Outline

- Brief overview of recent and planned research relating to earnings progression
  - Women: wages over the lifecycle, and their relationship to family circumstances and career patterns
  - Men: changing work patterns and their relationship to earnings
  - Plans for future research
Wage profiles by age, education and gender

Association between age and wages breaks down for women in their 30s


Important note: these are in constant wage terms (effects of economy-wide wage growth are stripped out)
Female employment and working hours
Work intermittency may explain wage stagnation for women

British Household Panel Survey, 1991-2008
Employment before and after birth of first child
Breaks in careers are related to motherhood

British Household Panel Survey, 1991-2008
Proportion working part-time
Short working hours prevalent among mothers of all education levels

GCSEs

A levels

Degree

Years before/since birth of first child

British Household Panel Survey, 1991-2008
Wage gap around childbirth for parents
The arrival of children is a key driver of gender differentials in wage progression
Time spent out of paid work associated with lower wages when returning

- What is the importance of career breaks for the progression of female wages?

- Using BHPS data, we take women who are observed moving out of paid work and then later moving back in to paid work
  - Compare women whose career gaps were of different lengths
  - Controlling for past work experience

- We find:
  - Each extra year out is associated with 2% lower wages when returning
  - But this association is essentially zero for the low-educated...
  - And about 4.5% per year for those with A-levels and graduates
A ‘part-time wage penalty’ is an important part of the gender wage gap

- PT work is not associated with an instantaneous fall in hourly wage

- Instead, it is associated with *lack of wage progression*

- BHPS data shows that women working FT hours see real wage growth of 3-4% per year, depending on education

- These growth rates drop to zero for those working PT

- PT workers earn less than FT workers not because they work PT now, but because more likely to have worked PT in the past
What are the returns to working experience?

- To study the *causal* relationship between the wages of women and the experience they accumulate in FT and PT jobs we develop a dynamic model of female labour supply, experience accumulation and wages
  - Experience accumulation depends on working hours
  - Returns to experience vary by education
- The model captures the variation in female labour supply by family circumstances
- We estimate this model on BHPS data for years 1991-2008
Returns to working experience

Gains in wages for one extra working year vary by accumulated experience, working hours and education

Model predictions.
This is affecting earnings inequality among men

Source: Family Resources Survey
Research questions

1. Why are hours of work falling for low wage men?
2. What implications does it have for human capital and wage progression for low-skilled men?
   
   And could it explain fall in gender wage gap among low-educated?

**Gap between mean hourly wages of men and women**

- GCSEs
- A levels
- Degree

Source: Labour Force Survey
Big increase in part-time work among low-wage men
% working fewer than 30 hours per week, by hourly wage level (age 25-55)

Source: Labour Force Survey

© Institute for Fiscal Studies
Questions we are considering for further work

• What else drives the wage profiles of women and men?
  • Job-to-job transitions
  • Sector and occupation
  • Investments in training during working life
Questions we are considering for further work

- ‘Scarring’ impacts of entering labour market during downturns
  - Project looking at long-term impacts on unemployment and earnings
  - As well as how these are insured against (e.g. tax-benefit system)

- Looking at the end of working life (50+), health may become a critical driver of employment and productivity
  - We find that around 5-15% of non-working spells are driven by new health issues
  - These effects are very persistent
  - The questions now are:
    - How does the interaction between health and employment affect productivity in the long-term?
    - Do these effects feedback into employment and retirement decisions?