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Discussant Notes for: Non-standard Employment and Wages in Australia
By Inga Laß and Mark Wooden
Paper presented at the 2019 RBA Conference, Sydney 4-5 April 2019

Overview

The paper by Inga Laß and Mark Wooden seeks to assess the changes in non-standard employment in Australia overtime and to determine whether these changes are impacting upon (lower) wage growth. It does this by utilising 17 waves of participants in the Household Income and Labour Dynamics in Australia survey to track the prevalence of employment arrangements. The authors include a rationale of the definition of 'non-standard work' and focus on two primary outcome variables – the **real wage level** and **real wage growth.** These outcome variables are assessed against employment arrangement type and controlling for employment characteristics and individual fixed effects. Changes are examined at three different timeframes – pre-GFC (2001-2008), early-post GFC (2009-2012) and later post-GFC (2013-2017).

The paper also examines transitions from one employment arrangement to another and includes a decomposition to show the impact of changes in the share of non-standard employment and its impact on real wage growth.

The key findings from the paper are:

- Disregarding the self-employed, non-standard employment has grown by about 3.4 percentage points between 2001 and 2017, from 44.9% to 48.3%.
- The majority of workers who maintained consistent employment between two time periods have experienced positive real wage growth. Median annual change for men was 1.9% and for women 1.7%.
- Hourly wage growth for part-time and casual workers has been deteriorating relative to permanent full-time workers over time.
- The effects of growth in non-standard employment has had a relatively small impact on overall wage growth in the labour market.

While the study does not find that non-standard employment is contributing substantially to lower wage growth, it uncovers a number of relationships that warrant further examination and have clear policy implications. The first is that there is an increasing deterioration of wage growth among permanent part-time men and part-time and casual women as time progresses.

According to the author's results, the return on part-time working arrangements among women has fallen from -9.3 per cent to -14.3 per cent across the three periods. For men working part-time men, the deterioration is greater, falling from -10.8 per cent to -17.2 per cent. Among women working in casual employment the coefficient widens from -11.5 to -15.7 per cent. These findings raise questions about the characteristics of these workers and how these differ across pre and early-post GFC periods. Why are these workers attracting such strong and widening wage growth penalties now? And what does it mean if this pattern continues?

Table 8   *Non-standard employment and real hourly wages growth by sub-period*
    [Fixed effects estimates; outcome = annual change in ln real hourly wage]

	2001-2008	2009-2012	2013-2017
Men			
Permanent part-time	-0.108**	-0.115**	-0.172**
Fixed-term contract	-0.026	-0.005	-0.039*
Casual	-0.072**	-0.036	-0.079**
N	16599	10345	17120
R^2 (within)	0.008	0.008	0.011
R^2 (between)	0.004	0.015	0.005
Rho	0.62	0.62	0.47
Women			
Permanent part-time	-0.093**	-0.129**	-0.143**
Fixed-term contract	-0.022	-0.026	-0.043**
Casual	-0.115**	-0.123**	-0.157**
N	16085	10233	17042
R^2 (within)	0.010	0.017	0.019
R^2 (between)	0.001	0.002	0.002
Rho	0.27	0.37	0.61

Note: ** and * denote statistical significance at the .01 and .05 levels, respectively.

i.   Conceptualisation of Non-Standard and Standard Employment

The definition of non-standard employment applied by the authors includes part-time workers and excludes self-employed workers. The inclusion of part-time employees as non-standard workers is a conceptual issue. It raises questions around how we should view this very 'standard' form of work, particularly as it is increasing as a share of employment overall. While this classification does not impact on the author's analysis, it does impact on how the discussion is framed. If part-time work is viewed as a standard form of employment, our expectations for wages and conditions associated with this type of working arrangement will likely change.

Self-employed workers are also excluded from the study. The rationale put forward by the authors is on the basis that it is too difficult to observe a true wage for these workers and that self-employment has been falling as a share of total employment. This requires further evidence to justify the exclusion of this group. While self-employed workers have been falling as a share of the employed overall, this decrease has been driven by full-time workers, whereas self-employment among part-time workers has remained relatively stable over time. Industry heterogeneity is also likely to exist and changing over time. Re-introducing self-employed workers into the analysis would be a worthwhile exercise.

There also remains potential under-measurement issues of the self-employed in HILDA, with HILDA estimates of self-employed 13.9% and the ABS characteristics of employment survey recording 17%.

ii.   Main and Secondary Jobs

The focus of this paper is by default on the main job held by workers. This is a results of standard labour force surveys collecting limited information on secondary and multiple jobs. New Labour accounts from the ABS that combine employer and employee survey data, have shown that secondary jobs in Australia have reached 1 million and have been growing at double the pace of main jobs. Secondary jobs are cyclical in nature but there also appears to be a structural component in the post-GFC period (Fig. 1). A question remains around how permanent these patterns are, and importantly, whether or not the combination of multiple-job holdings are impacting wage growth.

The ability to observe secondary jobs in labour surveys is problematic. This is because there are currently no available data sources that request full information about employment characteristics attached to secondary jobs; and there is likely to be a greater non-disclosure rate particularly if these jobs are intermittent in nature. If secondary jobs are becoming more prevalent, they are likely to be playing a role in current wage dynamics, both at an individual and labour market level.

Incorporating additional information about secondary and multiple job holdings as far as possible, would be useful to test both as an additional covariate and as a component of the outcome variable. There also remains a broader issue about the unit of focus in future labour market outcome analyses and the need to assess the entire job portfolio as both an input and outcome.

Figure 1: Quarterly change in main and secondary jobs: 2010 - 2018
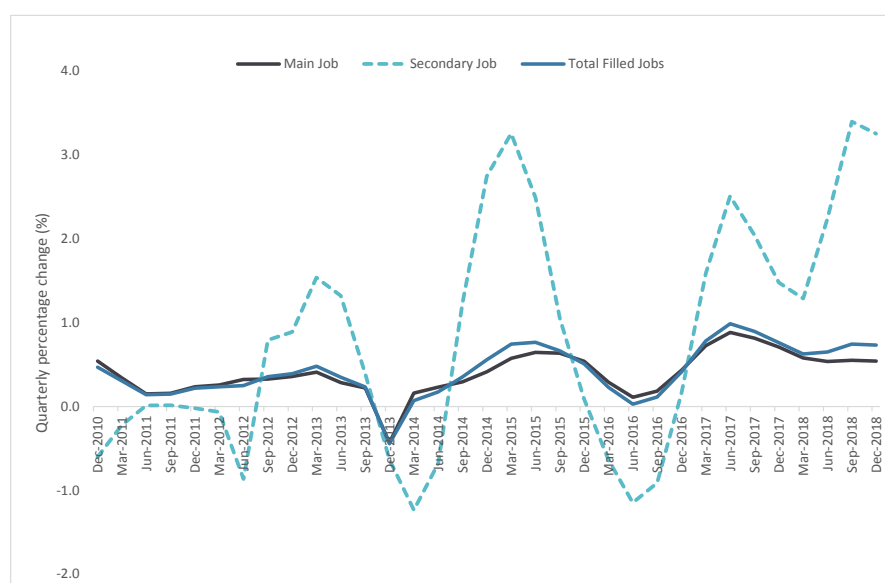
iii.   Model Specification and Analysis

Selection Effects

The authors recognise the potential for selection effects, and the possibility that non-random selection could affect the findings on wage growth for those in non-standard employment or any employment status. Their approach relies on the inclusion of additional variables designed to identify or explain those who move out of employment across panel waves. However, the current selection on observables may not fully capture the process, nor the potential for non-random selection into, or out of non-standard employment over the course of the economic cycle. The paper would benefit from a more rigorous treatment of non-random selection. This could give more insight into the types of people who move into and out of non-standard employment. It would also confirm whether selection bias is a factor that affects the paper's findings of an increasing wage growth penalty for non-standard employment over time.

Explanatory power

Some of the models have very low explanatory power, as noted by the authors, which compromises the findings to a degree and questions whether or not the models have enough power to capture the real wage growth effects, notwithstanding their individual significance. Of note is the fall in the

between-group R^2 measures for women from 0.17 to 0.04 between 2001-2008 and 2013-2017, as is the drop from 0.13 to 0.01 for men between 2001-2008 and 2009-2012.

Distributional Analysis

Permanent full-time employees are a large group with a broad hourly wage distribution, and additional insight could be gained by interrogating more closely the heterogeneity of this group, not just in terms of their average wage over time, but for different wage quantiles as well as the degree of wage dispersion. Has the wage distribution compressed or broadened for casual or permanent part-time workers?

Estimated wage and wage growth patterns

The respective results for *real hourly wages* over time by non-standard employment status (Table 5) and real *hourly wages growth* over time by non-standard employment (Table 8) present something of a conundrum, notwithstanding the authors' commentary. Table 5 estimates the real wage premium for permanent part-time male workers to have increased from 8.8% to 14.9% between 2001-2008 and 2009-2012, but Table 8, with a similar specification, reports that *real wage growth penalty* also increased for the same group over the same period. These results appear to conflict with each other and rationalisation of the two sets of results for levels and changes should be attempted.

Summary

This study adds valuable knowledge towards understanding the returns to certain employment arrangements, how these have changed over time and how these returns differ among men and women.

The overall finding is that changes in the non-standard employee share accounts for around 0.2 of a percentage point of the decline in the real wage growth rate among men, and less than 0.1 of a percentage point among women. However, all effects are insignificantly different from zero.

The analysis as it currently stands, goes some way towards ruling out non-standard employment as a significant contributor to overall wage growth decline in the labour market. It does this reasonably convincingly, however, further testing and refinement of model specifications applied may alter these results.

Finally, if non-standard employment is not found to be contributing to recent slower wage growth – then it follows that standard employment must be.