

# How does low-pay persistence change with age?

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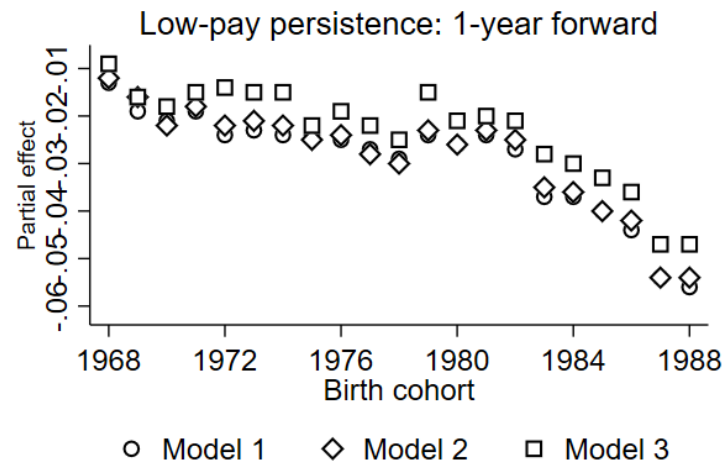
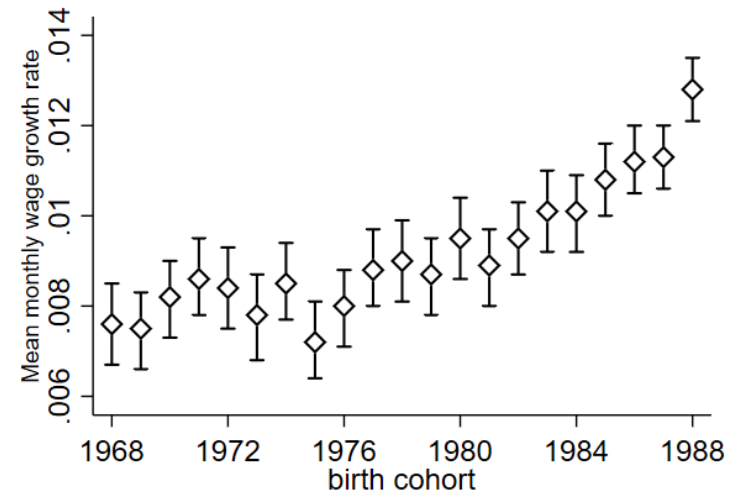
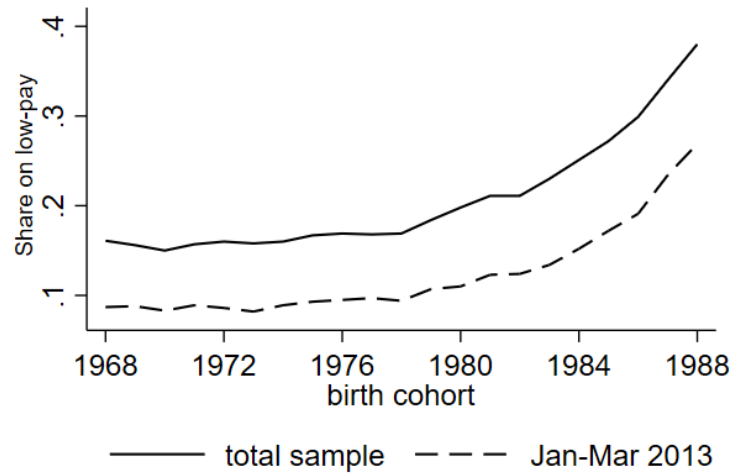
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# Motivation

- Young worker vs mature worker: Lower wage but stronger wage-growth
  - Lower wage → more likely to be employed in low pay sector
  - Stronger wage-growth → better chances exiting low pay
- Challenge:
  - Only controlling for age in a state-dependence model is not sufficient: level effect but heterogeneity of lagged dependent variable
- Identification strategy
  - Markov Model: Probability staying on low pay and entering higher pay (no unemployment) and accounting for state dependence
  - Period: Jan 2013 to Dec 2015; Birth cohorts: 1968-1988
  - Focus on those who were on low pay Jan to Mar 2013
  - Database: Inland Revenue / Census 2013 / Personal details

# Key findings



# Conclusion

1. In general, low pay persistence declines in time
2. Effect is stronger for younger ones: -4 to -6 pp after one year for men born after 1985 compared -1 to -2pp for men born in 1970
3. Focussing on men who have not changed their employer cushions the effect, especially for older worker

# StatsNZ Disclaimer

- Access to the anonymised data used in this study was provided by Statistics New Zealand in accordance with security and confidentiality provisions of the Statistics Act 1975, and secrecy provisions of the Tax Administration Act 1994.
- The findings are not Official Statistics. The results in this paper are the work of the authors, not Statistics NZ, and have been confidentialised to protect individuals, households, businesses and other organisations from identification.