Why did the wage share decline?  
Industry level evidence

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Hypotheses

Use of robots & technological change

Globalisation

Institutional changes

Mechanisms

Productivity of capital → 
output & wage bill constant
Price of capital → substitution of labour with capital
Advanced countries: → offshoring of labour intensive tasks
Emerging economies: → share of tasks with high elasticity of substitution

Total Factor Productivity

ICT capital stock value added
Total capital stock value added

Operationalisation

Findings

• TFP and (ICT) capital intensity not robust after 1995
• No impact on low skilled workers (largest WS decline)
  o Neither in manufacturing nor services → little evidence for workers losing out in the race of technology vs. skills
  o Robust negative effects of TFP for medium-skilled workers only → automatization of routine tasks, but: No robust effect of ICT
• Casts doubt on high elasticity of substitution

• Advanced economies: Negative effect of offshoring to emerging countries and developing countries
  o No effect of migration → capital rather than labour mobility
  o Emerging Economies: Negative effect of intra-industry intermediate exports to advanced economies → labour loses worldwide
  o No evidence for change in the elasticity of substitution

• Advanced economies: Negative effect of offshoring to emerging countries:  
  o Driven by low-skilled workers in manufacturing sectors
  o Negative effect on WS of high-skilled workers → limits wage dispersion
  o Driven by countries with national or sectoral level of coordination
  o Excess bargaining coverage → ↓ WS
  o Minimum wages (ratio to sector wage) → ↓ WS
  o Social government spending → ↓ WS
  o Female employment share (sector level) → ↓ WS

韬测:  
• Compiled from 7 international databases (EU KLEMS; WIOD, ...)
• Excluded industries: agriculture, mining, public sectors, real estate
• Based on 1 & 2 digit level of ISIC3
• Country sample 1: 14 high-wage OECD countries: Australia, Austria, Belgium, France, Finland, Germany, Ireland, Italy, Japan, the Netherlands, Sweden, Switzerland, the UK, the US
• Country sample 2: 7 emerging economies: Brazil, China, Indonesia, India, Korea, Mexico, Turkey

Dataset:

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