

Measuring the temporary-permanent wage gap in Cyprus

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ABSTRACT

The aim of the paper is to analyse the wage gap between permanent and temporary workers in Cyprus. The use of 2009 and 2015 EU-SILC allows to get a first glimpse of the impact of recession on non-standard forms of employment. The size of the hourly unconditional wage gap is primarily sensitive to sample definitions and secondly to selection-correction procedures. Still, Cyprus can be classified among the countries with relatively high permanent-temporary gap, with the crisis having a rather marginal impact on the observed gap. The Oaxaca-Ransom decomposition technique has been deployed to decompose the wage gap into explained and unexplained components; and the latter into permanent employees' advantage and temporary employees' disadvantage. In all cases, the decomposition shows that almost half of the gap cannot be explained by productive characteristics and job attributes available in the data set. While, the unexplained component, whose absolute size is high but its relative size is close to European average, is driven by temporary employees' disadvantage. The study does not control for potential endogeneity in the form of contract-selection bias due to the absence of appropriate instruments. Still, the sheer magnitude of the wage gap and the unexplained component, alongside with other direct and indirect evidence, makes the case of wage discrimination as very plausible. The essay closes with a short discussion on relevant policies.

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