

IAB-DiskAB

Invitation

Rising Inequality and Falling Labor Share: The Role of Wage Contracts

Cynthia L. Doniger (Federal Reserve Board)

I study trends in labor share and earnings inequality in the context of an on-the-job search model featuring heterogeneous wage contracts. In the model, a shift toward employment contracts with upwardly-renegotiable wages implies a decrease in labor share and an increase in inequality. Using the German social security register, I assess the ability of this mechanism to account for trends in inequality and labor share observed in that country. I find a secular trend toward upwardly flexible wage contracts which accelerates in the 2000's matching the observed series for inequality and labor share over the same horizon. Further, I show that industries in which the incidence of upward wage revisions increases most also experience larger increases in inequality and larger declines in labor share.

Tuesday, October 10, 2017

10 o'clock (a.m.)

Room Re100 E10