

DECOMPOSING THE TEMPORARY-PERMANENT WAGE GAP IN NEW ZEALAND

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Recent years has seen an upsurge of interest in the types of temporary employment available, as well as empirical investigation of many of the expected negative outcomes associated with such employment arrangements – such as job insecurity, job dissatisfaction, poorer pay, and worsening of health status. This study focusses on the temporary-permanent wage gap and decomposes the penalty experienced by temporary workers in terms of individual, occupation, industry and other job characteristics. We find that much of the difference can be explained by observable characteristics. This article also extends past literature on this front by reporting propensity score matching estimates of the temporary worker pay penalty. By comparing observably similar permanent and temporary workers, we find a pay penalty of around 7%, and this varies substantially depending on the type of temporary work – whether it be fixed term contracts, casual, seasonal or temp agency.