

The UK labour market and labour market policies

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Department for Business, Energy and Industrial Strategy's
Labour markets "Mini conference"

30th March 2017

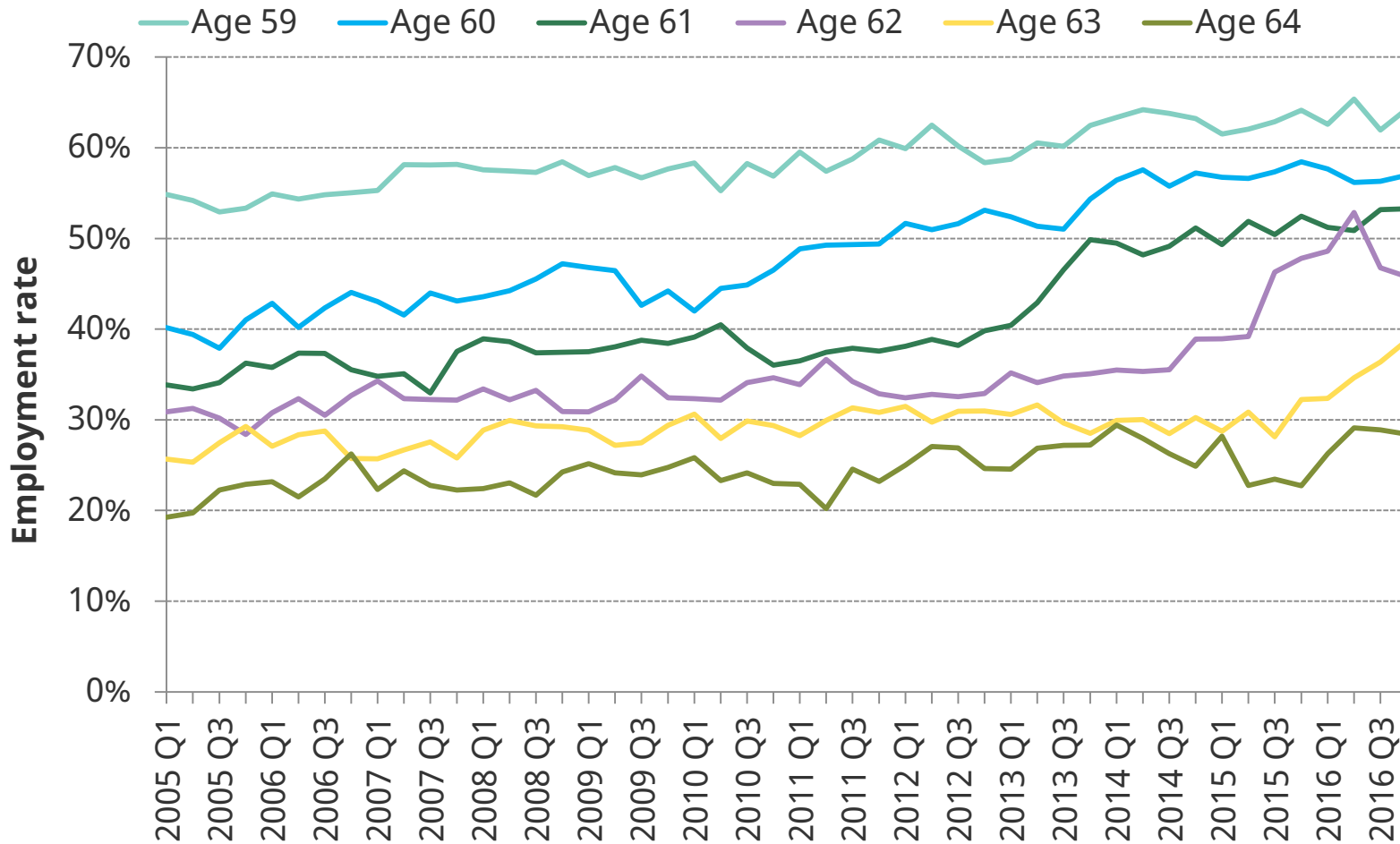
Introduction: IFS labour markets research

IFS undertakes wide range of labour markets research

Focus on two questions

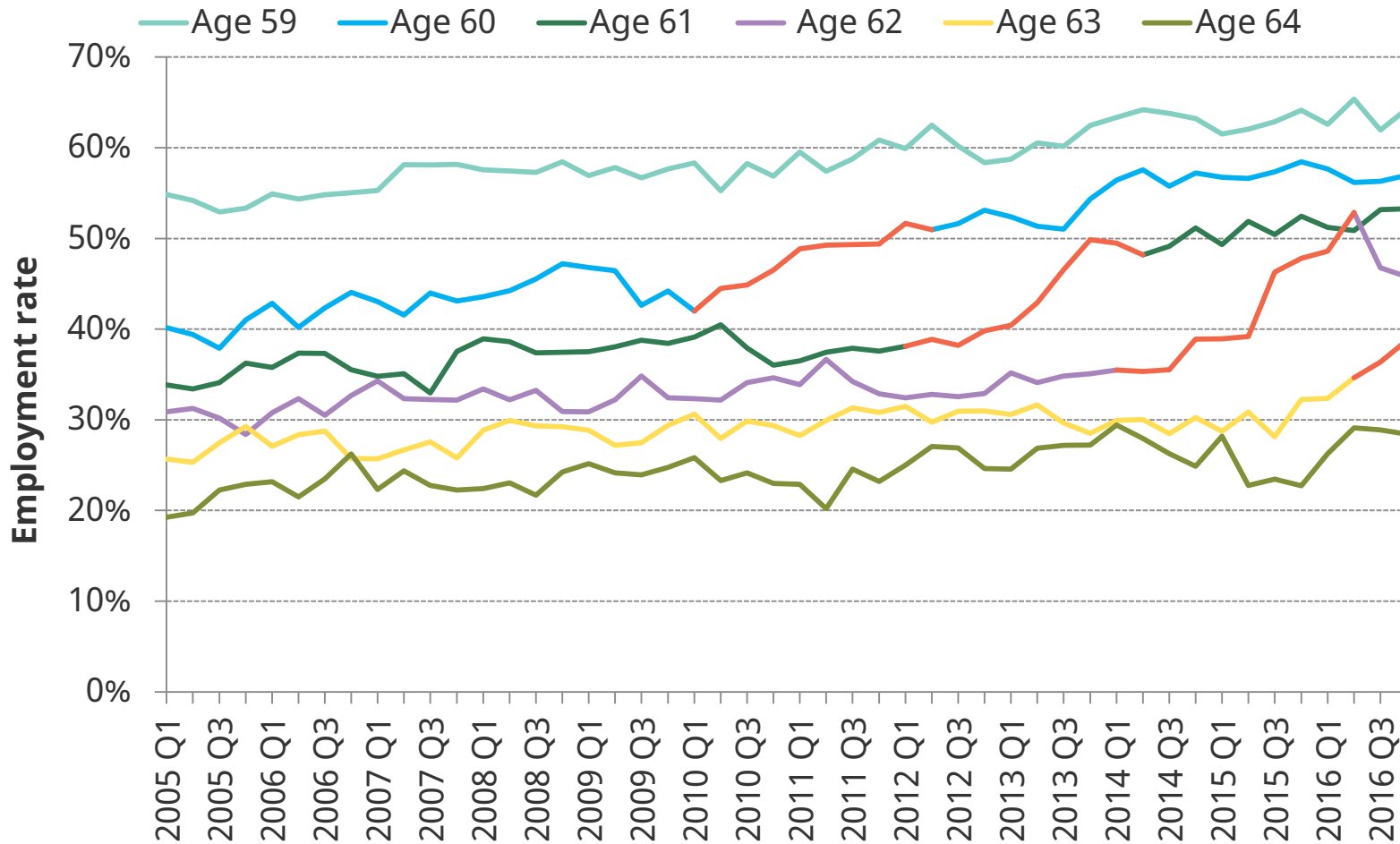
- How has employment at older ages changed and why?
 - Increase in state pension age for women
 - Changes in health and employment of older men
- Why have (or haven't) labour market inequalities changed?
 - Pay inequality and the role of hours of work
 - The gender wage gap
 - The graduate premium

Large increases in employment for some groups e.g. Older women



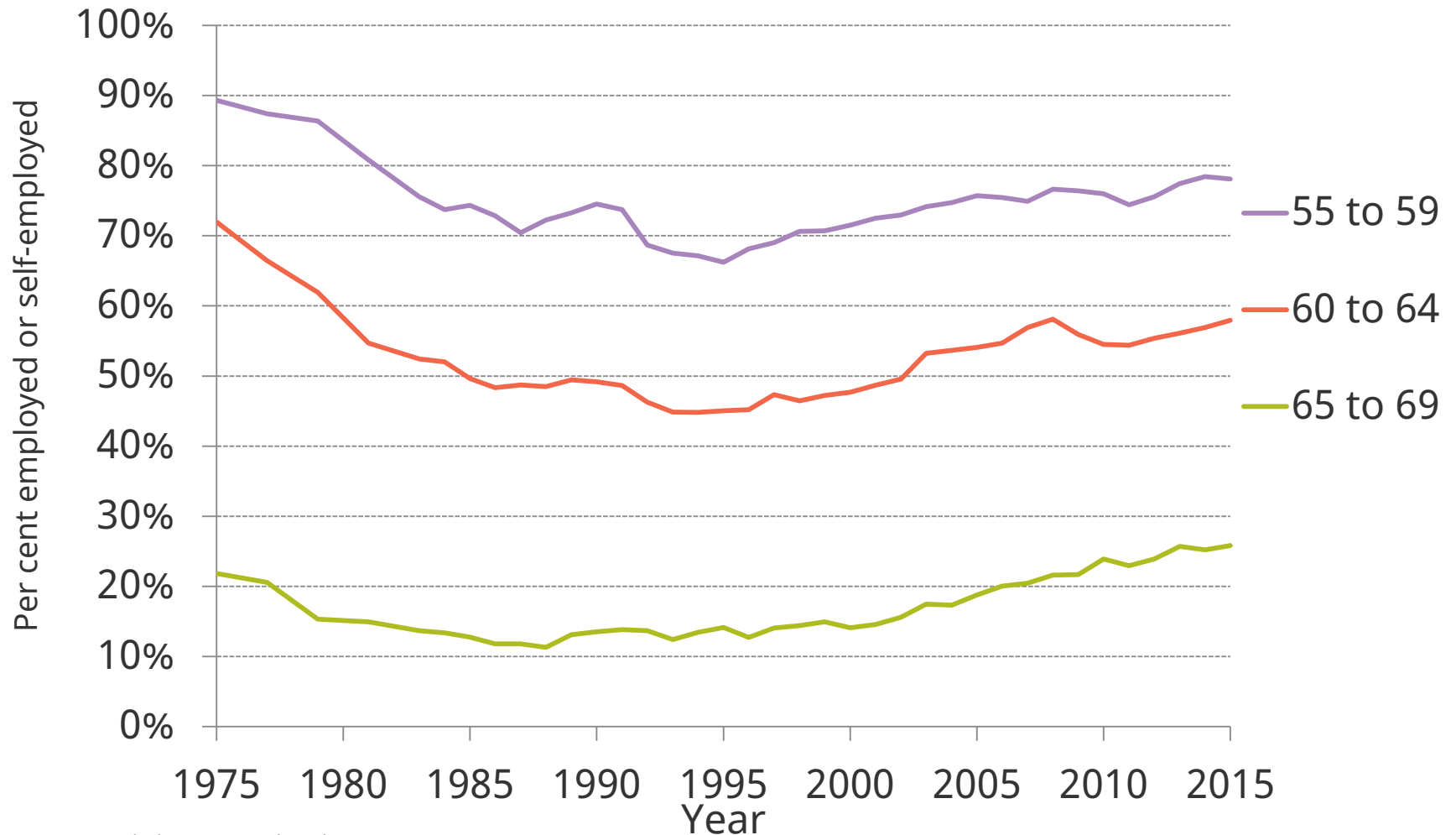
Source: Cribb, Emmerson and Tetlow (2016) "Signals matter? Large retirement responses to limited financial incentives" and author's calculations using the Labour Force Survey

Increase in state pension age for women boosts employment



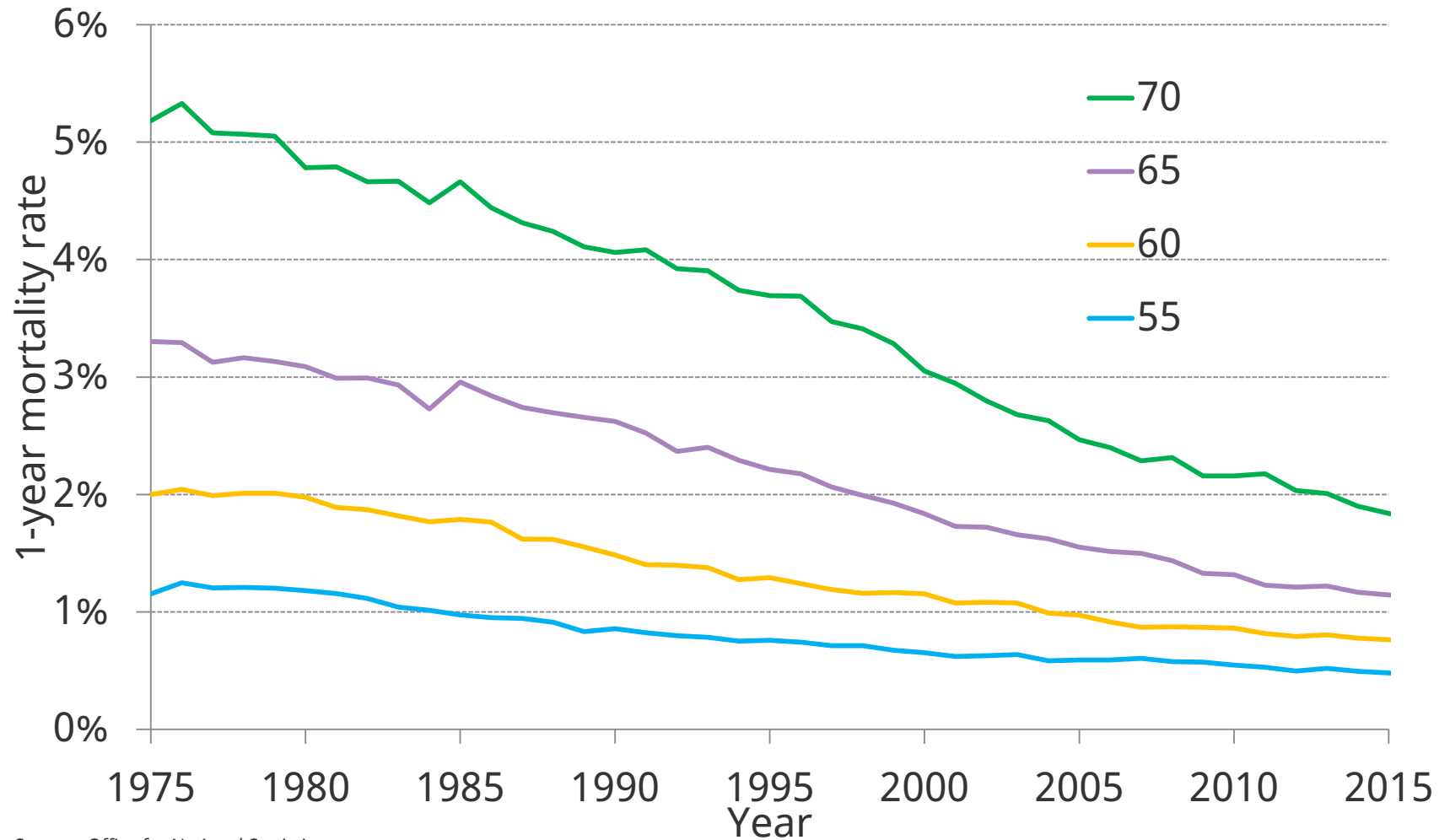
Source: Cribb, Emmerson and Tetlow (2016) "Signals matter? Large retirement responses to limited financial incentives" and author's calculations using the Labour Force Survey

Employment of older men since 1975



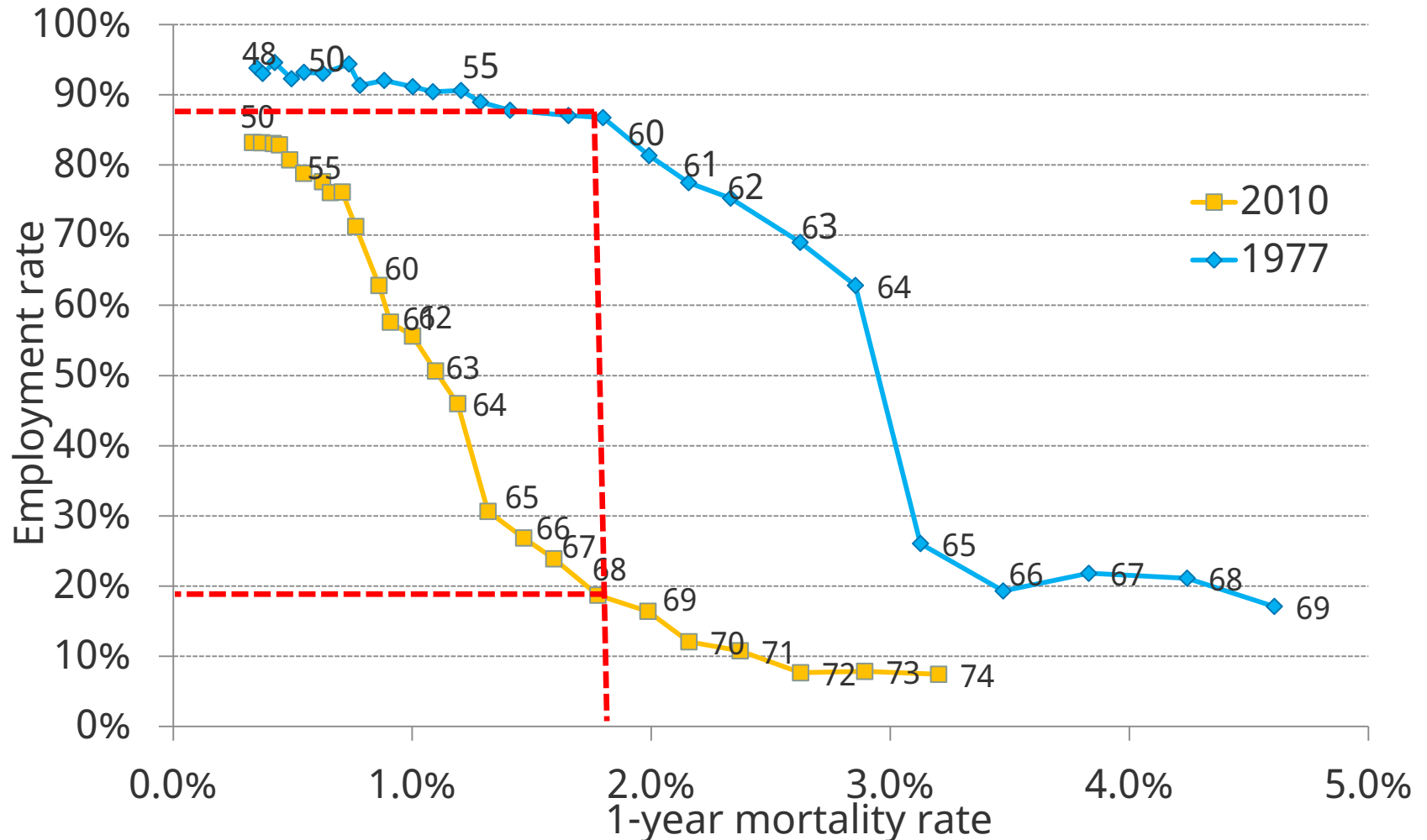
Source: IFS calculations using the Labour Force Survey

Improvements in mortality - men

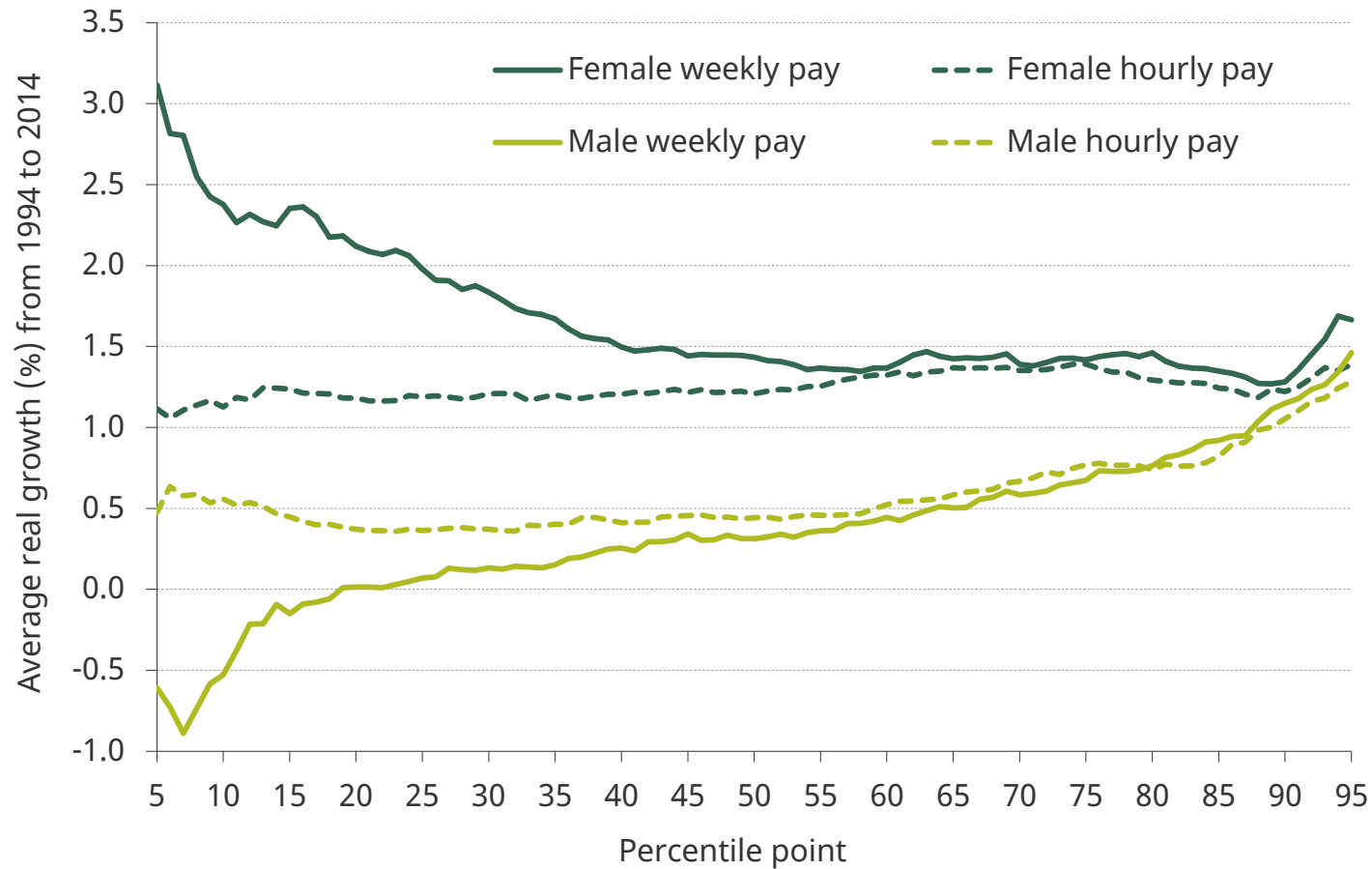


Source: Office for National Statistics

Employment rate by mortality - men

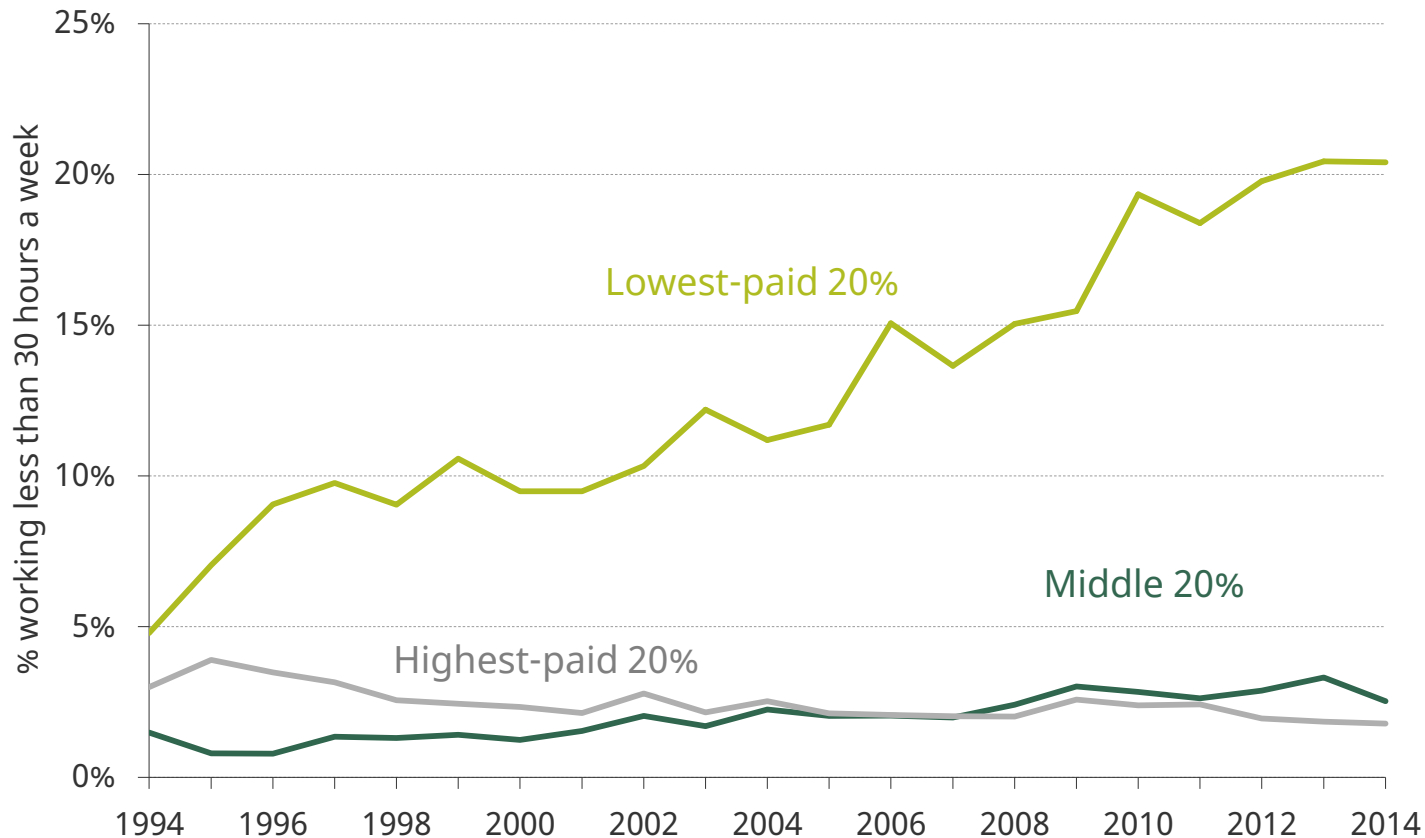


Weekly and hourly pay growth for men and women, 1994 to 2014



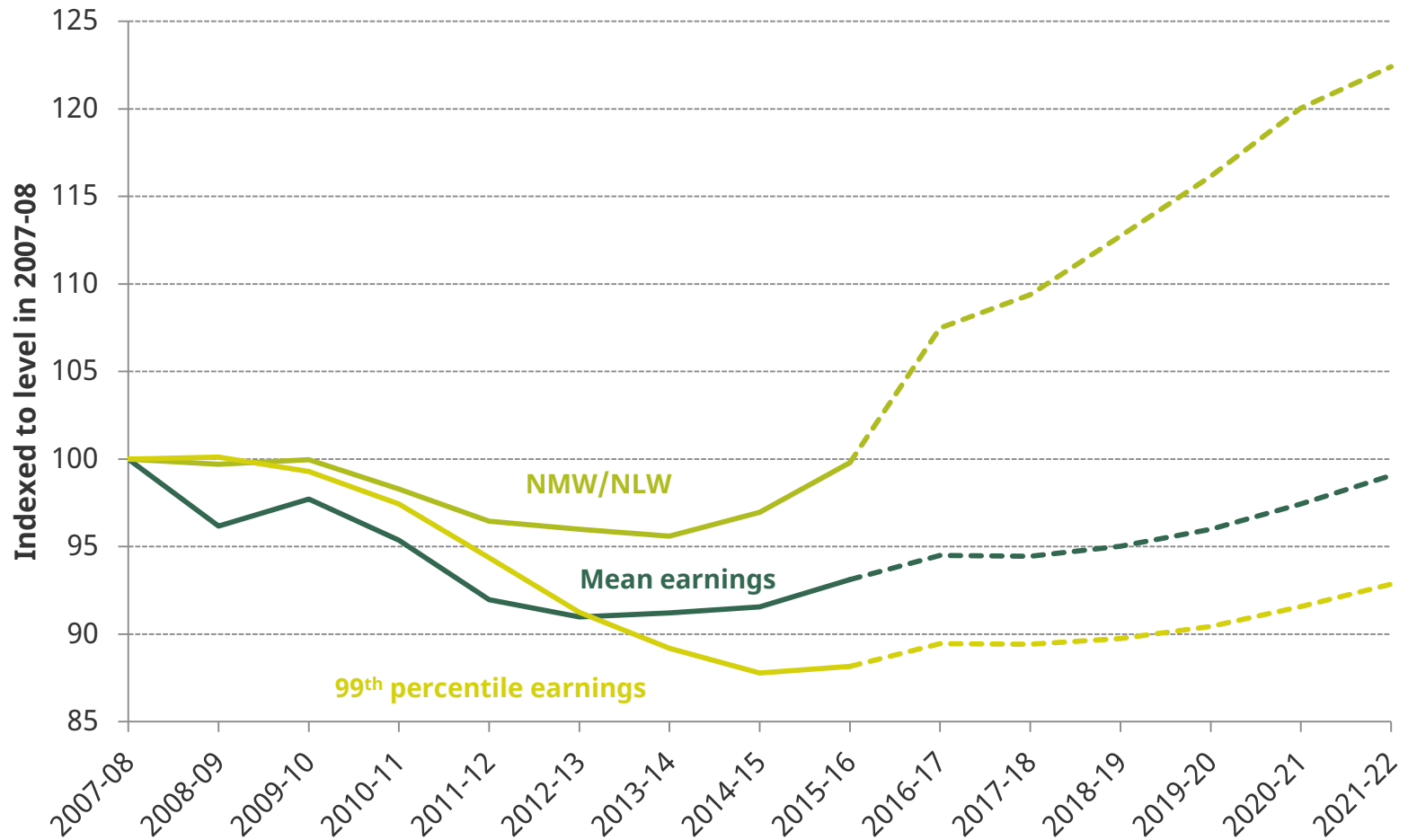
Notes and source: Figure 5 of Belfield et al (2017) "Two decades of income inequality in Britain: the role of wages, household earnings and redistribution"

Proportion of men aged 25-55 working part-time by hourly pay, 1994 to 2014

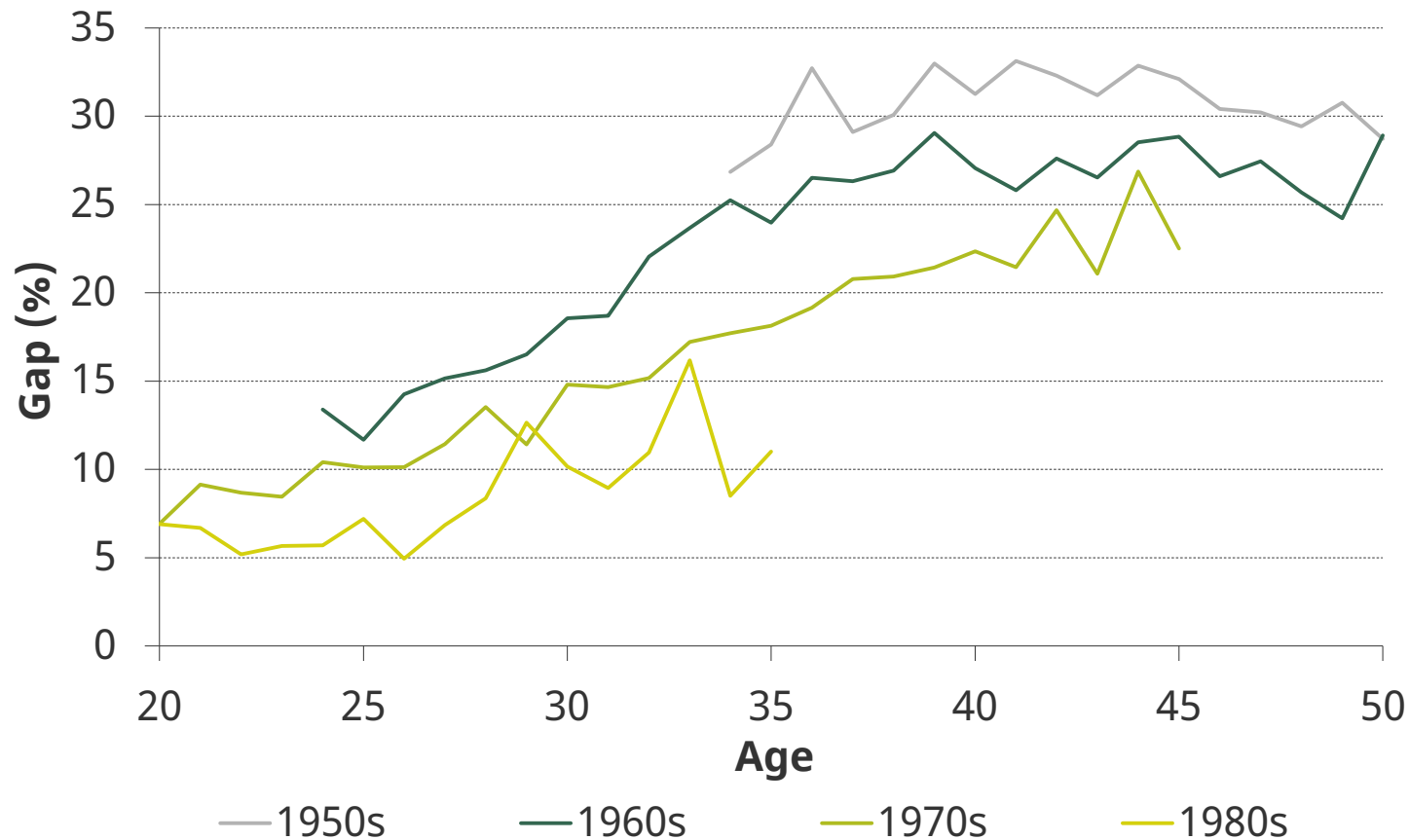


Notes and source: Figure A of summary annex

Real-terms path of earnings since 2007-08

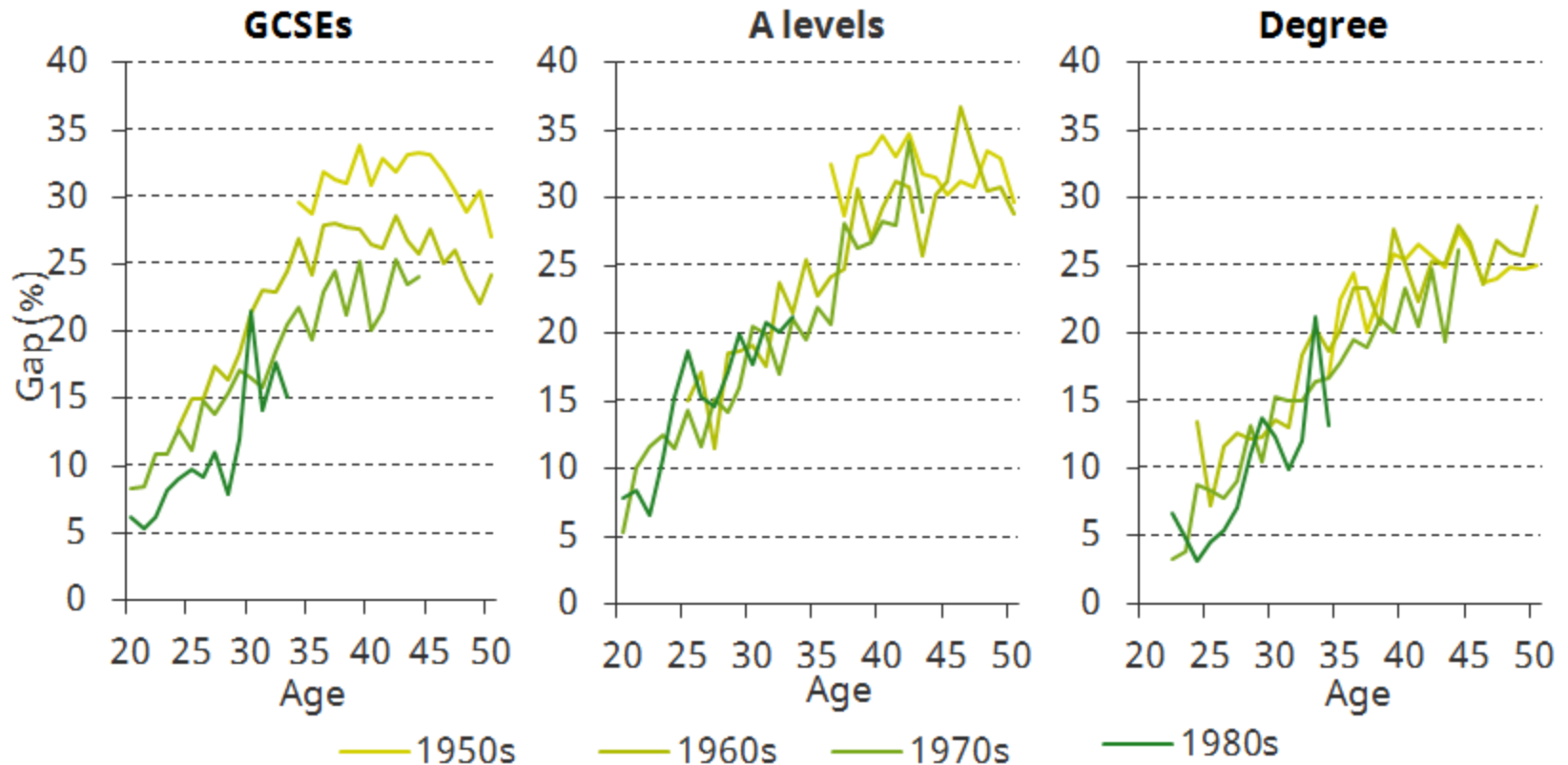


Gender wage gap by age, for people born in different decades



Source: Costa Dias, Elming and Joyce (2016) "The Gender Wage Gap"

Gender wage gap by age and birth cohort, for different education groups



Source: Costa Dias, Elming and Joyce (2016) "The Gender Wage Gap"

Drivers of the gender wage gap

Gender wage gap opens up in late 20s and continues to widen throughout 30s

Gender wage gap rises gradually after the birth of woman's first child

Women's employment rates fall after birth of first child

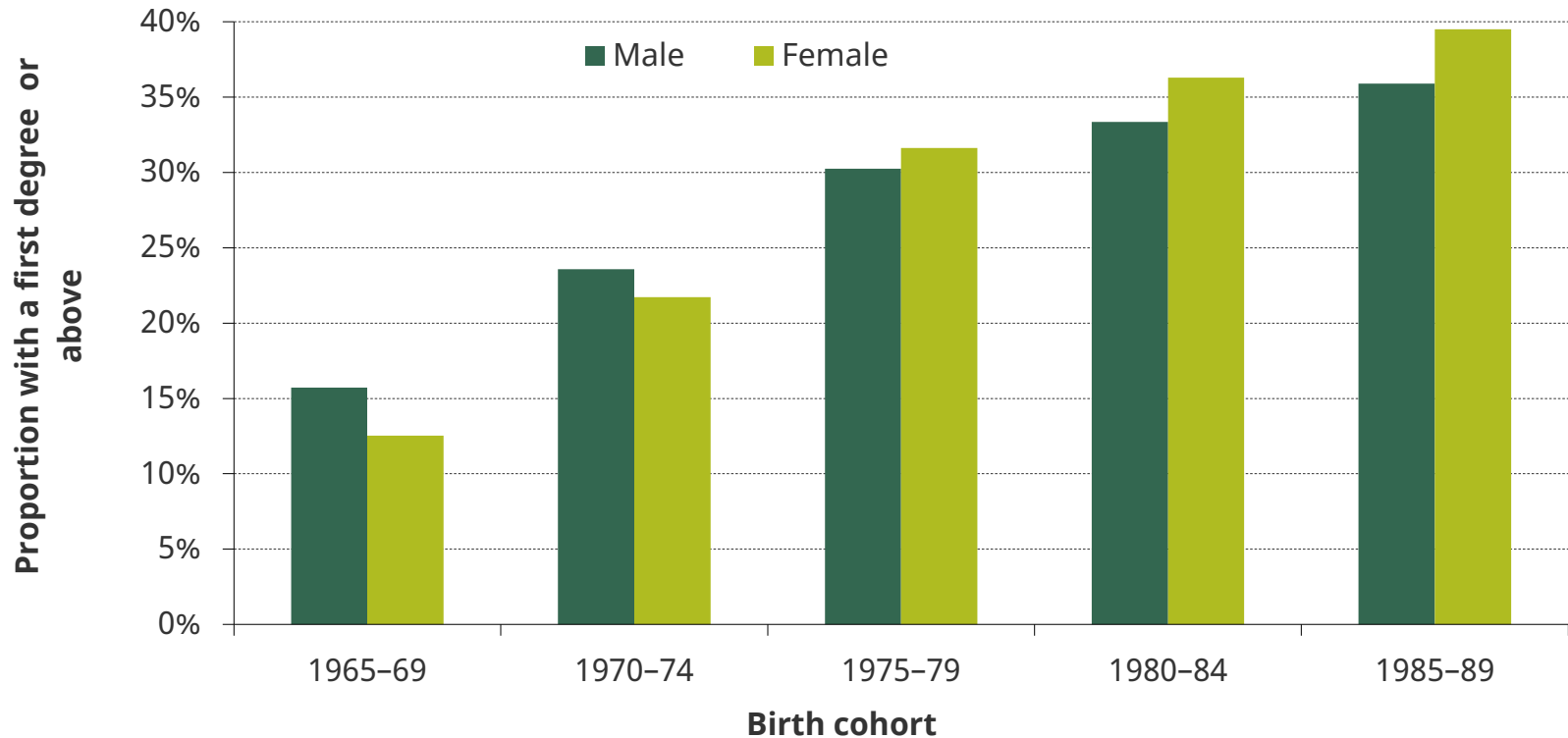
Particularly for women with lower education levels

Falls in employment for women are quite persistent

Also a (persistent) increase in part-time work for women after having first child

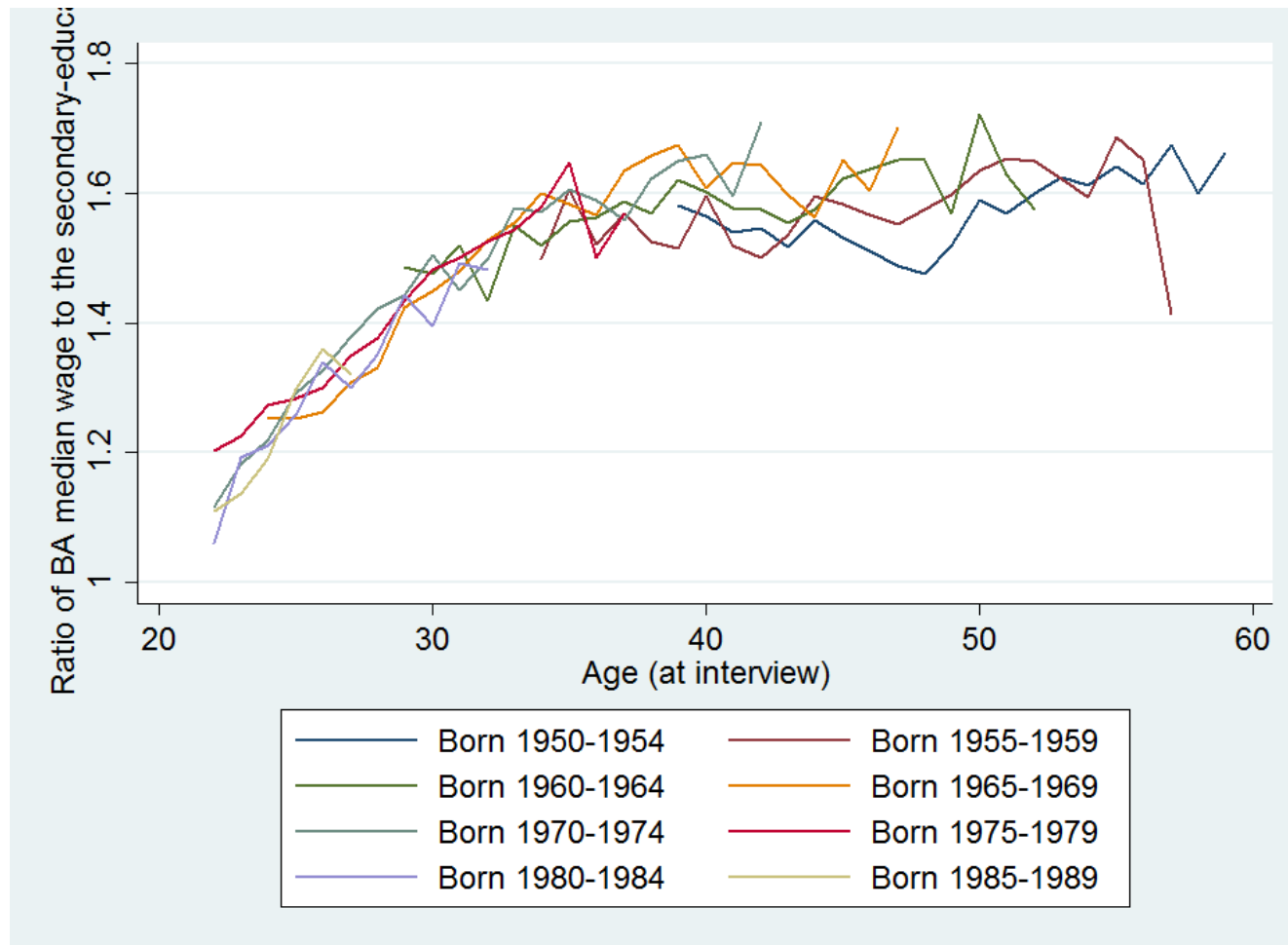
One reason for gender wage gap is the lower experience that women have in the labour market after having children, particularly as there has been found to be very little return to experience in part-time work

Graduate wage premium: a puzzle



Source: Blundell, Green and Jin (2016) "The UK Wage Premium Puzzle: How did a Large Increase in University Graduates leave the Education Premium Unchanged?"

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Why has the graduate wage premium remained so stable?

Massive increase in supply of graduate labour

- Simple supply/demand analysis : expect a fall in graduate premium

Various potential explanations for this are ruled out:

- Changes in the observable composition of groups (immigrants, postgraduates, public sector)
- Unobserved quality changes to each education group
- Trade model or exogenous skill biased technical change

One potential answer: endogenous technological change

- Firms make organisational change in which decision making is spread through the workforce, and use more graduate labour (at same wage)
- Areas of the UK with higher % of grads are areas where individuals report having more autonomy over own work

Conclusion

The labour market is changing rapidly in many ways

- E.g. Increase in self-employment
- Increases in participation at older ages
 - But potential for much further increase in work at older ages

Inequalities between different groups are important features of the labour market

- Detailed analysis needed to show both what is happening, and to understand why
- This is important in order to address the policy problems of today, rather than the policy problems of yesterday