

“Is there a Causal Effect of Working Part-time on Today's and Future Wages?”

This paper studies the causal effects of working part-time on wages using data on women in Germany. The causal effect of current part-time employment is disentangled from the effect of part-time employment in the past. Furthermore, long-run wage effects of typical female employment patterns are estimated. A simultaneous bivariate correlated random effects model with a wage equation flexibly capturing the employment history and a dynamic employment equation modeling the decision between non-employment, part-time employment, and full-time employment is used. This econometric approach accounts for unobserved heterogeneity, selectivity and contemporaneous endogeneity of the current employment status and experience. Exclusion restrictions from the institutional context are used to support identification. The model is estimated using Markov Chain Monte Carlo (MCMC) methods. Results suggest that, while there is a considerable wage differential between part-time and full-time workers just conditioning on observable characteristics, there exists no causal effect of working part-time on current wages. However, there is a negative long-term wage effect of part-time employment.