Does Neighbourhood Unemployment Affect the Springboard Effect of Low Pay?

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Understanding Society

Labour Market Dynamics

What influences labour market trajectories?

Springboard Effect of Low Pay

Research question: How does the springboard effect differ in dependence of the unemployment level in the neighbourhood?

Low-paid better off in neighbourhoods with high unemployment

Econometric model

- Bivariate random-effects probit model
- Lagged dependent variable, including an interaction with the lagged labour market indicator
- Unobserved heterogeneity (Heckman 1981a)
- Correlated random-effects are simulated using Halton draws
- STATA command bireprob (Plum 2015)

Results

APE: Local unemployment rate

<table>
<thead>
<tr>
<th></th>
<th>low</th>
<th>high</th>
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<tbody>
<tr>
<td>Unemployed</td>
<td>-0.140</td>
<td>-0.249</td>
</tr>
<tr>
<td>(0.119)</td>
<td>(0.161)</td>
<td></td>
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<tr>
<td>Higher-paid</td>
<td>0.089</td>
<td>0.358</td>
</tr>
<tr>
<td>(0.126)</td>
<td>(0.144)</td>
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- Research question: Which effect has the unemployment level in the neighbourhood on the springboard effect of low-pay?
- First study in low-pay research that is matching survey data with local labour market statistics at very immediate geographical scales
- Indications found that future unemployment risk is lowered and the chances of becoming higher-paid employed increased when taking up low-pay instead of staying unemployed in neighbourhoods that face high unemployment
- Findings robust for a range of robustness estimations