

How do your wages grow?
ASHE panel analyses, 2004-2018

Wage & Employment Dynamics

THE WED PROJECT

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ONS Disclaimer

This work was produced using statistical data from ONS. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets which may not exactly reproduce National Statistics aggregates

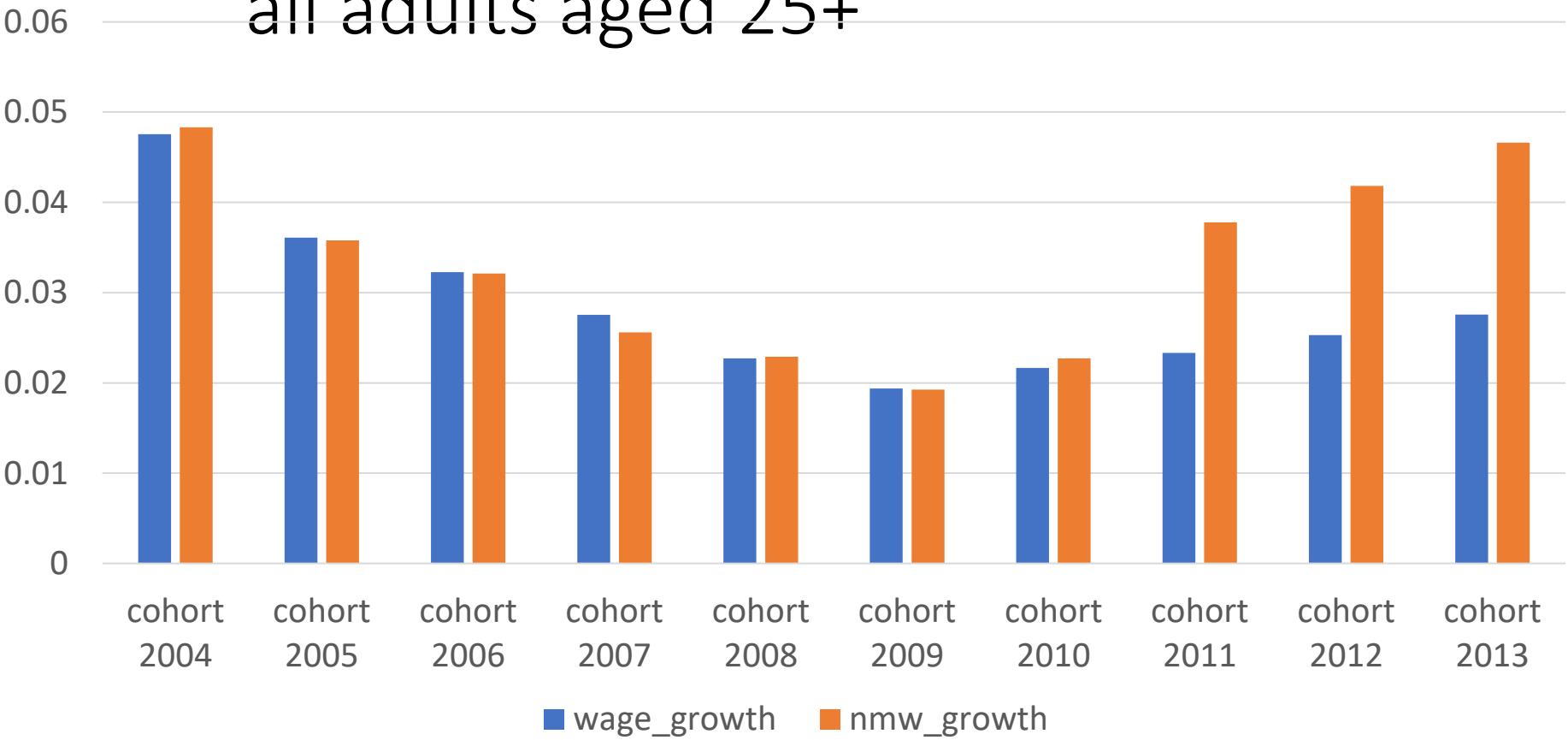
Motivation

- What does wage growth look like for low-wage workers?
- How does it compare to wage growth implied by uprating the NMW?
- Do NMW workers escape from low pay?
- If so how?
 - Same occupation
 - Different occupation
 - Move employer
 - Move region

Data and Methodology

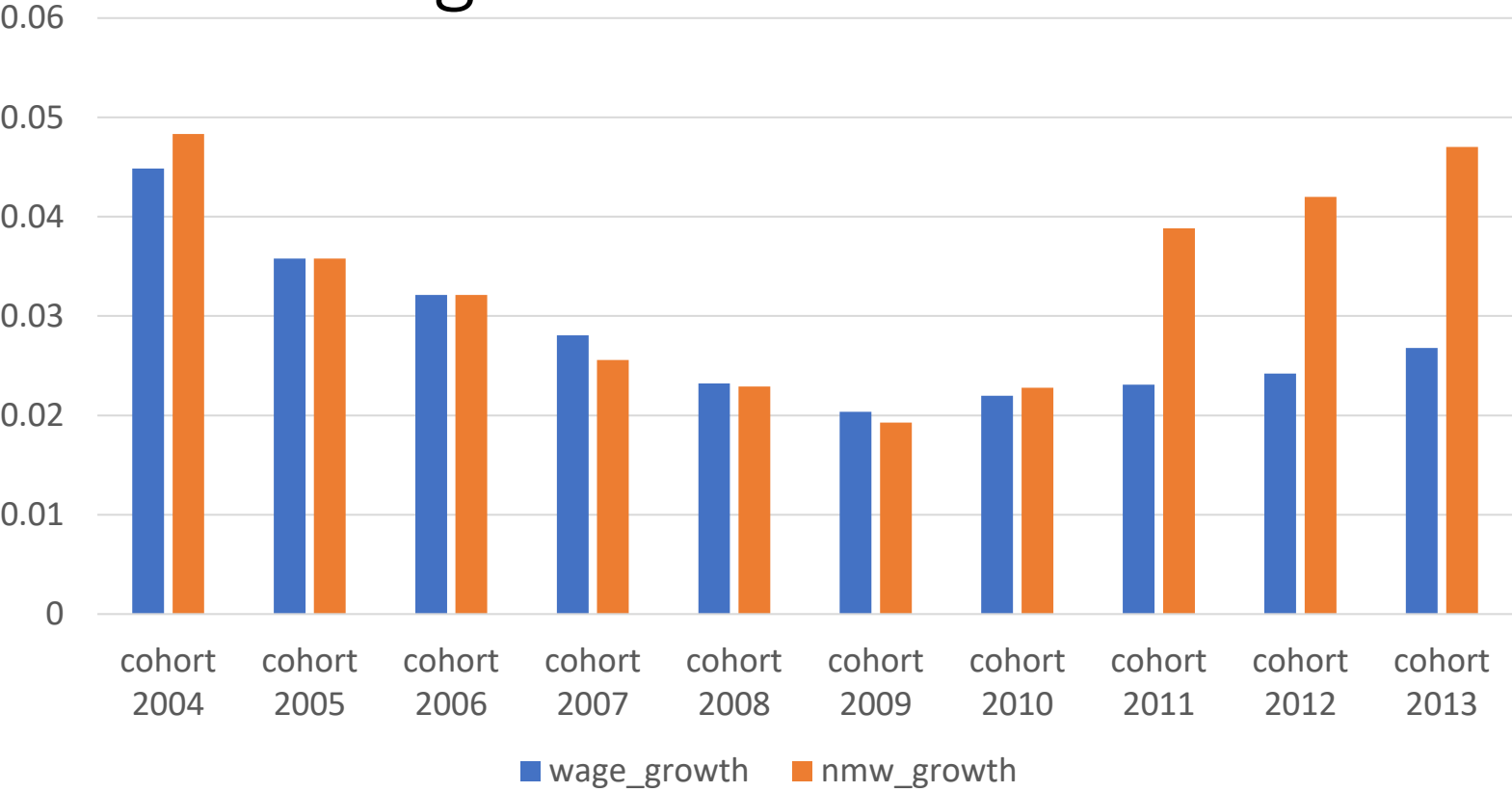
- Annual Survey of Hours and Earnings (ASHE)
- Track nominal wage growth over 5 year periods
 - Log hourly earnings using LPC definition (hrpayx)
- For each 'cohort' between 2004 and 2013
 - 10 sets of workers observed in t1 and t5 with 2 lagged wage observations
 - Not necessarily in between
- Adults only (aged 25+)
- Focus on low pay occupations (based on LPC definition)
 - some tricky issues here
- All figures in this presentation are unweighted

Annual Growth in Nominal Mean Log Hourly Earnings Mean over 5-year period, by cohort – all adults aged 25+



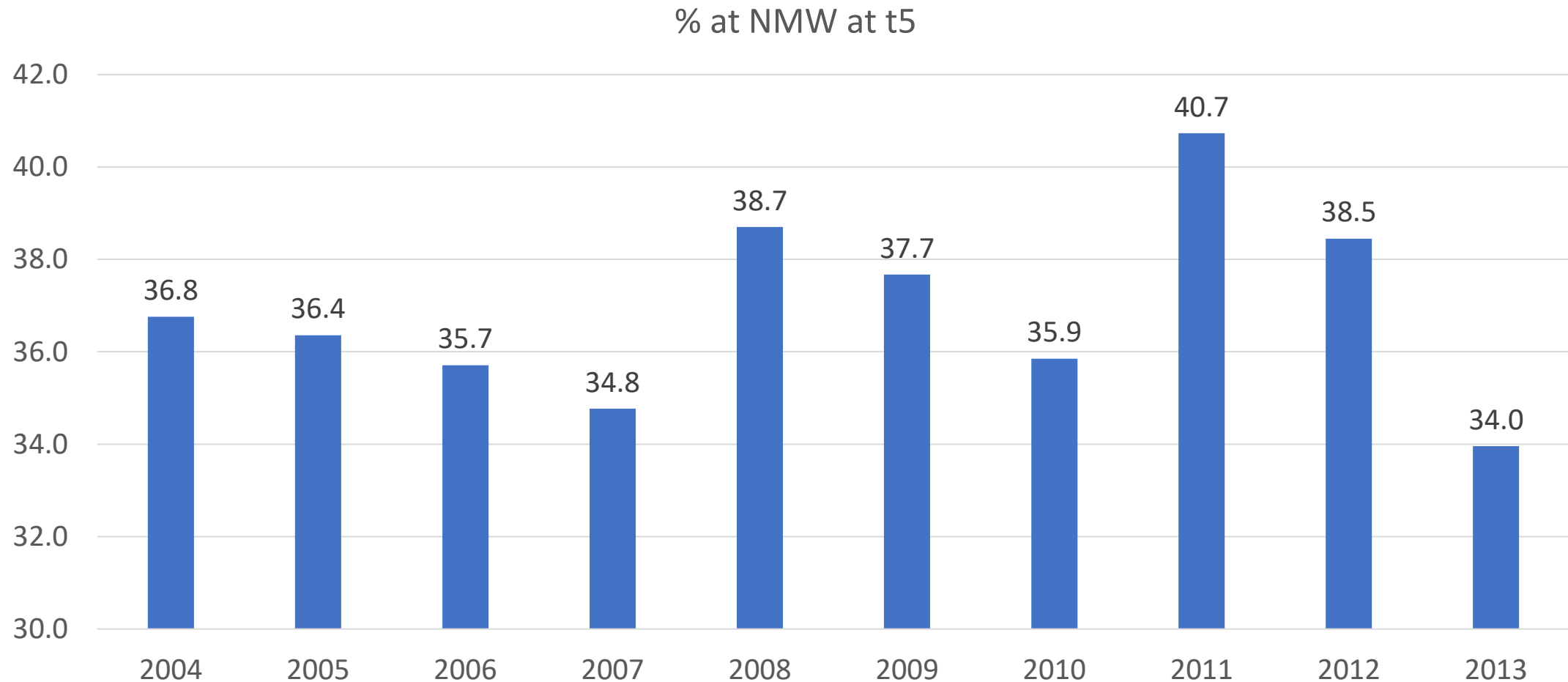
Note: all workers aged 25+

Annual Growth in Nominal Median Log Hourly Earnings Mean over 5-year period, by cohort – all adults aged 25+

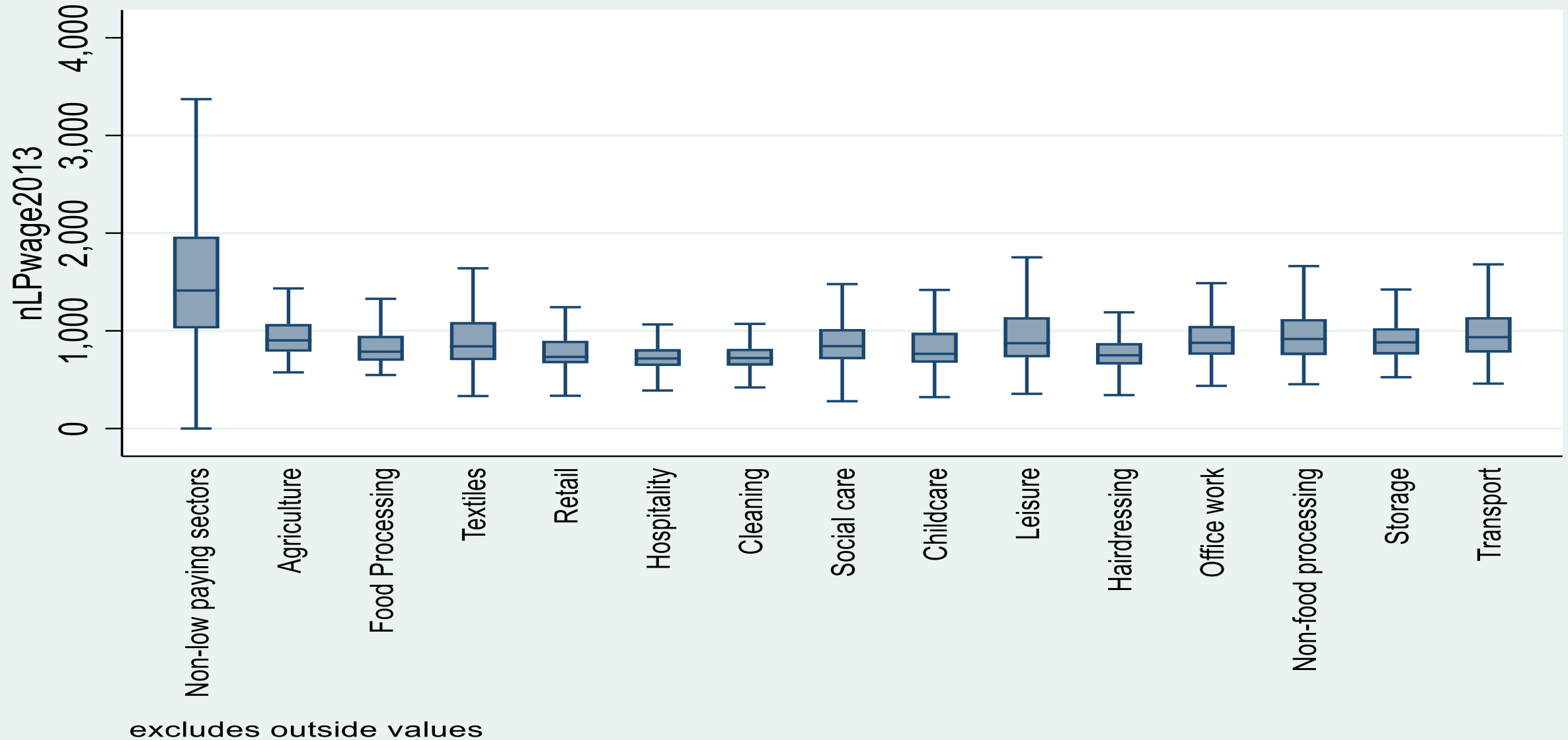


Note: all workers aged 25+

% of NMW Workers at t1 still on NMW at t5



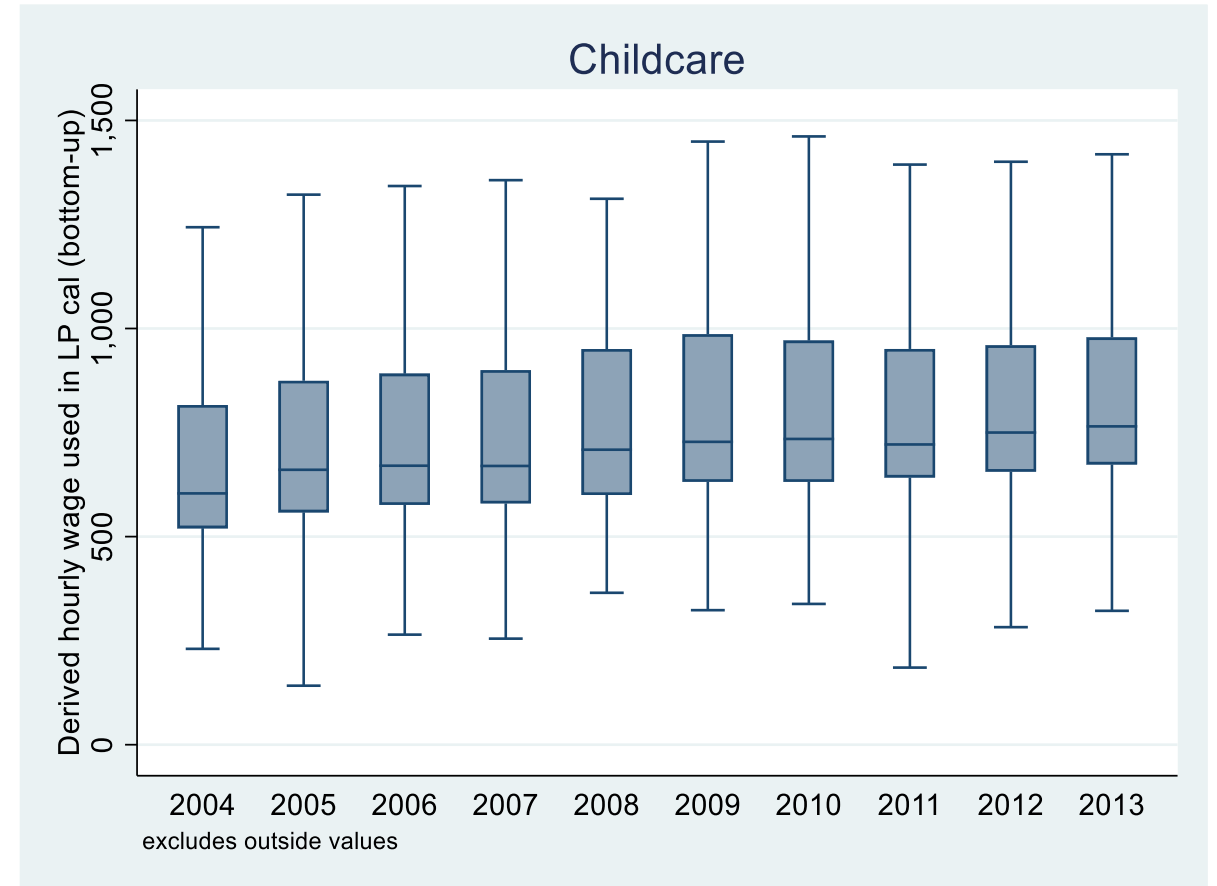
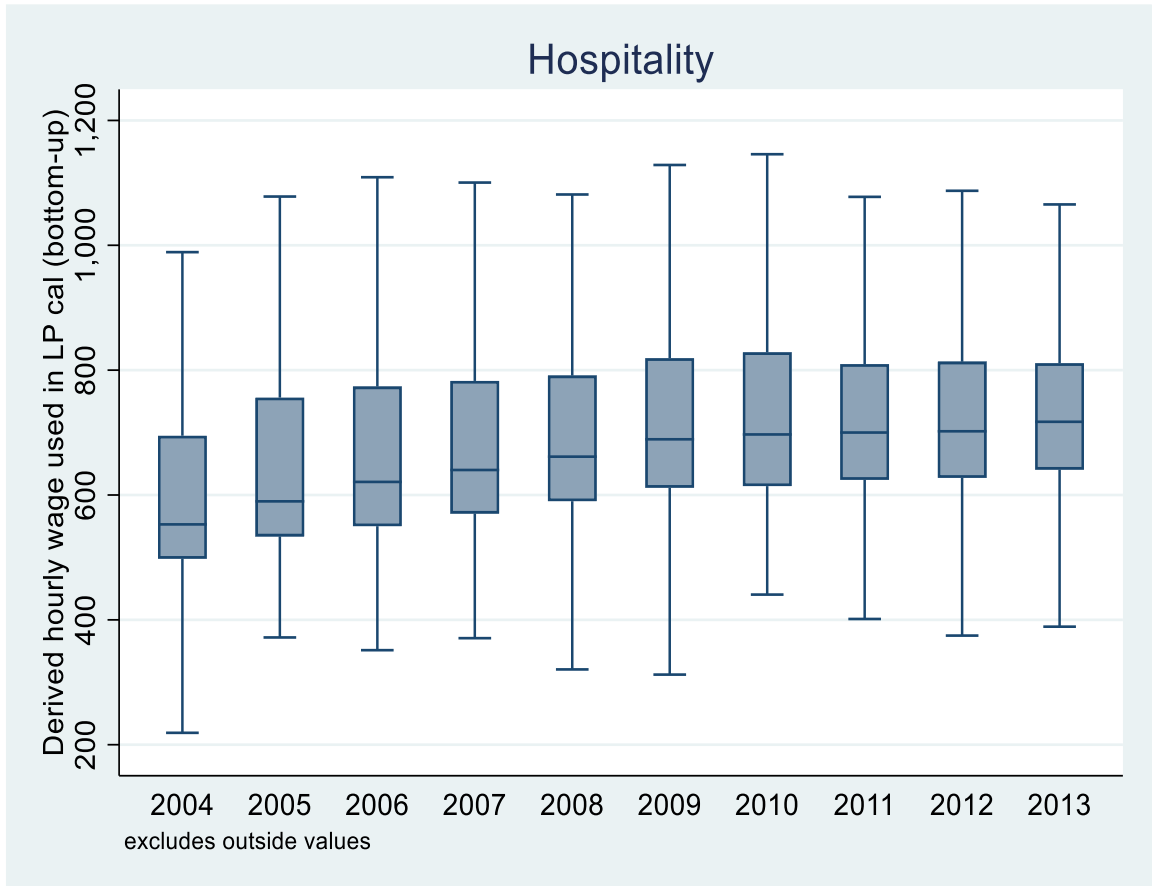
Hourly Pay Levels by Low Pay Occupation, 2013



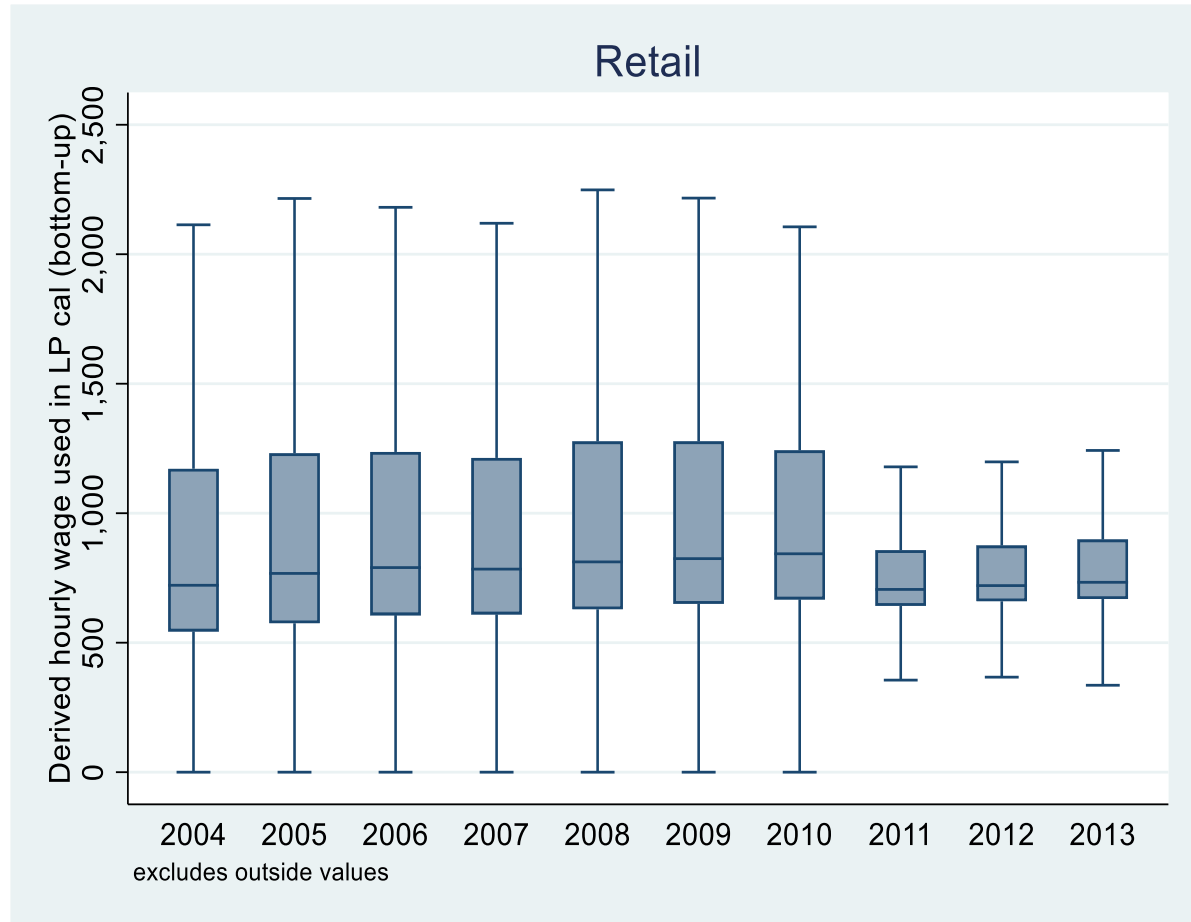
Issues Comparing Low Pay Occupations Over Time

- Discontinuity in SOC classifications
 - SOC2000 and SOC2010
 - Cross-walks are problematic for some occupations
- LPC changes which occupations it designates as ‘low paid’ occupations
 - Not useful for longitudinal analysis
 - Consider how to tackle this issue
 - But for now focus on subset of low pay occupations as defined by the LPC in their 2013 report

Hourly Pay by Cohort: hospitality and childcare



Hourly Pay By Cohort: retail and leisure

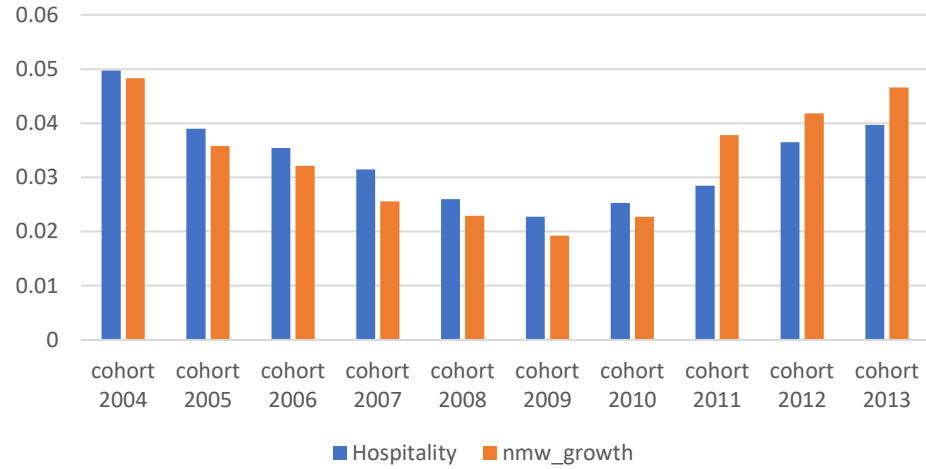


Annual Growth in Nominal Log Hourly Earnings For Selected Low Pay Occupations

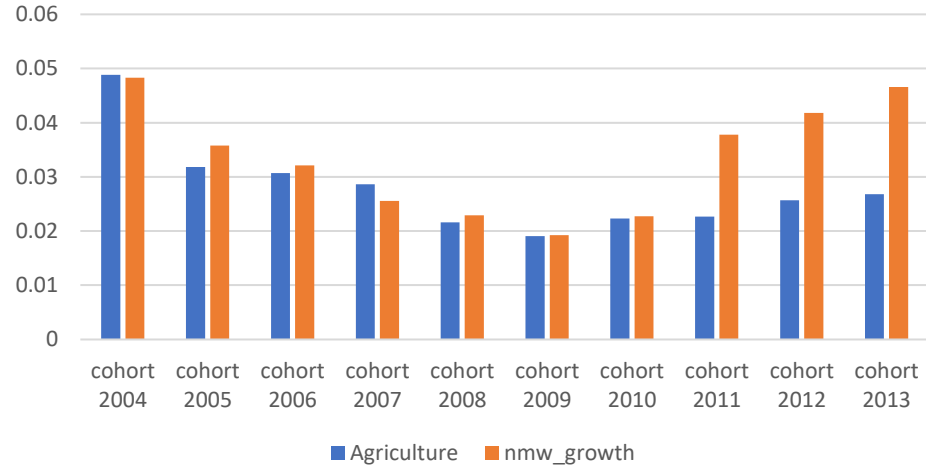
- Given these issues in occupational classification, we take two approaches:
 - We show 5 year wage growth in 8 of the low pay occupations where this change seems to pose less of an issue
 - We then focus on three most recent cohorts to look at progression (or not) out of low pay

Mean nominal wage growth (%) over 5-year period, by cohort, selected low pay occupations

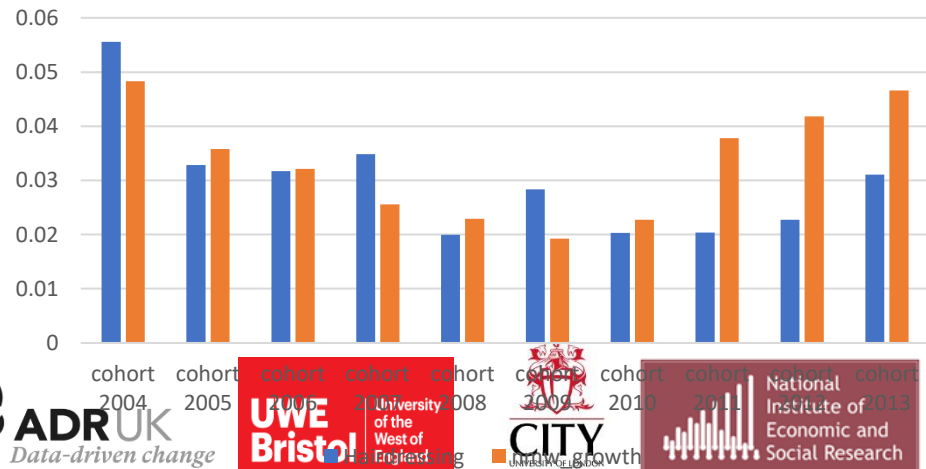
Hospitality



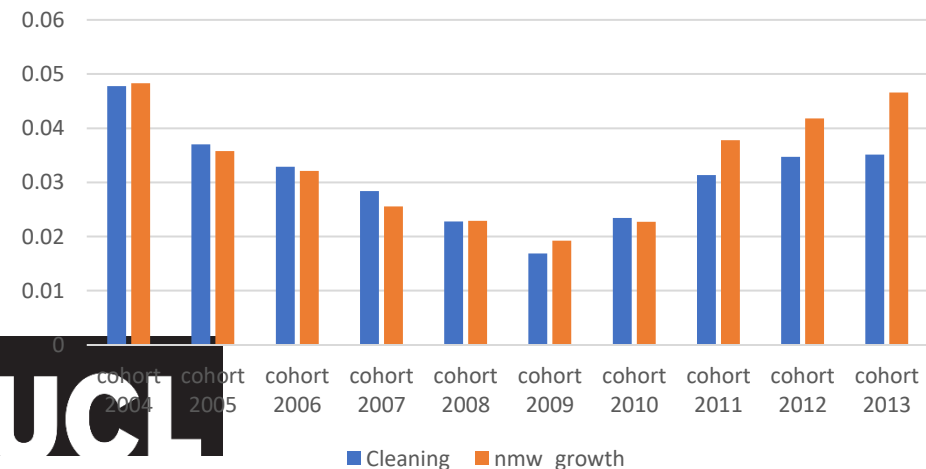
Agriculture



Hairdressing

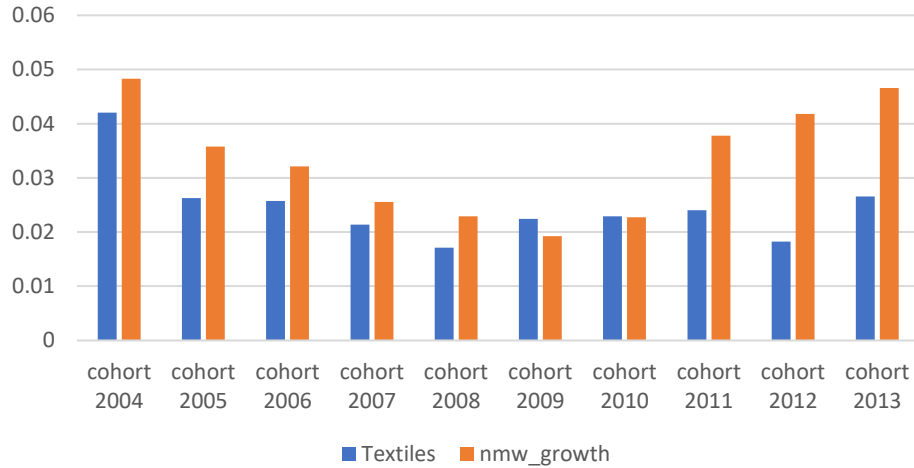


Cleaning

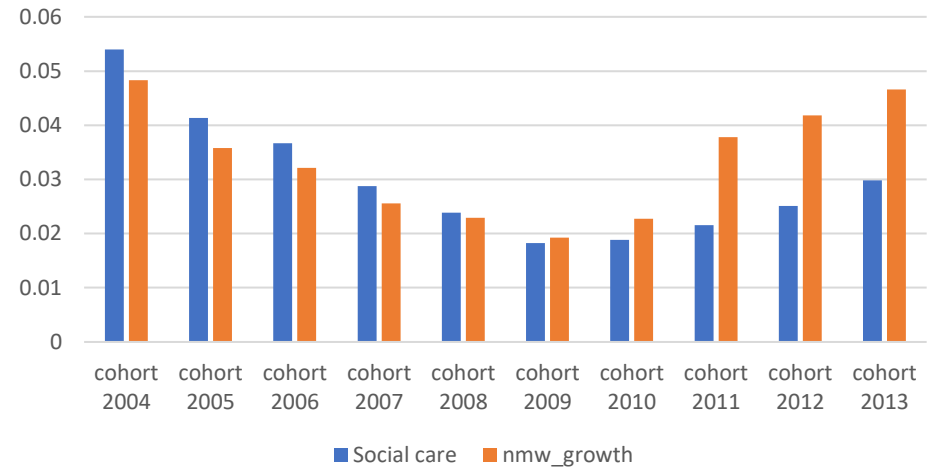


Mean real wage growth (%) over 5-year period, by cohort, selected low pay occupations

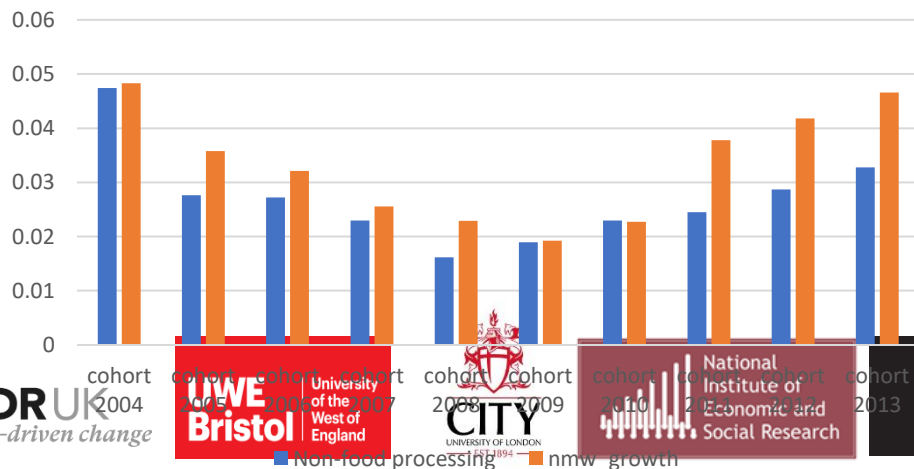
Textiles



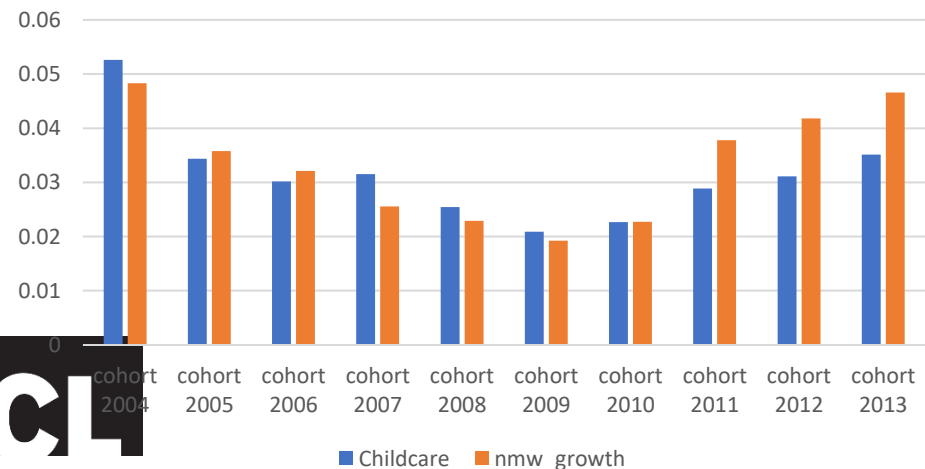
Social care



Non-food



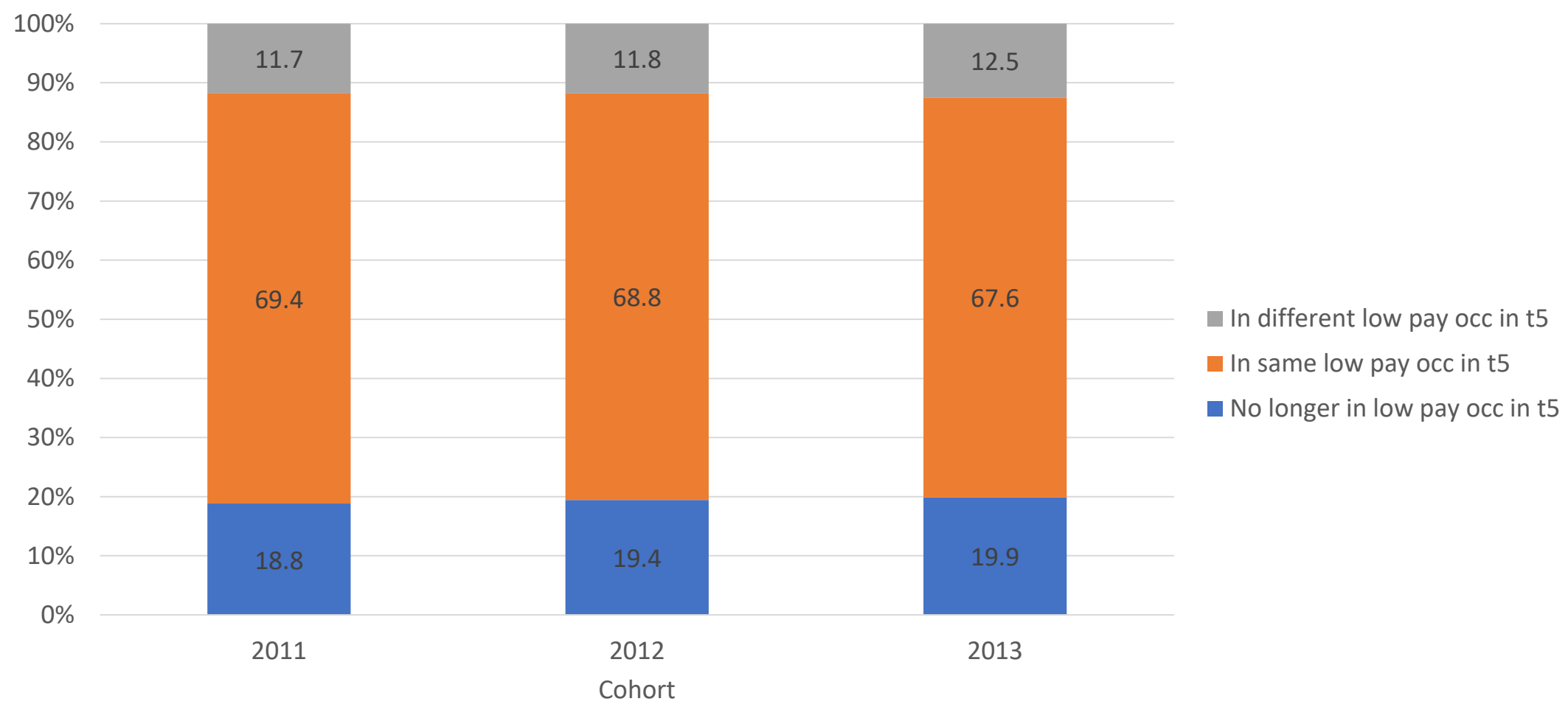
Child care



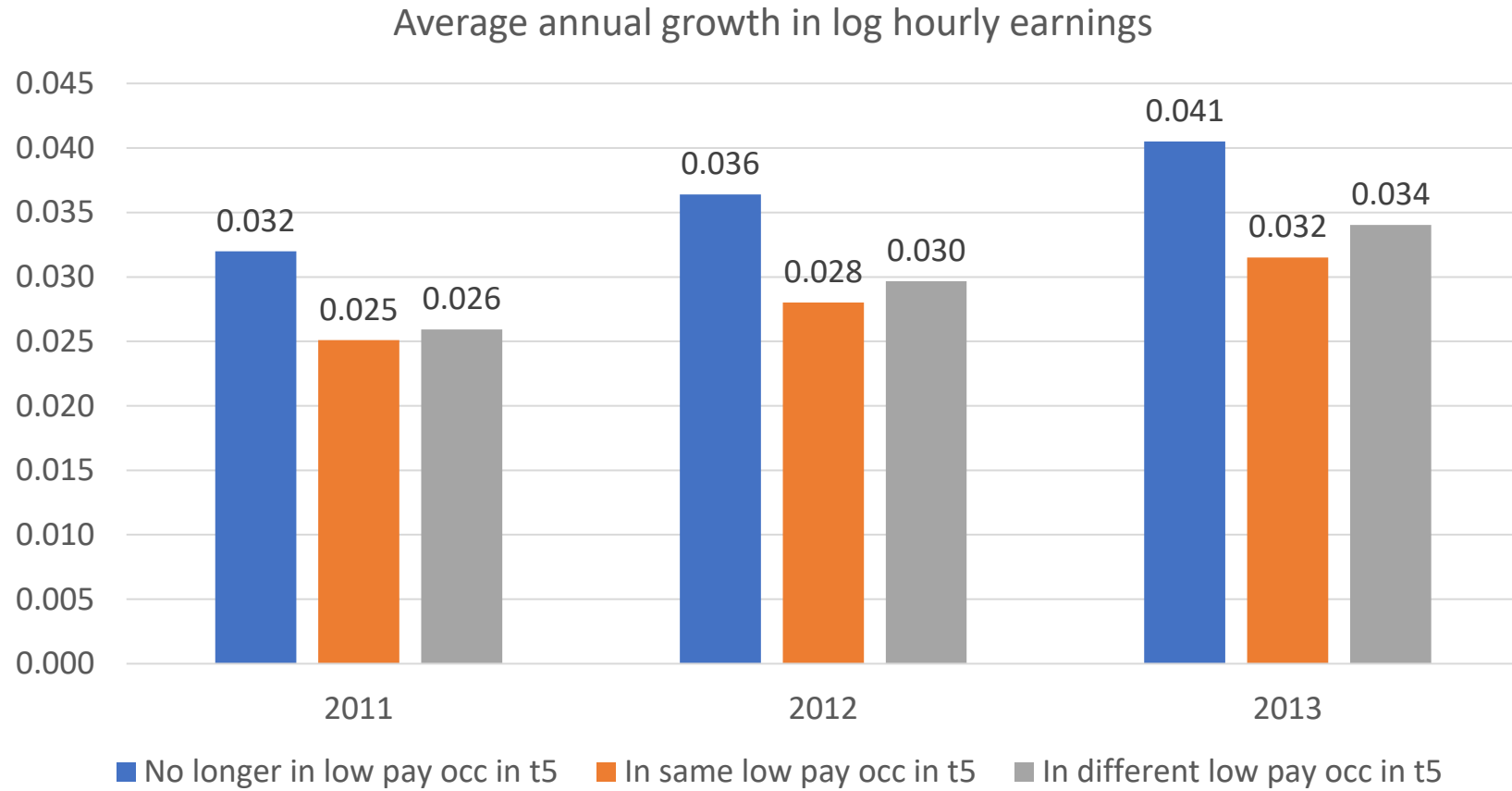
How do those in low pay progress?

- Focus in on the three most recent cohorts less affected by classification changes (2011 onwards)
- Of those in a low pay occupation in t1 (around one quarter of the sample for each of these cohorts), around two-thirds are in the same low pay occupation in t5 (see next slide)
- Under half of those on NMW rates at t1 manage to move off the NMW rate when remaining in the same occupation (slide 17)
- Wage growth is highest for those who move out of a low pay occupation (unsurprisingly)
- Wage growth is higher for those who change employer (entref)
 - Not shown
- And for those who move region
 - Not shown

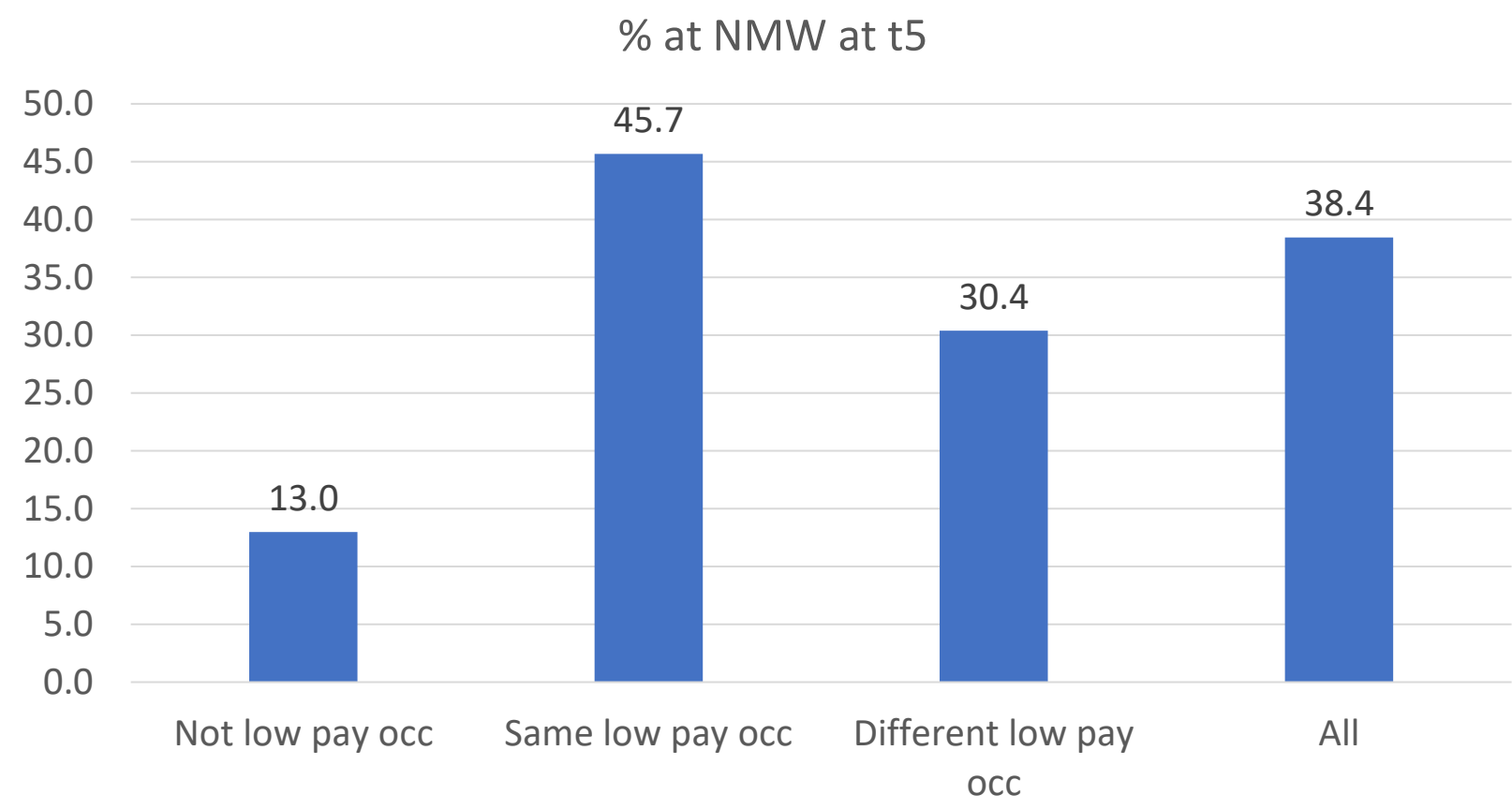
Of those in a low pay occupation in t1...



Of those in a low pay occupation in t1...



Of those earning NMW in t1...



Next Steps

- Construct time-consistent indicator of a low paying occupation
 - Or abstract away from a low-paying occupation and refer to different types of job move
 - Occupation, within/across employer, within/across region
- Weighted estimates
 - Cross-sectional weights help account for employer non-response which is linked to propensity for low paid employment
 - But we are aiming to produce longitudinal weights
- Modelling
 - Transition out of low pay/off NMW as a function of personal, job and employer characteristics, to show the relative importance of each
 - (Endogenous) mechanisms
 - Incorporate missingness between t1 and t5