

## **Labour Market Institutional Settings as Determinants of Structural Change**

Melike Wulfgramm (University of Bremen)

### **Abstract**

How do different labour market institutional settings influence the structure of the economy? Using a difference-in-difference design, this paper analyses the impact of the inter-industry wage distribution on the structural change pattern in the Swedish and the US manufacturing sector of the 1960s to 1980s. Whereas industry specific wages acted as shock absorbers in the liberal US, the Swedish labour market reacted through structural change: Employment in low-wage industries experienced a relative decline as a result of centrally determined wage convergence.