

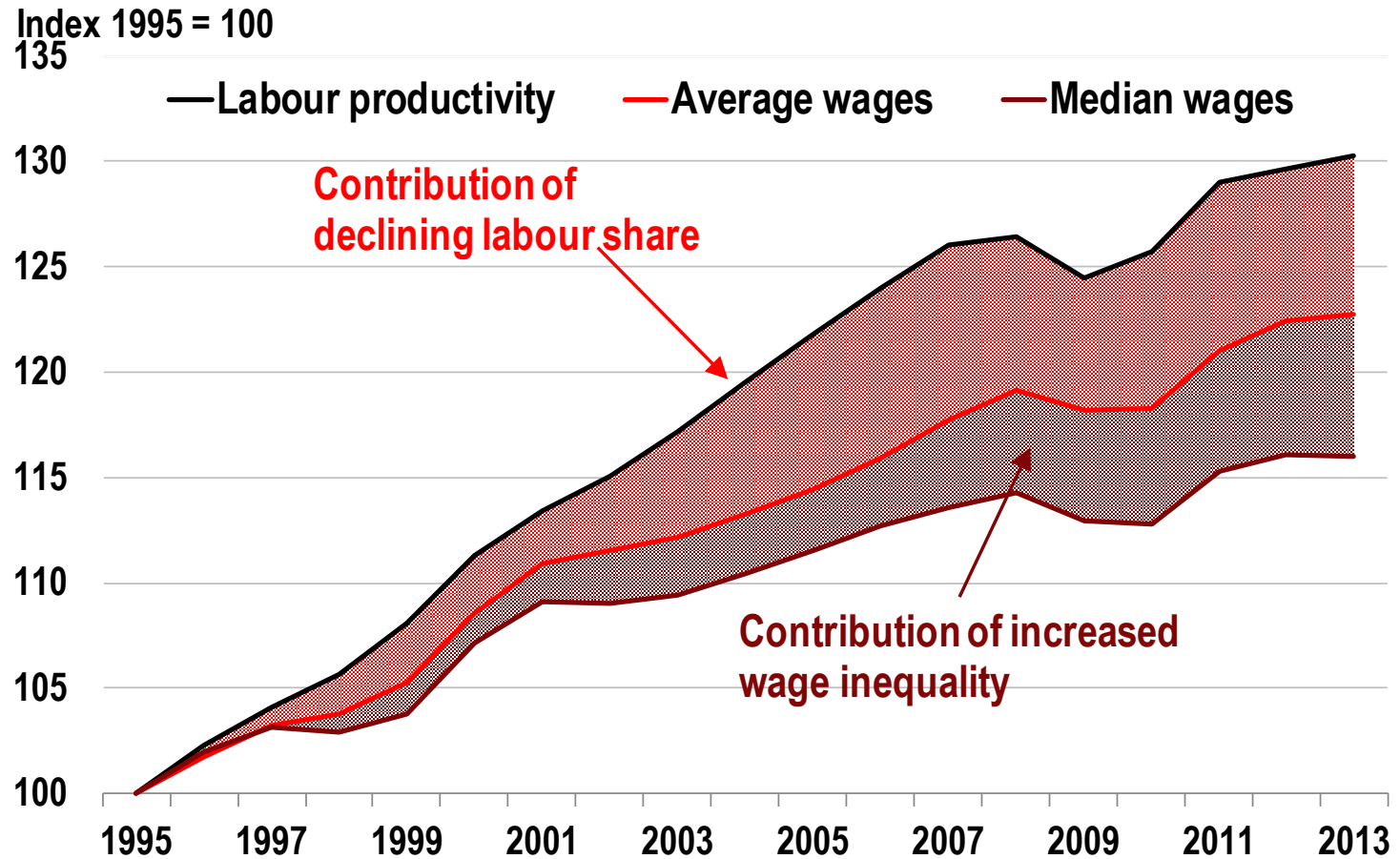


DECOUPLING OF WAGES FROM PRODUCTIVITY

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Productivity gains no longer translate into broadly shared wage gains

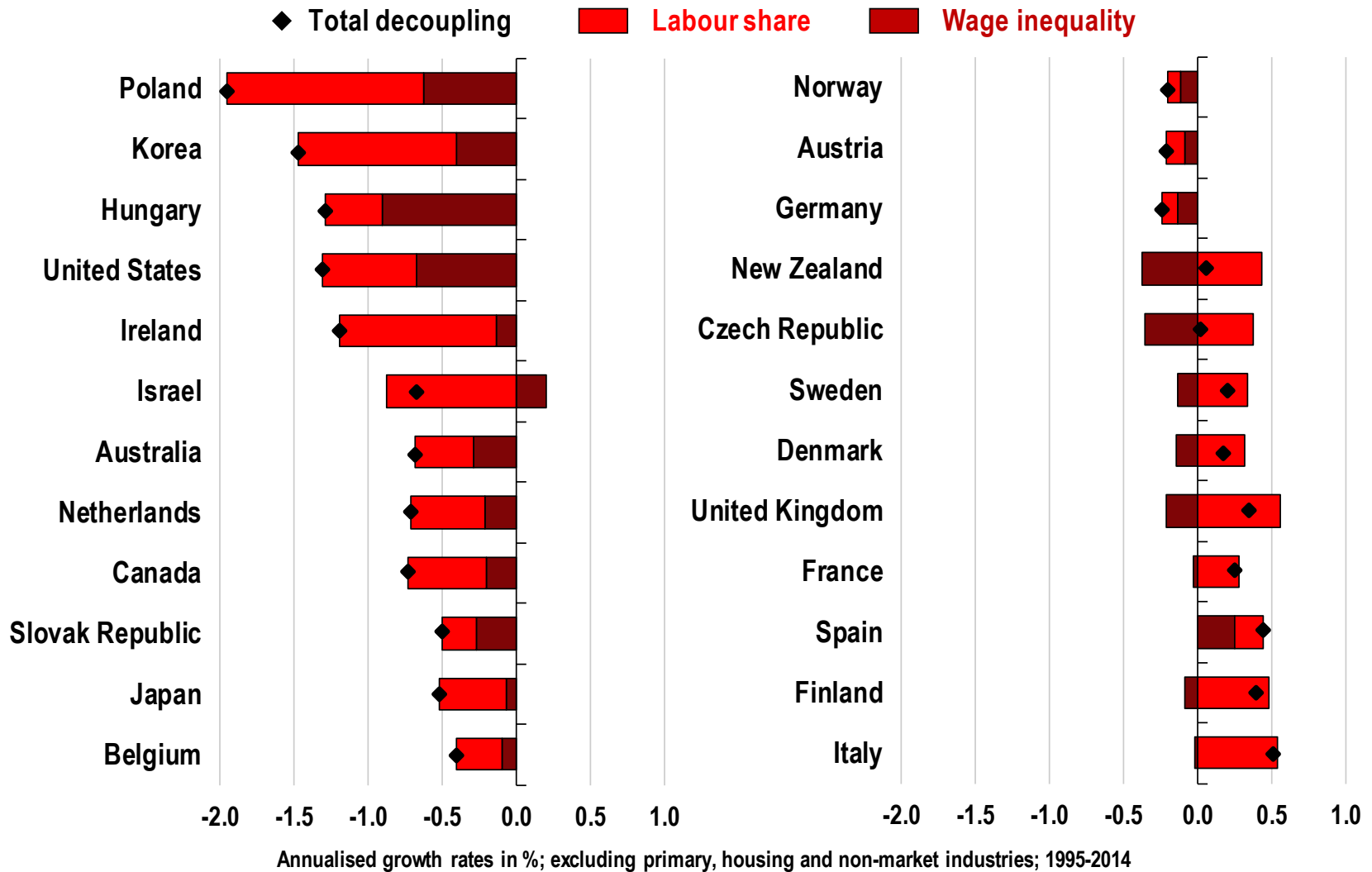


Note: Employment weighted average of 24 countries (two-year moving averages ending in the indicated years). 1995-2013 for Finland, Germany, Japan, Korea, United States; 1995-2012 for France, Italy, Sweden; 1996-2013 for Austria, Belgium; United Kingdom; 1996-2012 for Australia, Spain; 1997-2013 for Czech Republic, Denmark, Hungary; 1997-2012 for Poland; 1998-2010 for Netherlands; 1998-2013 for Norway; 1998-2012 for Canada, New Zealand; 1999-2013 for Ireland; 2002-2011 for Israel; 2003-2013 for Slovak Republic. All series are deflated by the value added price index excluding the primary, housing and non-market sectors.

Source: OECD Economic Outlook November 2018.



Large heterogeneity in decoupling across countries



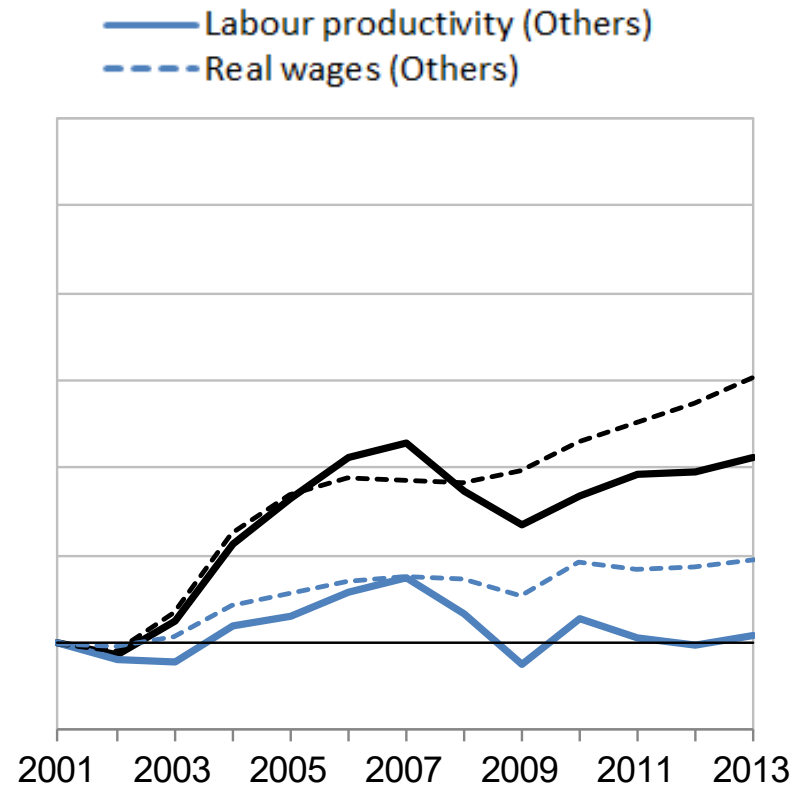
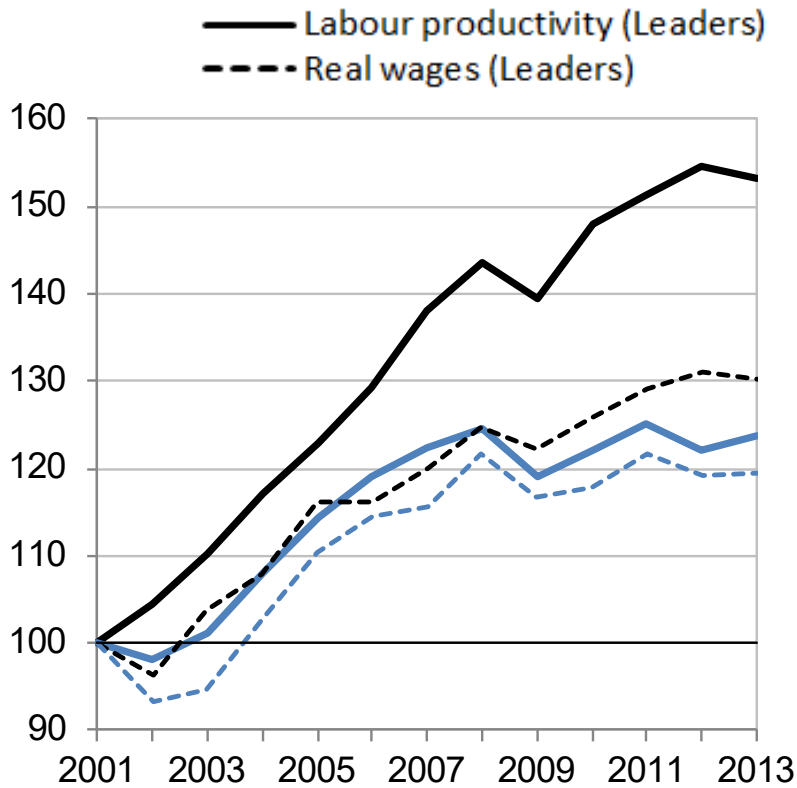


“Superstar” firms or the rest?

Labour productivity and real wages (2001 = 100)

Panel A: Countries with declines in labour shares

Panel B: Countries with increases in labour shares

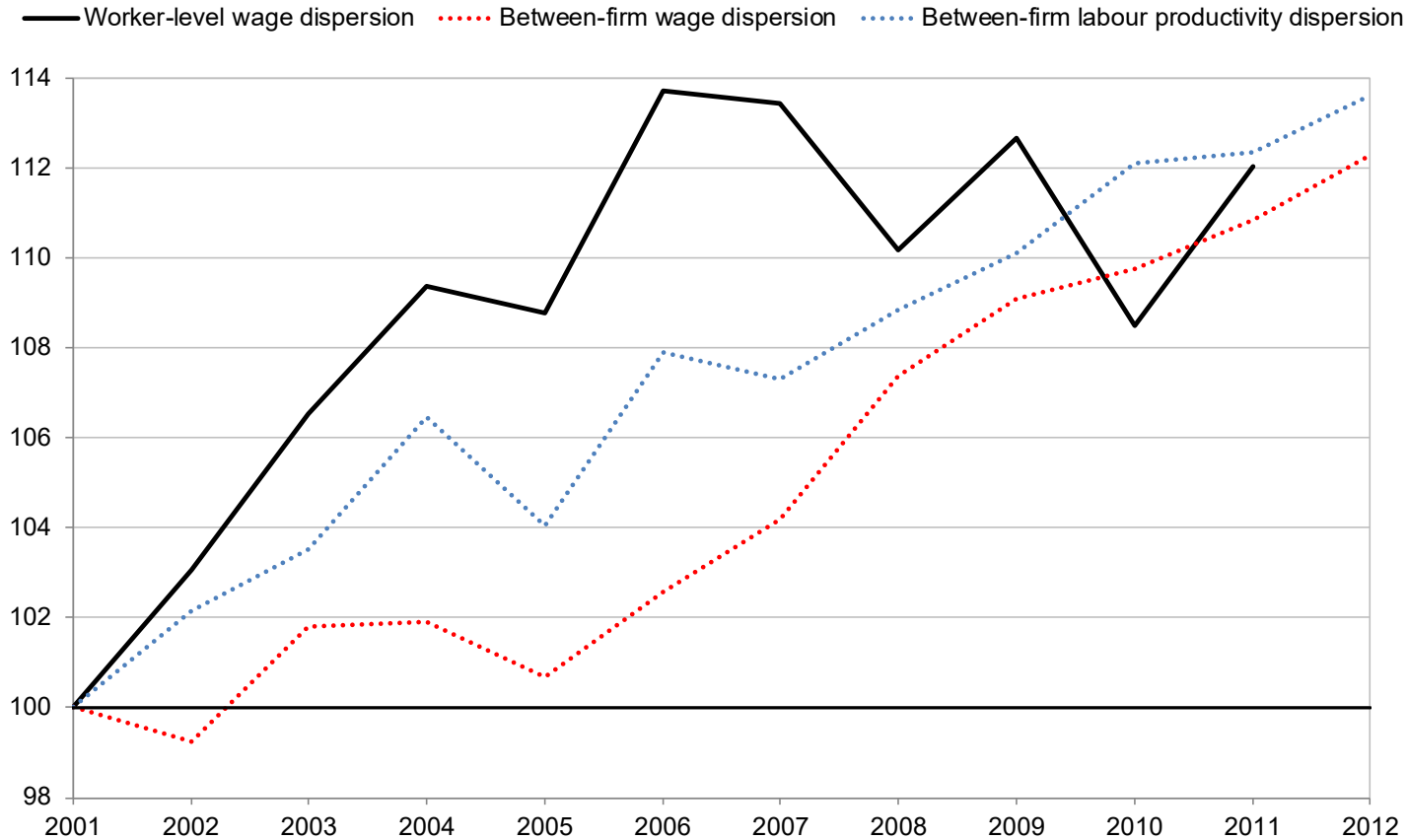


Note: Labour productivity and real wages are computed as the unweighted mean across firms of real value added per worker and real labour compensation per worker. Leaders are defined as the top 5% of firms in terms of labour productivity within each country group in each industry and year. The countries with a decline in the labour share excluding the primary, housing, financial and non-market industries over the period 2001-2013 are: Belgium, Denmark, Germany, Ireland, Japan, Korea, Sweden, United Kingdom and United States. The countries with an increase are: Austria, Czech Republic, Estonia, Finland, France, Italy, Netherlands and Spain.
Source: OECD Economic Outlook November 2018.



Between-firm wage dispersion has increased

90-10 percentile ratio (2001=100)



Note: The solid and dashed lines are based on the estimated year dummies of a regression of, respectively, log-productivity and wage dispersion across firms within country-sector pairs in the following countries: Australia, Austria, Belgium, Chile, Denmark, Finland, France, Hungary, Italy, Japan, Netherlands, New Zealand, Norway, and Sweden. The dotted line is based on the year dummy estimates of a regression of the worker-level wage dispersion from the OECD Earnings Distribution database within each country (Australia, Finland, France, Hungary, Italy, Japan, Netherlands, New Zealand, Norway, and Sweden).

Source: Berlingieri, Blanchenay and Criscuolo (2017) and authors' calculations.



Structural and policy drivers of decoupling

	Ratio of average wages to labour productivity	Ratio of median to average wages or ratio of bottom to top firm-level wages
	Labour share ¹	Inverse measure of wage inequality ²
Technological change	↓	↓
Trade integration	↓	↓
High skills	↗	↗
Competition-friendly product market reform	↗	↓
Loosening of employment protection	↗	↓
Minimum wage reduction	↗	↓
Collective bargaining decentralisation	⊘	↓
ALMP spending increase	↗	?

Note: ⊘ indicates statistical insignificance and ? indicates that drivers have not been subject to robust empirical analysis in the context of the studies reviewed in this chapter.

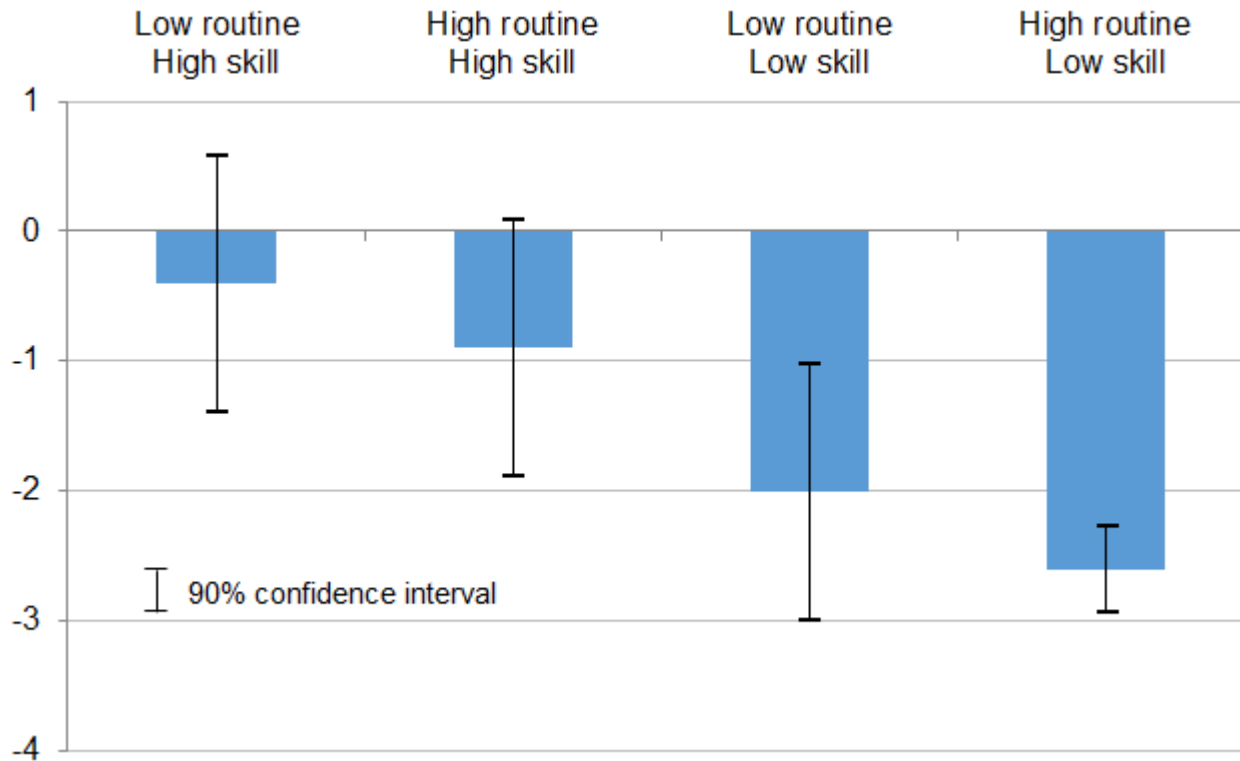
1. Based on Schwellnus et al. (2018) and Pak and Schwellnus (2018).

2. Based on De Serres and Schwellnus (2018) and Berlingieri, Blanchenay and Criscuolo (2017).



High skills reduce capital-labour substitution even in high-routine industries

Change in the labour share in response to a 10% decrease in the relative investment price, % points



Note: Based on the industry-level results for numeracy skills reported in Schwellnus et al. (2018).

Source: Schwellnus et al. (2018)



Summary

Some decoupling on average but **significant cross-country heterogeneity.**

Technology-driven declines in relative investment prices and increased global value chain participation **partly explain the decoupling of wage growth from productivity growth.**

Public policies and institutions that affect the scope for capital-labour substitution as well as the size and the distribution of producer rents can help explain **large differences in decoupling across countries.**

Labour share declines have been particularly pronounced at the technological frontier and wage dispersion between firms has increased, which may reflect technology- and globalisation-induced **“winner-takes-most” dynamics.**



References

Country-level evidence:

[De Serres, A. and C. Schwellnus](#) (2018), “A general equilibrium (LM and PM reforms) perspective to inequality”, in Astarita, C. and G. D’Adamo (eds.), *Inequality and Structural Reforms: Methodological Concerns and Lessons from Policy*. Workshop Proceedings, European Economy Discussion Papers No. 71, European Commission, Brussels.

[Schwellnus, C., A. Kappeler and P. Pionnier](#) (2017), “Decoupling of wages from productivity: Macro-level facts”, *OECD Economics Department Working Papers, No. 1373*, OECD Publishing, Paris.

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[Berlingieri, G., P. Blanchenay and C. Criscuolo](#) (2017), “The great divergence(s)”, *OECD Science, Technology and Industry Policy Papers*, No. 39, OECD Publishing, Paris.

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