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WAGE INEQUALITY IN THE WORKPLACE

Discussion

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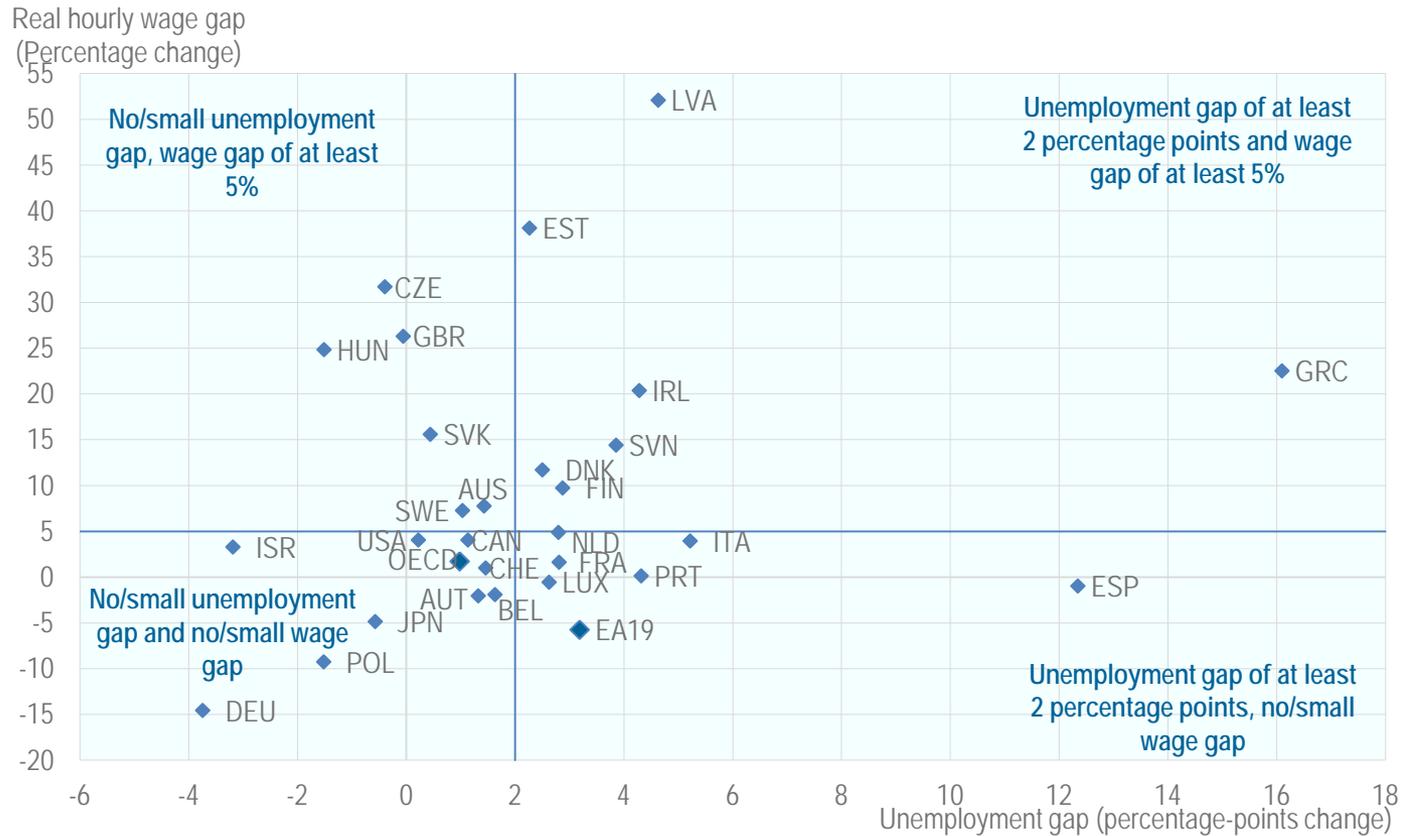
An Important Topic

Lot of informative evidence (making a smart use of available data) which resonates with different streams of work at the OECD:

- Wages and wage growth (« *Back to work but out of pocket* »)
- Inequality
- Gender wage gap
- Decoupling
- Top 1%
- Super star firms
- Productivity-inequality nexus
- ...



Countries still face a significant wage gap



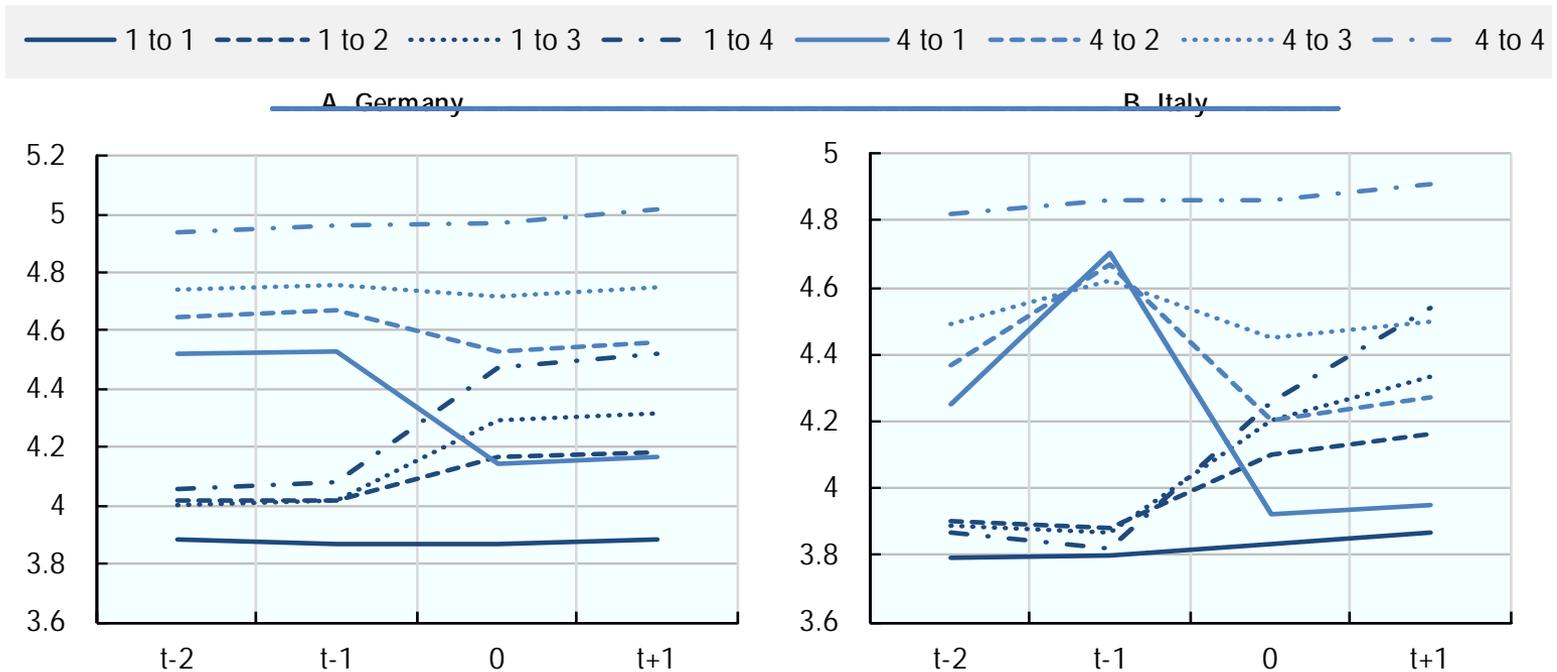
Note: The unemployment gap is defined as the percentage-point change in the unemployment rate in Q4 2015 relative to its level in Q4 2007 (just before the crisis). The wage gap (real hourly earnings) is defined as the percentage shortfall of the Q4 2015 value with respect to a counterfactual value calculated assuming the pre-crisis growth rate during Q1 2000 to Q4 2007 (Q1 2002 to Q4 2007 for Poland) had continued after Q4 2007.



Who You Work for Is Key

It does not just matter who you are, but also who you are working for.

Mean wage of male full-time job changers by quartile of mean co-workers wage at origin and destination firms, 2002-09



Note: The figures show mean wages of male full-time workers observed in 2002-2009 who change jobs in 2004-2007 and held the preceding job for 2 or more years, and the new job for 2 or more years. "Job" refers to the establishment (for Germany) or firm (for Italy) from which the worker received the most earnings during the indicated year. Each job is classified into quartiles based on mean wage of co-workers (quartiles are based on all full time workers in the same year). Germany from Card et al. (2013).

OECD Employment Outlook 2015 www.oecd.org/employment/outlook

Productivity differentials but also sorting and polarisation.



Within vs. Between Firm Inequality

- “*Within-enterprise inequality is as nearly important as between- inequality*” (ILO, 2016)
- So far the debate (and reflection on policies) has focused mainly on within firm inequality
 - Low-pay, hence minimum wages and collective bargaining
 - Top 1% (e.g. CEO pay), where rising inequality = rising top income shares
- Song et al. (2015) quite blunt:
 - Inequality between not only greater but also increasing (in fact, ILO figures go in a similar direction)
 - “*Pay differences within employers have remained virtually unchanged*” (Song et al., 2015)

Shall we update our toolkit?



Updating the Toolkit

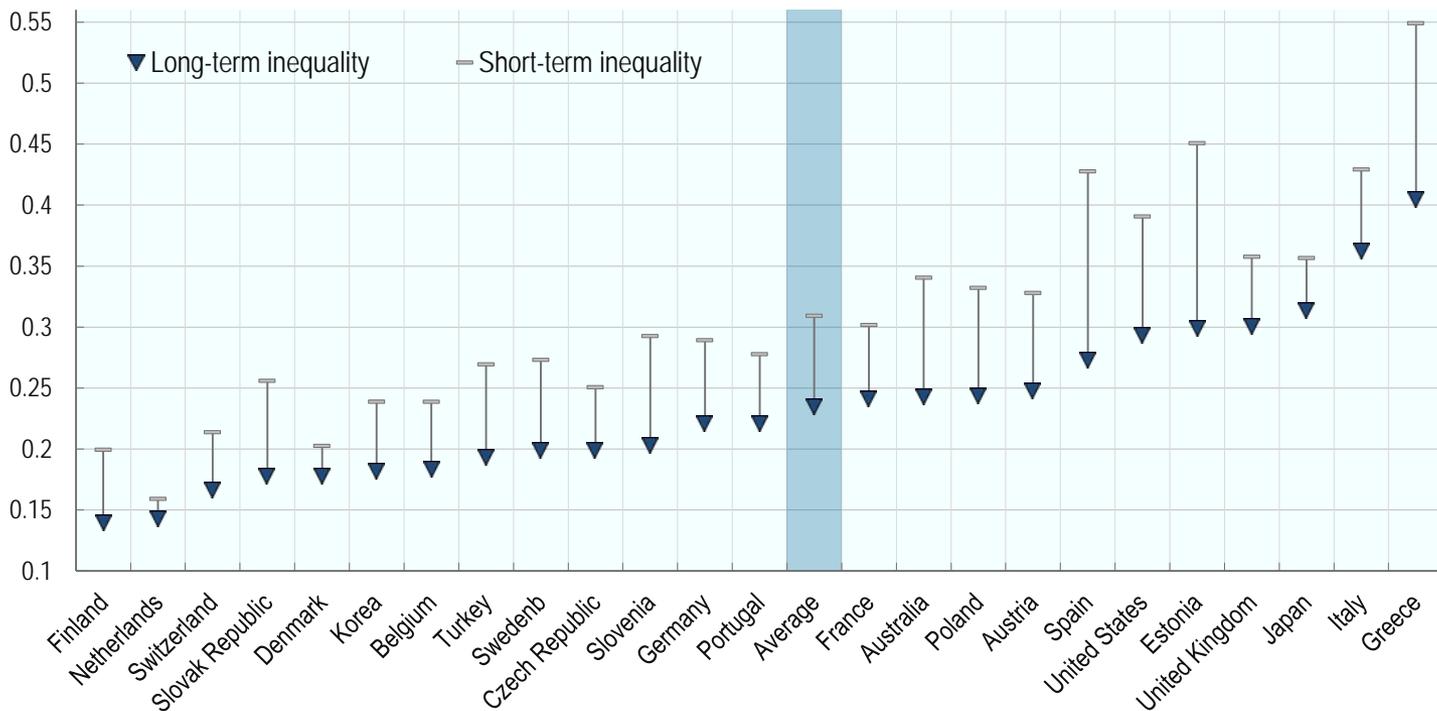
- Not an academic debate.
- Big questions left unanswered:
 - Should within and between firm inequality be treated the same?
 - Usual policies can work for within inequalities. Very limited (or even counterproductive) for between inequality.
- Assortative matching create a major trade-off: higher efficiency but also higher inequalities → productivity-inequality nexus.
- Dynamics of inequality?



The dynamics of inequality

Each year >20% of jobs are created and/or destroyed, and 30% of all workers are hired and/or separate from their employer. Higher inequalities, higher opportunities?

Gini coefficient of active persons (monthly earnings, index) based on simulations over 20 years



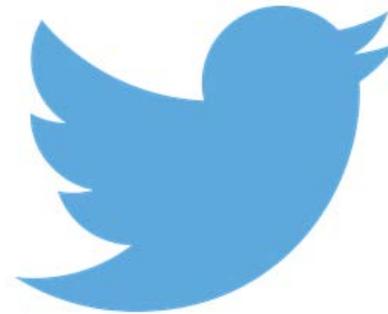
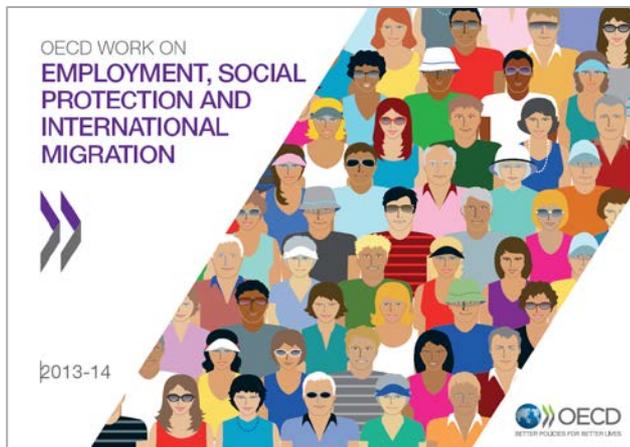


Thank you

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