

EC3311 Labour Economics
Seminar 8

Questions 1-8 are drawn from: Francine Blau and Lawrence Kahn, "International Differences in Male Wage Inequality: Institutions Versus Market Forces

1. Use figure 1 and table 1 to compare wage inequality in the top half and bottom of the wage distributions in the United States and Germany.
2. Why would a high level of union membership be associated with a low level of wage inequality?
3. What is meant by the term "centralisation of bargaining"? Why would centralisation have an influence on wage inequality?
4. How do the authors measure the returns to (prices of) labour market skills? Are the estimated returns the same across countries?
5. From tables 2 and 3, rank the following in terms of their importance in determining international differences in inequality: different labour market skills across countries, differences in the returns to labour market skills across countries, unexplained other.
6. What do the authors' think determines "unexplained other" (wage regression residual)?
7. How do the author's empirically test whether supply and demand factors explain international differences in inequality? What do they conclude [hint table 7 is relevant]?
8. Does centralisation of bargaining have a larger effect on skilled or unskilled workers? Explain with reference to table 8.