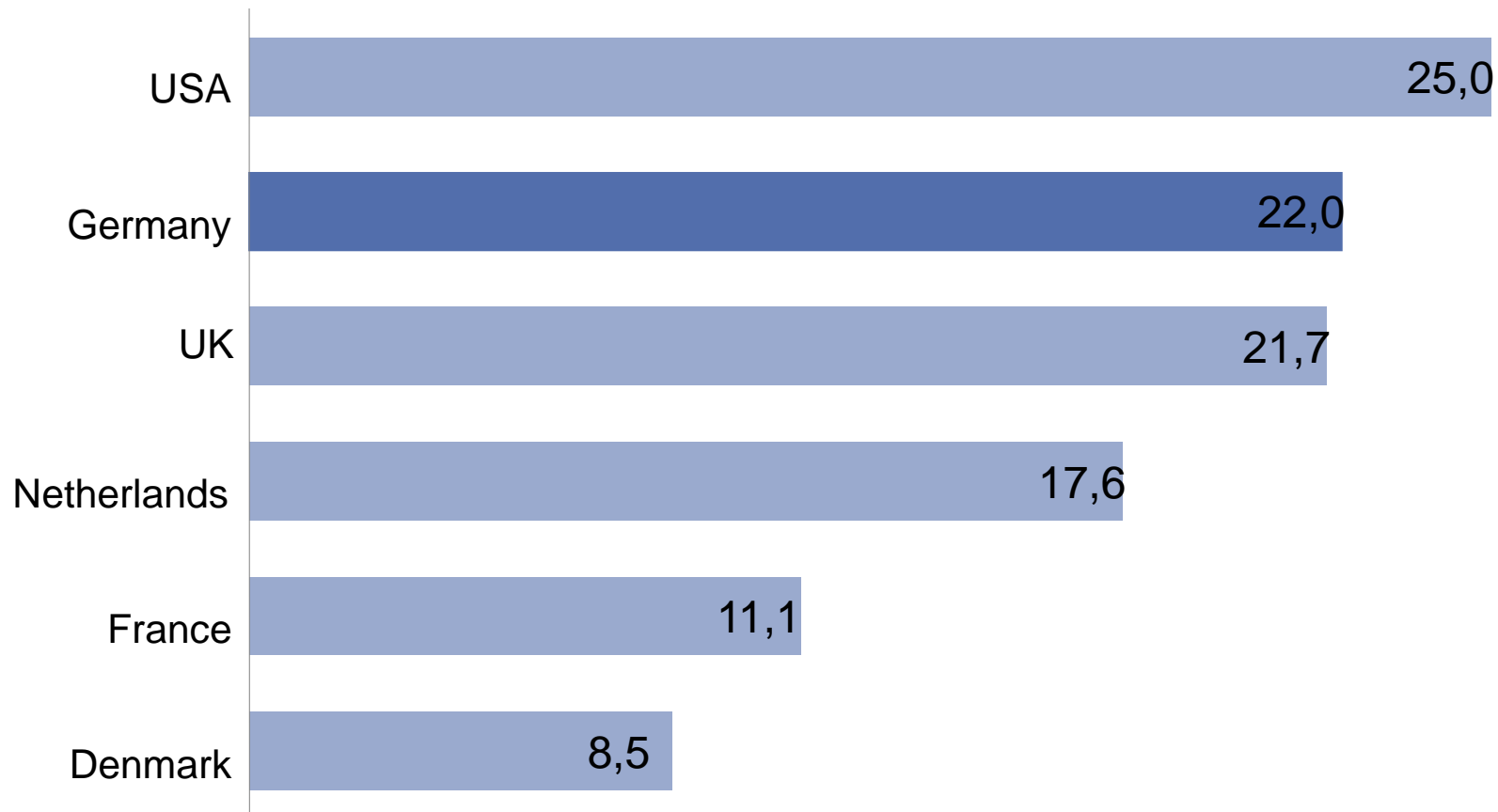
Some key findings from a comparative study in USA, DK, FR, DE, NL, UK on low wage work

- **Comparison of incidence and structure of low wage**
- **Impact of institutions on wages**
- **Case studies of specific jobs in five industries (call centres, retail outlets, food processing, hospitals, hotels)**

Low wage work

- 1. Incidence of Low wage work**
- 2. Social wage**
- 3. Wage setting institutions**
- 4. Trade-off employment/equality**

1.1 Share of low paid (2/3 of median wage) 2005, in %



Source: Mason/Salverda 2010

Rate of low pay among employees* and working-age population (in %, 2003-2005)

	Denmark	France	Germany	Netherlands	United Kingdom	United States
% employees below low pay threshold, head count	8.5	11.1	22.7**	17.6	21.7	25.0
% population below low pay threshold, head count	6.2	6.4	11.8	11.2	13.6	16.3
Year	2005	2005	2005	2005	2005	2003-05
Source	CCP / IDA	INSEE, Enquête Emploi	German Socio-Economic Panel	CBS, Loonstructuuronderzoek	NSO, Annual Survey of Hours and Earnings	BLS, Current Population Survey

*) Excluding apprentices in Denmark and Germany.

***) 22.0% if East and West are treated separately.

Source: Mason/Salverda 2010

1.2 Incidence

Higher for:

- ▶ Young employees
- ▶ Women (except DK)
- ▶ Part-timers
- ▶ Low skilled (but high shares of skilled especially in DE)
- ▶ Foreigners
- ▶ Contigent workers

1.3 Some country specificities

Denmark:

- High concentration among young people
- low among adult women
- High earnings mobility

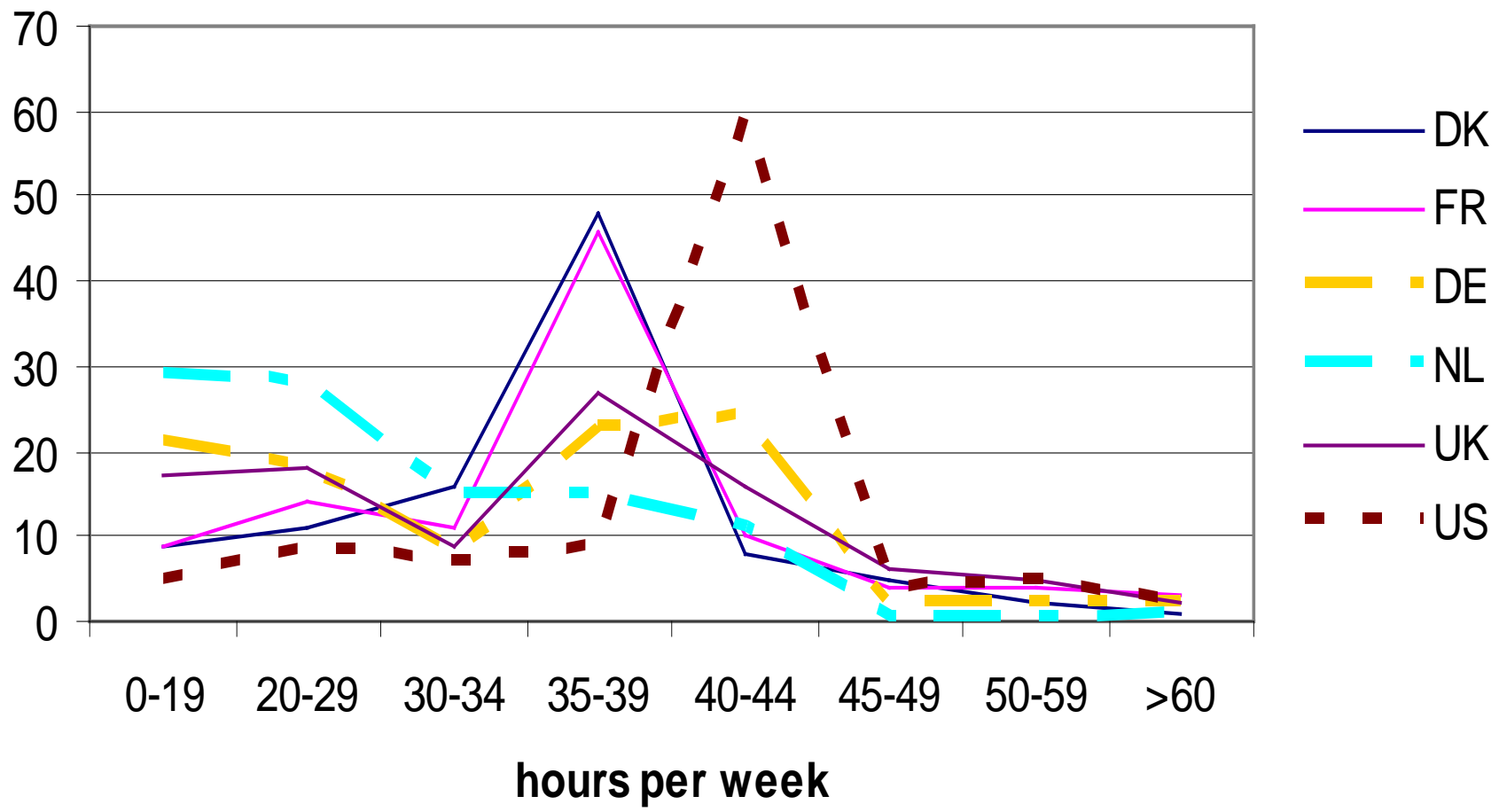
Germany:

- 75% skilled
- no minimum threshold: long tail 1,9 Mil < 5€
- 85% of mini-jobs low paid
- declining earnings mobility

1.4 Incidence of low pay as percentage of overall incidence 2001

	DK	FR	DE	NL	UK	USA
Total	100	100	100	100	100	100
Young women	474	369	296	331	247	298
Young men	576	366	305	332	198	216
Adult men	28	49	44	27	36	51
Adult women	57	108	111	100	119	96

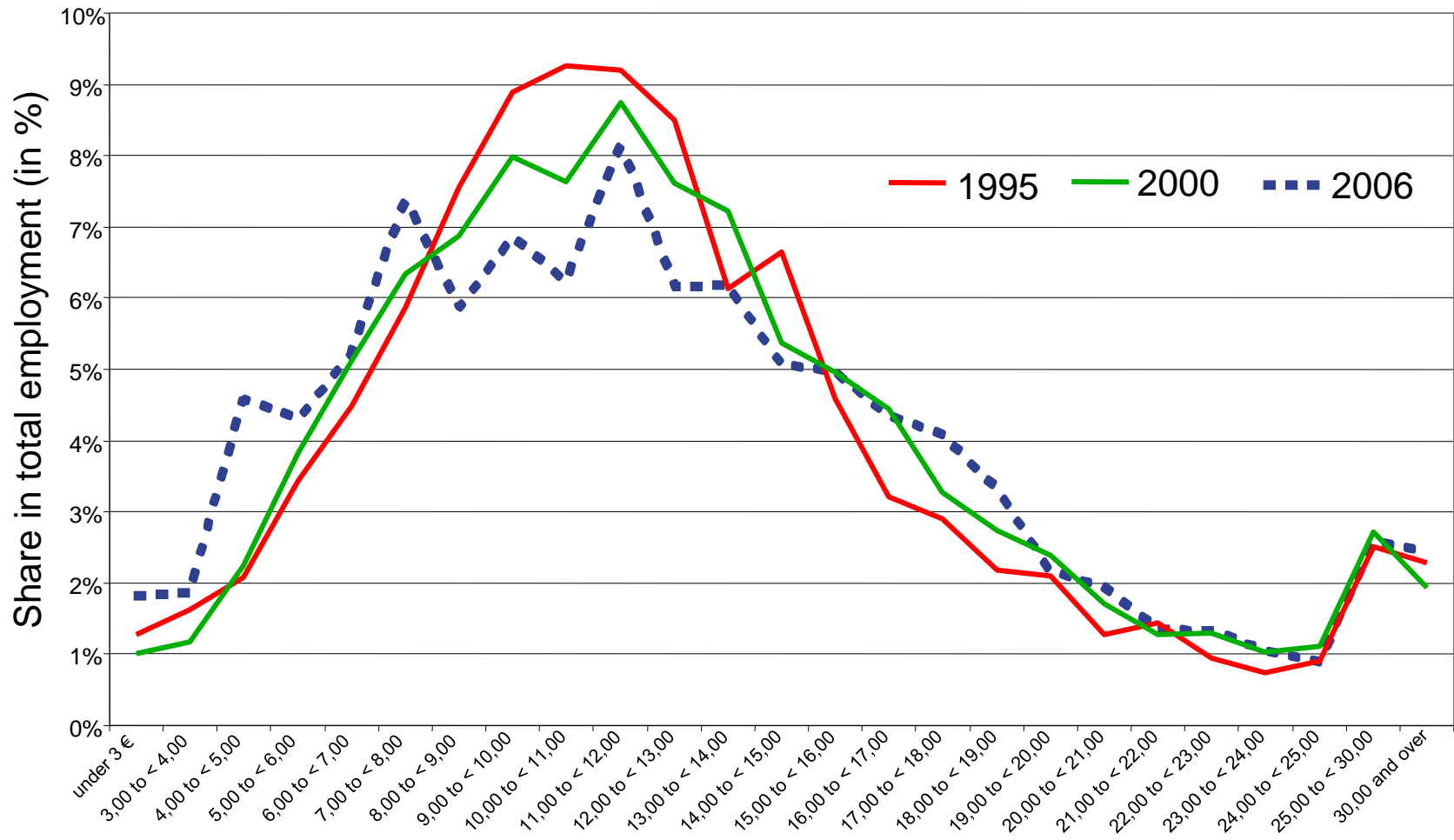
Number of hours worked per week (female employees)



Source: OECD Family database, 2007, chart LMF7.1
(Gautié et. al 2010)

1.5 Distribution of hourly wages in Germany

all dependent employees including part-time and marginal part-time; inflation-adjusted (basis=1995)



Source: SOEP 2006, own calculation

1.6 Equity

Denmark achieves more than other countries
equity by passing

*“low wage jobs around, so to speak, like
boring committee assignments or military
service, but that would not have aggregate
effect”*

(Solow 2008)

2.1 Obligation of firms to pay social wages (1)

Obligation	USA	UK	DE	FR	NL	DK	Remark
Paid vacations	No	Yes	Yes	Yes	Yes	Yes	EU directive: 4 weeks paid vacation per year
Paid public holidays	No	Yes	Yes	Yes	Yes	Yes	National legislation: 8 to 12 paid days per year
Health insurance	No	No (but coverage by state financed National Health service)	Employers' contribution	Employers' contribution	Employers' contribution	Employers' contribution and state financed	Full coverage in all EU countries by national legislation

2.2 Obligation of firms to pay social wages (2)

Obligation	USA	UK	DE	FR	NL	DK	Remark
Statutory obligations also cover part-timers, temporary and agency workers	No	Yes	Yes	Yes	Yes	Yes	EU directive: equal treatment of part-timers.
Sickness pay	No	Statutory sick pay for the first 28 weeks. A flat rate of £72.55 per week. Contractual sick pay is often more generous.	Full salary for up to six weeks, then 70% by health insurance up to 3 years				
Training	No	No statutory obligation, but massive government exhortation to provide certified training.	-	Levy of 1.7% of gross wage to training fund	-	-	-

2.3 Social wages

- **USA non-wage costs lower than in Europe (37% 2000 compared to 43,3% in DE and 45% in FR)**
- **In USA lower coverage of low wage workers by social wages:**
 - All employees: 76% receive paid holidays and 57% sick pay
 - < 15\$: 67% receive paid holidays and 47% sick pay
- **Differences between Europe and the US in total wages/labour costs higher than in private hourly wages at the lower end of wage distribution**

3.1 Wages setting institutions

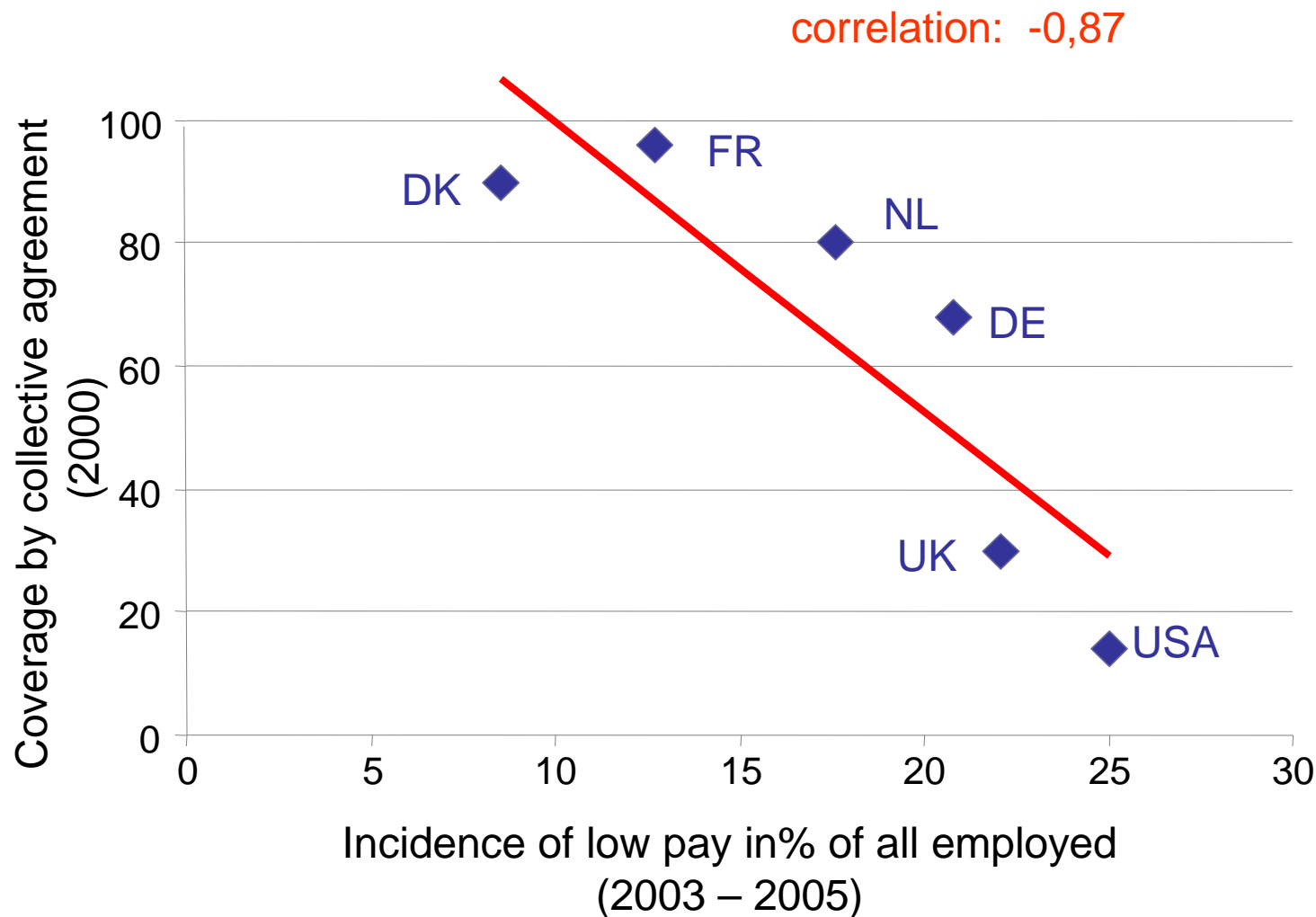
- Countries that rely on „institutions“ in wage setting like collective bargaining or and high minimum wages have lower rates of wage inequality
- Usually a set of institutions which is important
 - Linkages between institutions very different
- Critical distinction between inclusive and exclusive IR Systems:
 - Inclusive system extend the benefits of workers with strong bargaining power to workers with little bargaining power in their own right

3.2 Exclusive vs inclusive pay setting institutions

	Within an establishment	Within an industry	Across industries
Exclusive	Not all employees are covered	Only establishments with strong bargaining power of employees are covered	Only industries with strong bargaining power of employees are covered
Low Wage	-----		
Inclusive	Most employees are covered	Covers most establishments within an industry	Covers most industries
Decent Wage			

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3.3 Incidence of low pay and coverage by collective agreements



Source: *Low pay incidence: country reports; coverage: Freeman 2007: 27*

3.4 Countries have different sets of institutions

- **Single most important institution is coverage by collective agreements**
 - high coverage requires dominance of multi-employer bargaining
 - gives collective bargaining institutional stability (inclusion of new firms, stronger voice at political level)
- **May depend mainly on**
 - Trade union density (DK, UK, USA)
 - Employers density (D, NL, F)
 - Extension of collective agreements (NL, F)
- **Different stability of sets of institutions**
- **High stability (DK, FR, NL)**
- **Less stability (USA, UK, D)**
 - Declining trade union density (UK, USA)
 - Declining employers density (D)
 - Decline of multi-employer bargaining (USA, UK, D)

3.6 Collective bargaining coverage, employers' organisations and union density

	1-10	11-20	21-30	31-40	41-50	51-60	61-70	71-80	81-90	91-100
France	U							E		Cov
Netherlands			U					E	Cov	
Denmark						E		U	Cov	
Germany			U			E	Cov			
UK			U	Cov, E						
USA	E,	U, Cov								

Cov = Bargaining coverage non-standardised;
 E = Employer organisation rate (private sector);
 U = Union density rate

Source: EU 2004: 31

3.7 Collective Bargaining Coverage** 1980, 1990, 2007

	1980	1990	2007	Change 1980 - 2007
USA	26	18	14	- 12
UK	70	54	35	- 35
DE	78	72	63	- 15
FR	85	92	95	+ 10
NL	76*	82	82	+ 6
DK	69*	69*	82	+ 13

Source: with ** from OECD 1997: 71, other data from Visser 2008

3.8 Union and Employers density and extension of agreements

	Trade Union density 1980	Trade Union density 1990	Trade Union density 2003	Change 1980 – 2000	Employers density 1994 - 1996*	Employers density 2000	Change 1994/6 - 2000	Extension of agreements by the state
USA	22	16	12	- 10	0			No
UK	50	39	29	- 21	54	40	- 14	No
DE	36	33	23	- 13	72	63	- 9	Few and decreasing
FR	18	10	6	- 12	74	74	-	Very high and stable
NL	35	26	26	- 9	79	85	+ 6	Very high and stable
DK	76	71	71	- 5	39	52	+	No

*measured by employees covered by employer peak organizations

Source: Trade union density OECD 1997: 71, Freeman 2007: 27, Employers density : Data for 1996/7 Traxler 2004, for 2000 European Commission 2004

3.9 Excluded employees in Germany

	Within an establishment	Within an industry	Across industries
Excluded Employees	<ul style="list-style-type: none">▪ Agency workers▪ Posted workers▪ Mini-jobbers▪ Outsourced jobs	<ul style="list-style-type: none">▪ Many employees in SMEs which left the employers' association	<ul style="list-style-type: none">▪ Disappearance of pattern agreements▪ Low coverage in new service industries

3.10 Minimum wages

	DK	FR	DE	NL	UK	US
MW	yes*	yes	no	yes	yes	yes
MW as % of LW-threshold	88	95	--	84	79	54
% of employees at NMW	-	16,3	-	2,2	1,8	1,3

* collectively agreed 12€ plus (13.80€ with vacation pay)

3.11 Product market deregulation/Posting of workers in EU and labour standards

1. USA	Fragmentation or disappearance of collective bargaining in deregulated industries. Lower threshold (minimum wage).
2. UK	Disappearance of industry wide bargaining in affected industries. Fragmentation or disappearance of collective bargaining in deregulated industries. Since 1999 lower threshold (minimum wage).
3. DE	Threat to, fragmentation of or disappearance of industry-wide bargaining. No lower threshold. High percentages of low wages in newly privatized industries (postal services etc).
4. FR	Extension of industry-wide collective agreements and minimum wage.
5. DK	High trade union density and high coverage by collective agreements.
6. NL	Extension of industry-wide collective agreements and minimum wage.

4.1 Trade-off employment/equality

- Main stream economists: skill-biased demand shifts - trade-off between employment and wages for low-skilled workers

- Our sample does not show this trade off

- Possibilities to escape the trade off
 - High road work organization
 - Empowerment strategy: active labor market policy, high investment in education and life long learning to escape this trade-off
 - Work-sharing
 - Welfare state creates cost-sensitive service jobs

4.2 High-Road work organization

■ Three examples

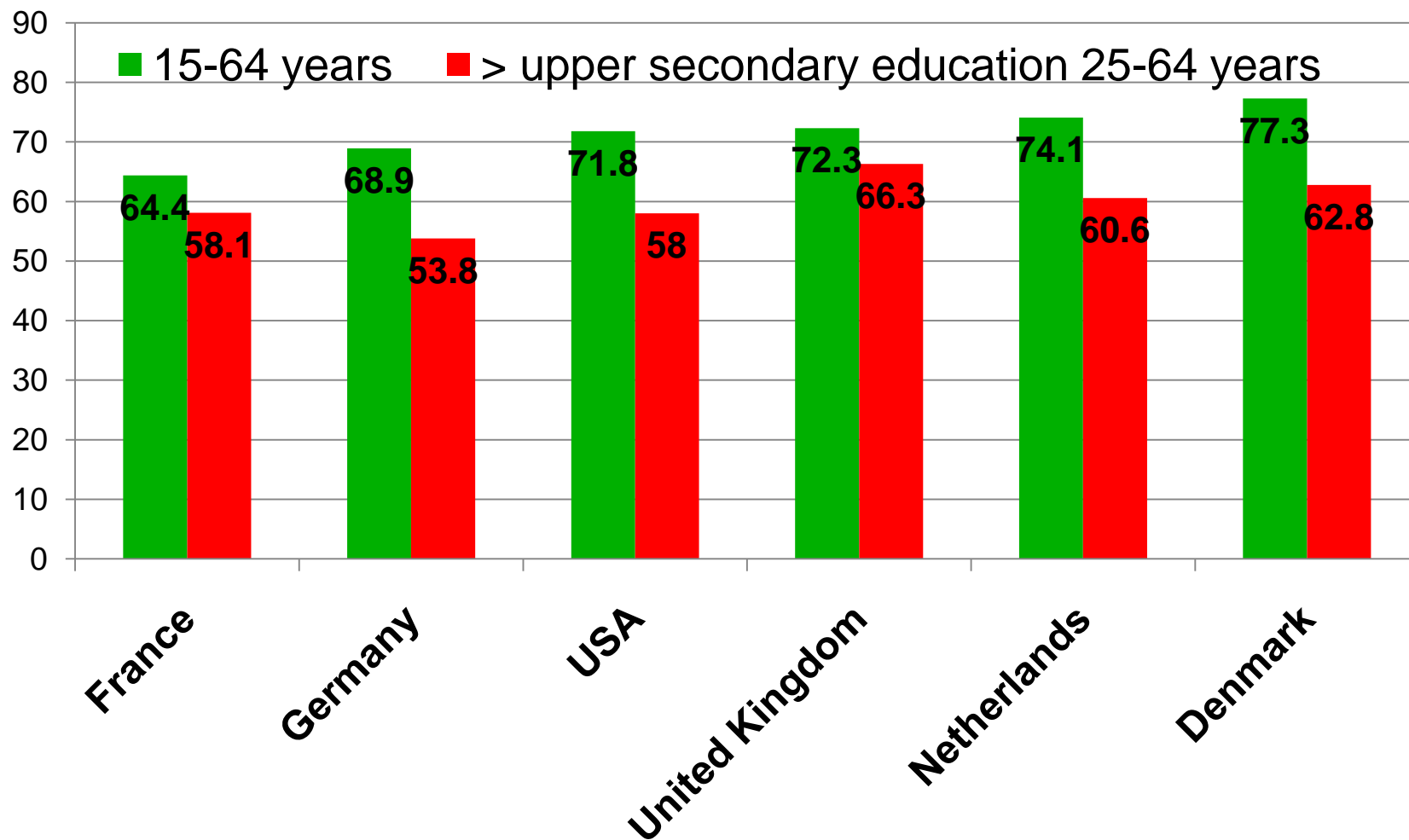
- Danish meat industry: 30 € per hour – compared to 8 to 10 € in other EU-countries - high capital intensity and high productivity
- German retail trade: more than 80% skilled employees – substantial job enlargement – less middle managers – but not higher pay
- Room cleaning in Hotels – not much difference in work organization across countries – but differences in pay

■ Conclusions:

- Higher pay – higher individual productivity
- Higher individual productivity – low bargaining power – pay below productivity
- More equal or unequal distribution of wages possible – important for competitiveness of companies: total wage sum/value added

4.3 Employment rates 2007

No trade off between equality and employment



Source: OECD Employment Outlook 2008

4.4 Expected number of hours in non-formal job related training and education by educational attainment 2003

Country/attainment	Lower secondary	Upper secondary	tertiary
DK	719	836	1230
DE	130	390	650
FR	450	692	1061
NL	216	308	322
UK	103	297	480
USA	-	374	746

Source: OEDD 2008, Education at a glance Table C5.1a

4.5 Unemployment Benefits (UB) and income consequences of becoming unemployed, active labour market policy (2005)

	Maximum duration of UB (in months)	Net Replacement rate in % of previous wage including other social benefits (single, without children, earning 60% of average wage)	Total expenditure in active labour market policy/unemployment rate
DK	48	90,2	0,36
FR	23	76,1	0,09
GER	12	59,7	0,10
NL	24	80,1	0,28
UK	6	64,3	0,10
US	6	62,0	0,03

Source: Gautié et. al 2010

4.6 Annual working time, and employment rates 2007

Country	Annual working time (1)	Employment rate (15-64 years) in % (2)	Employment rate in US equivalents (3)	Difference column 2 minus column 3 (4)
Denmark	1594	77,3	68,5	- 8,8
France	1457	64,4	52,2	- 12,2
Germany	1353	68,9	51,8	- 17,1
Netherlands	1336*	74,1	55,1	- 19,0
UK	1655	72,3	66,5	- 5,8
USA	1798	71,8	71,8	0

Source: OECD (2008) Table B and F, own calculations

Conclusion

- Trade-off between employment and wage-equality not inescapable
- Individual productivity often not measurable – therefore some leeway of distributing the income more equal among work
- Wage distribution more dependend on bargaining power and institutions than on individual productivity
- But, high lower thresholds require
 - investment in education and training,
 - high road work organization
 - restrictions of labour supply through working time standard

- **Five Books on Low Wage Work in Europe by Russell Sage Foundation in New York**
- **Bosch G. (2009): Low wage work in five European countries and the US; International Labor review 4- 2009**
- **Gautié J., Schmitt J. (eds.) (2010): Low-wage work in the wealthy world. New York: Russell Sage Foundation**

Employment rates of men and women in working age (15- 64 years; 1994 and 2006; in %)

	Females			Men		
	1994	2007	1994-2006	1990	2007	1994-2007
DK	67	73	6	78	81	3
FR	51	60	9	66	69	3
GER	55	63	8	74	75	1
NL	53	68	15	75	80	5
UK	62	66	4	75	78	3
US	65	66	2	79	78	-1

Source: OECD 2008b Table C