



Wage differentials in the OECD countries: recent trends

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Overview

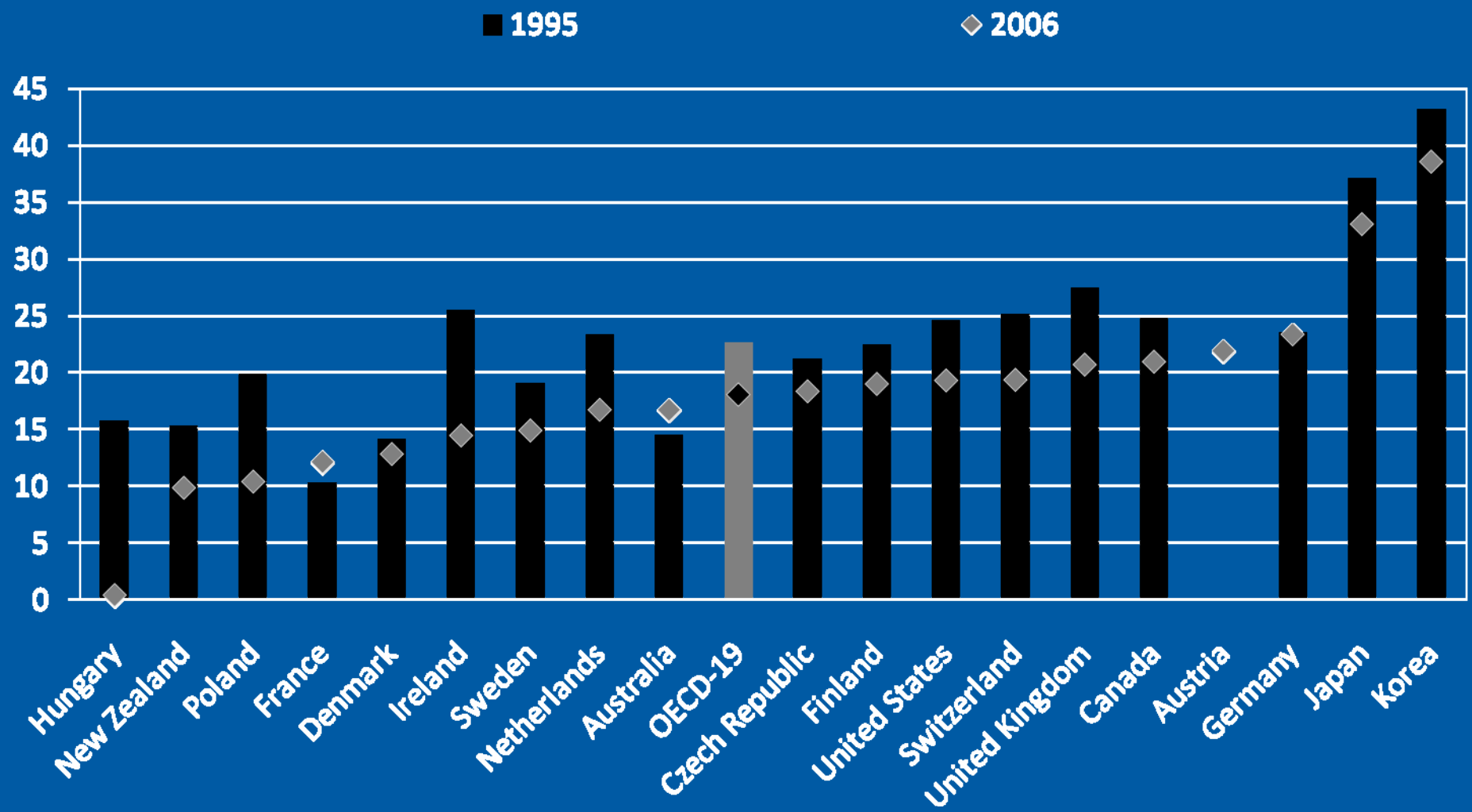
- Gender, age and educational differentials in pay
- Earnings inequality
 - Pay dispersion
 - Implications for overall inequality
- Policies and institutions affecting pay differentials
- Conclusions

Part 1

Trends in gender, age and educational pay differentials

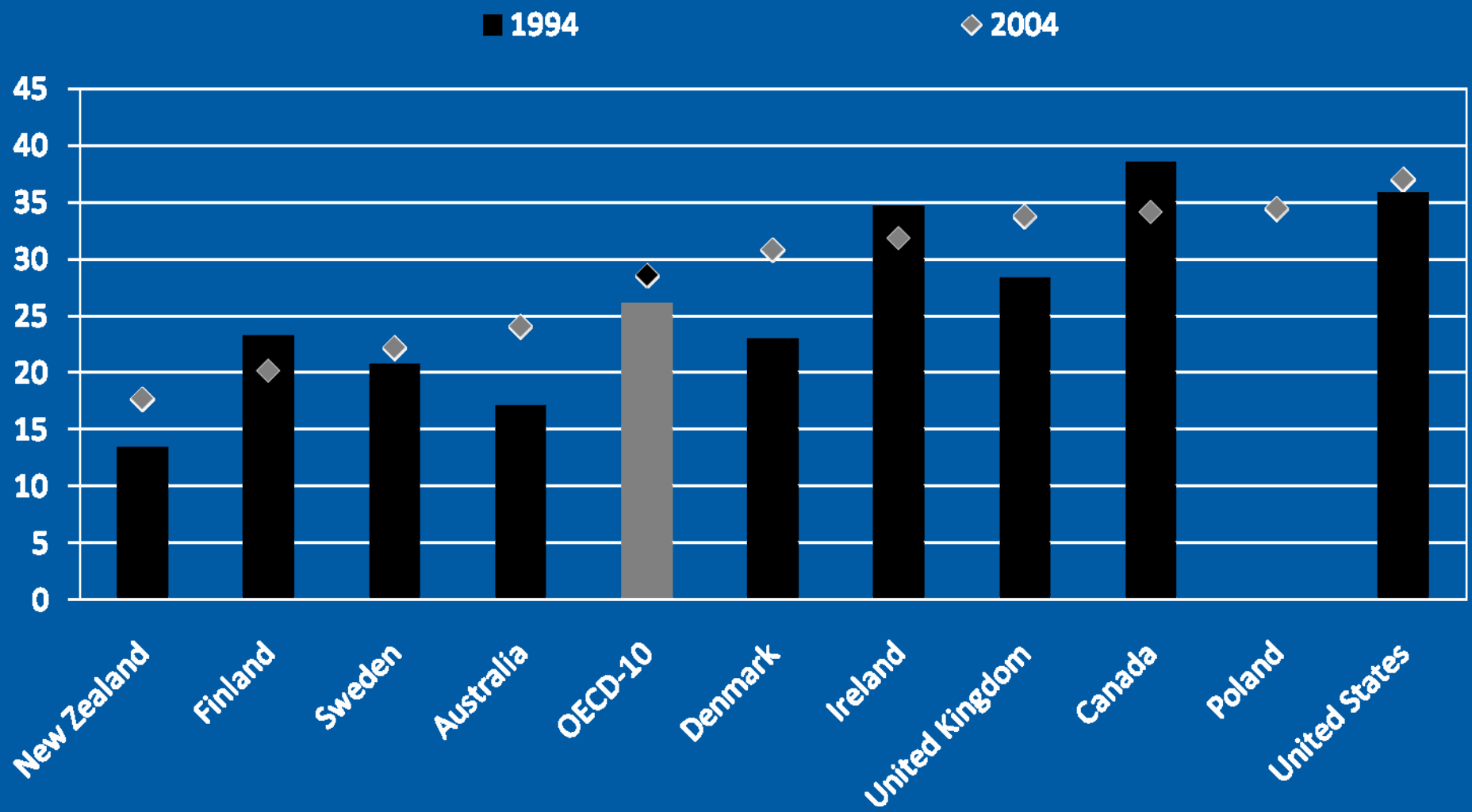


Gender pay gap has narrowed somewhat in a majority of OECD countries



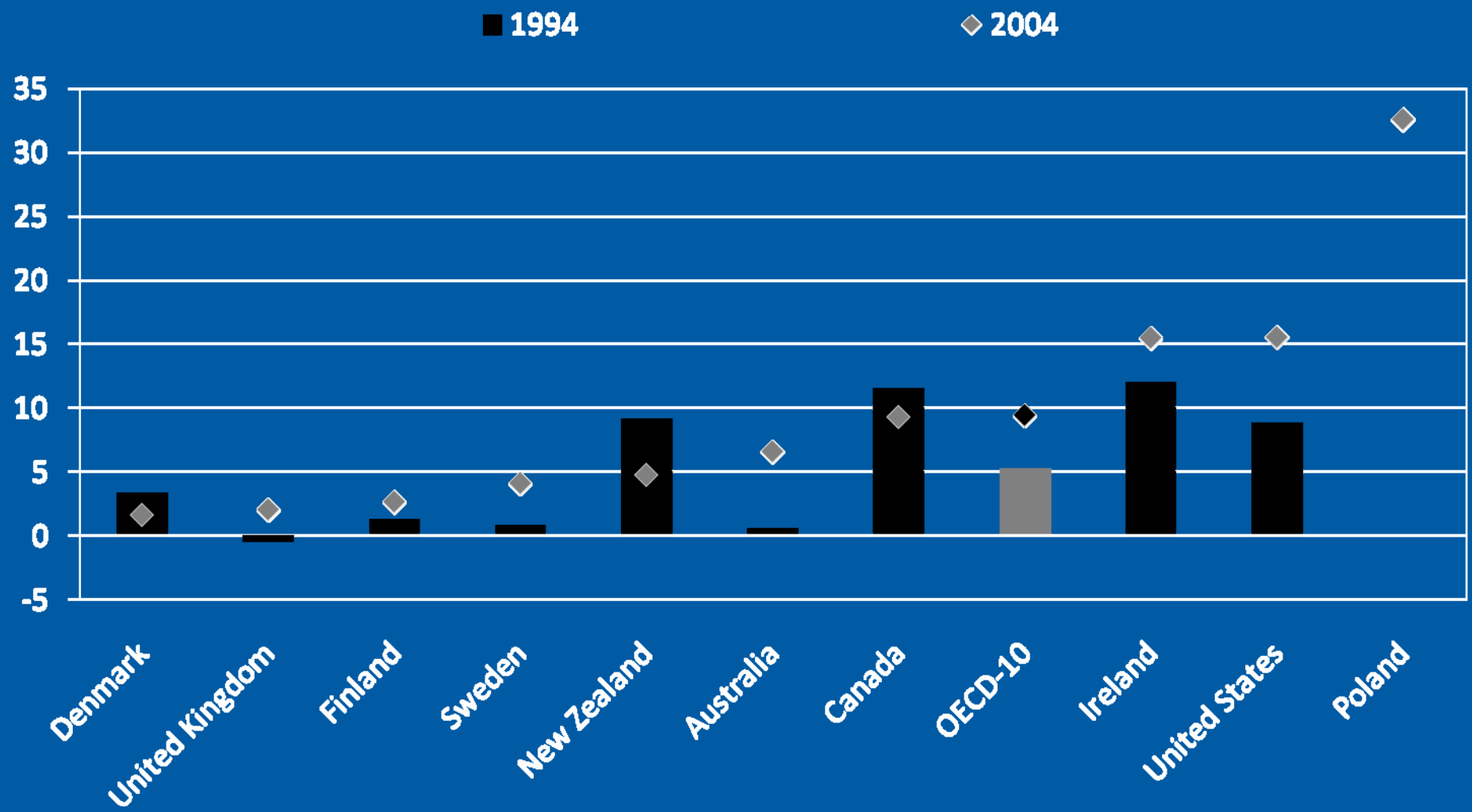


Earnings gaps of youth relative to earnings of all full-time workers has remained stable or widened somewhat during the last decade



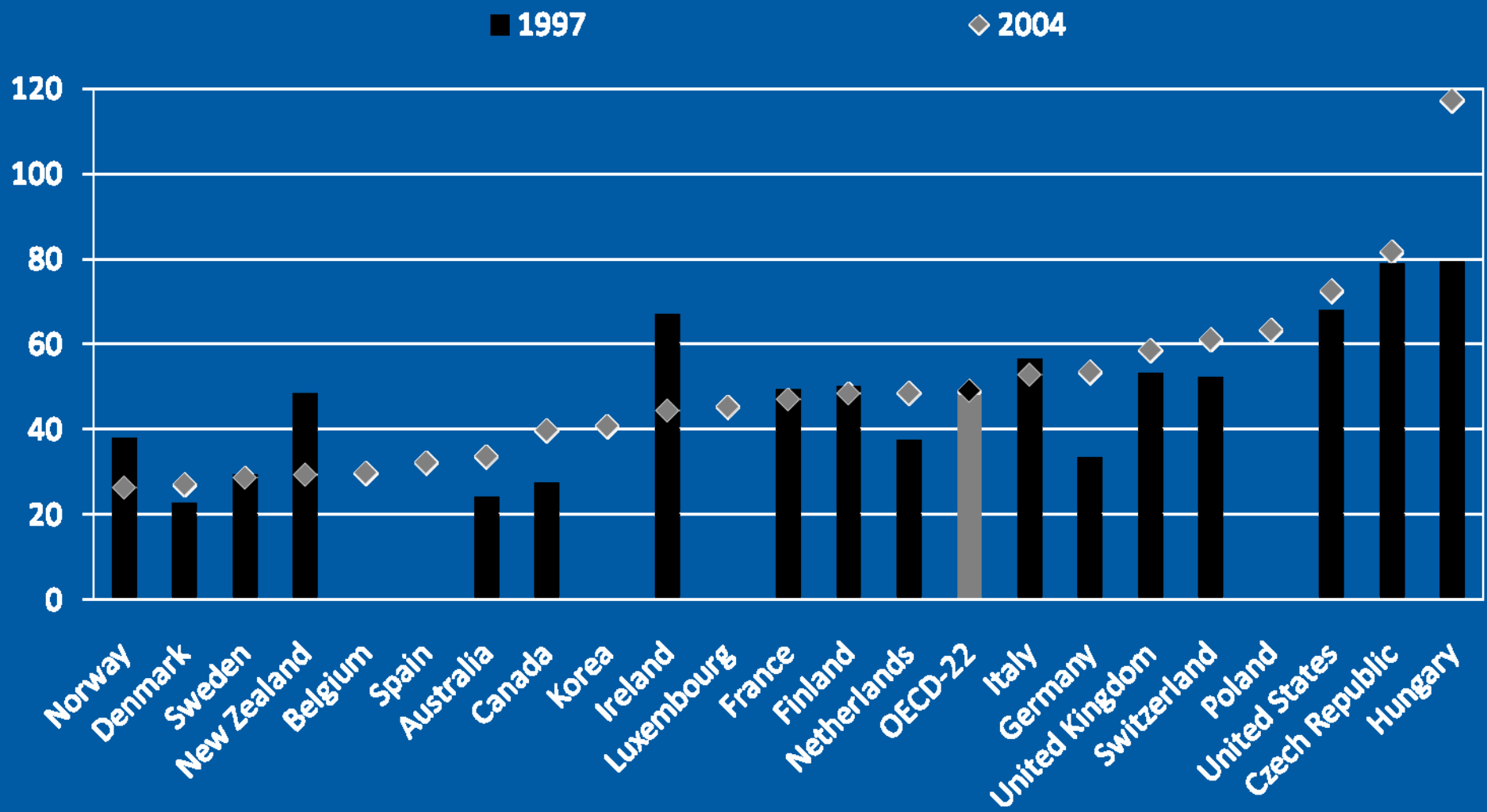


Earnings gaps of seniors relative to earnings of all full-time workers has remained stable or widened somewhat during the last decade



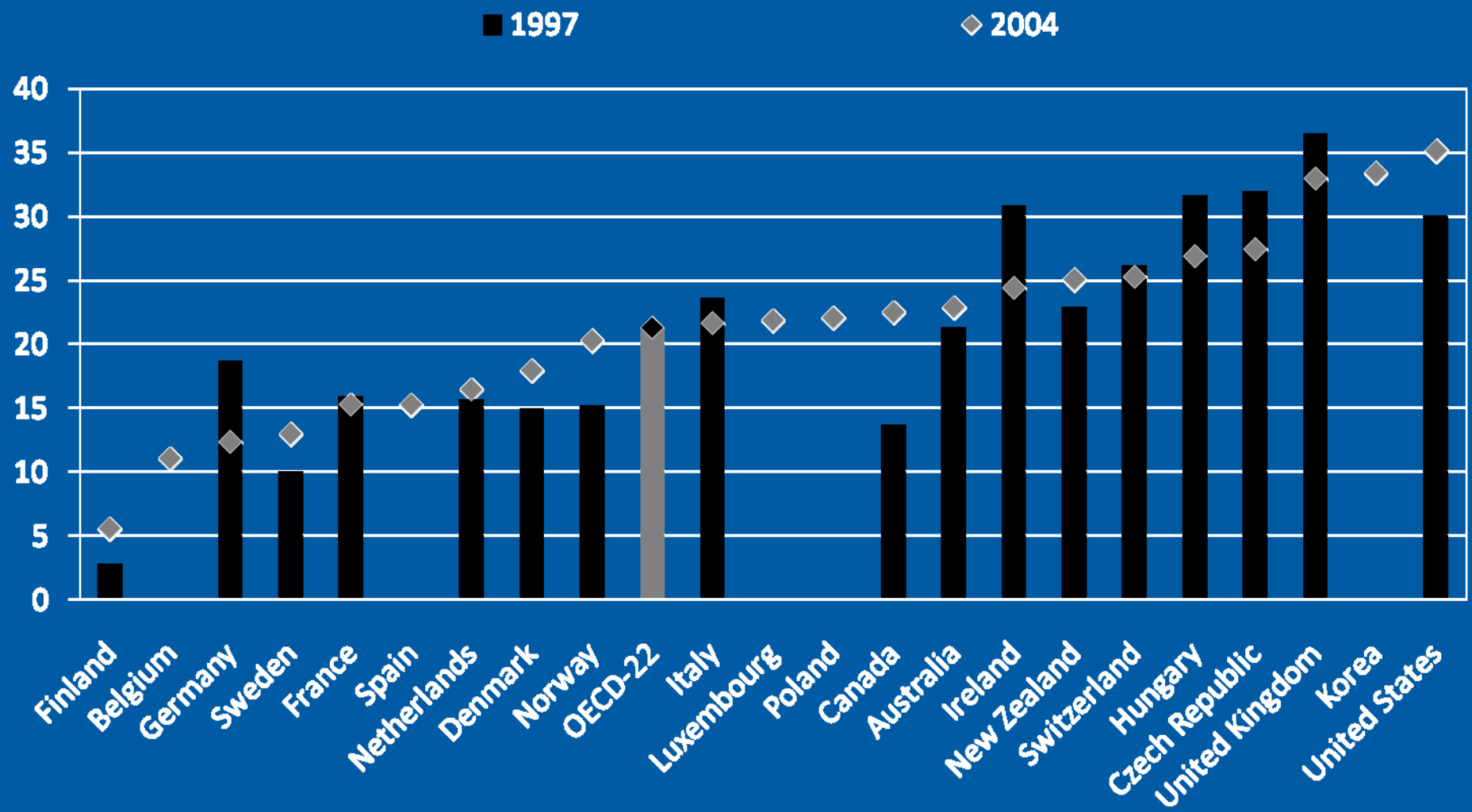


The increase of earnings premium of higher educated workers has been widespread ...





... while low educated worker's earnings gaps widened in some countries



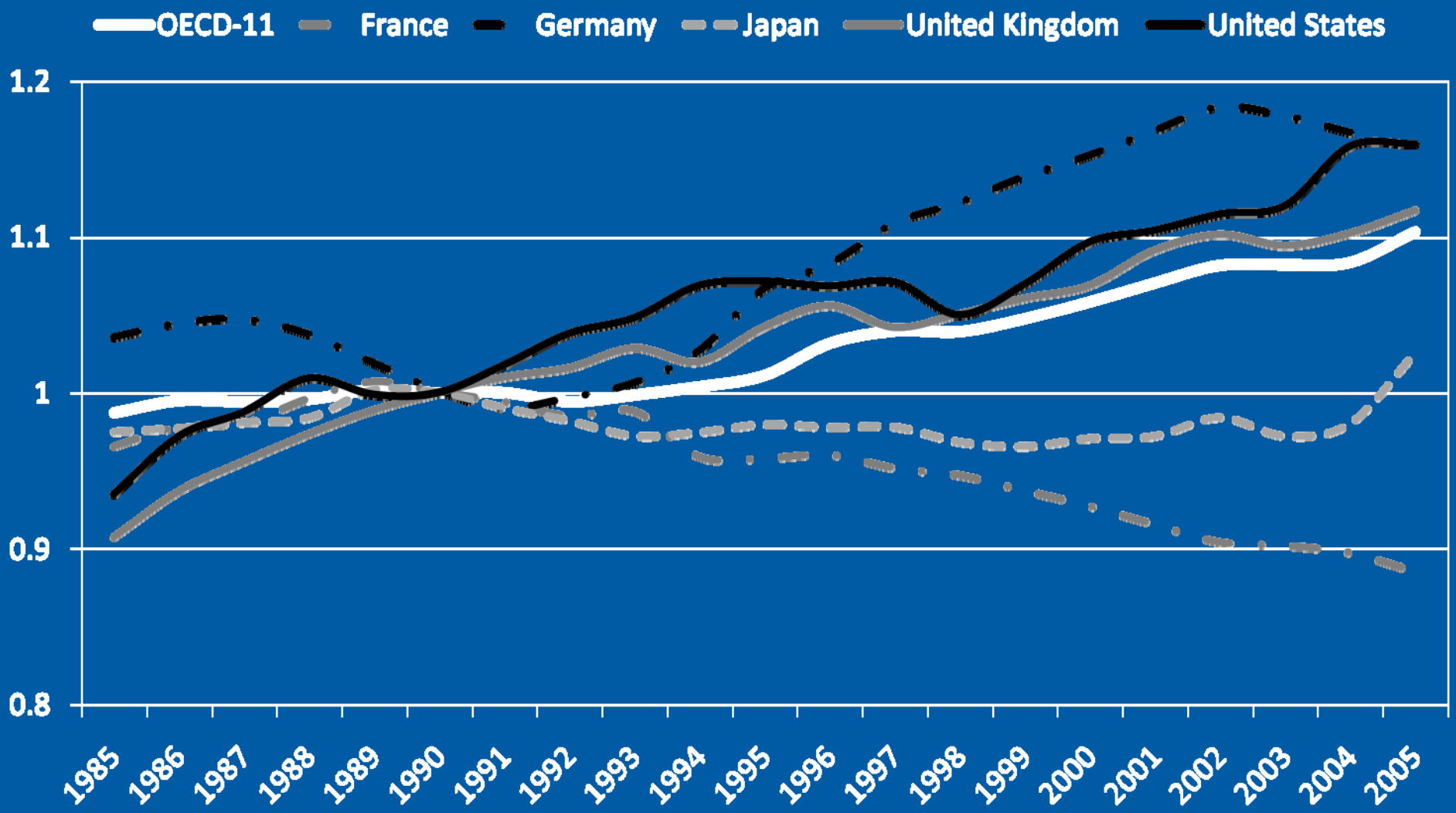
Part 2

Trends in earnings inequality

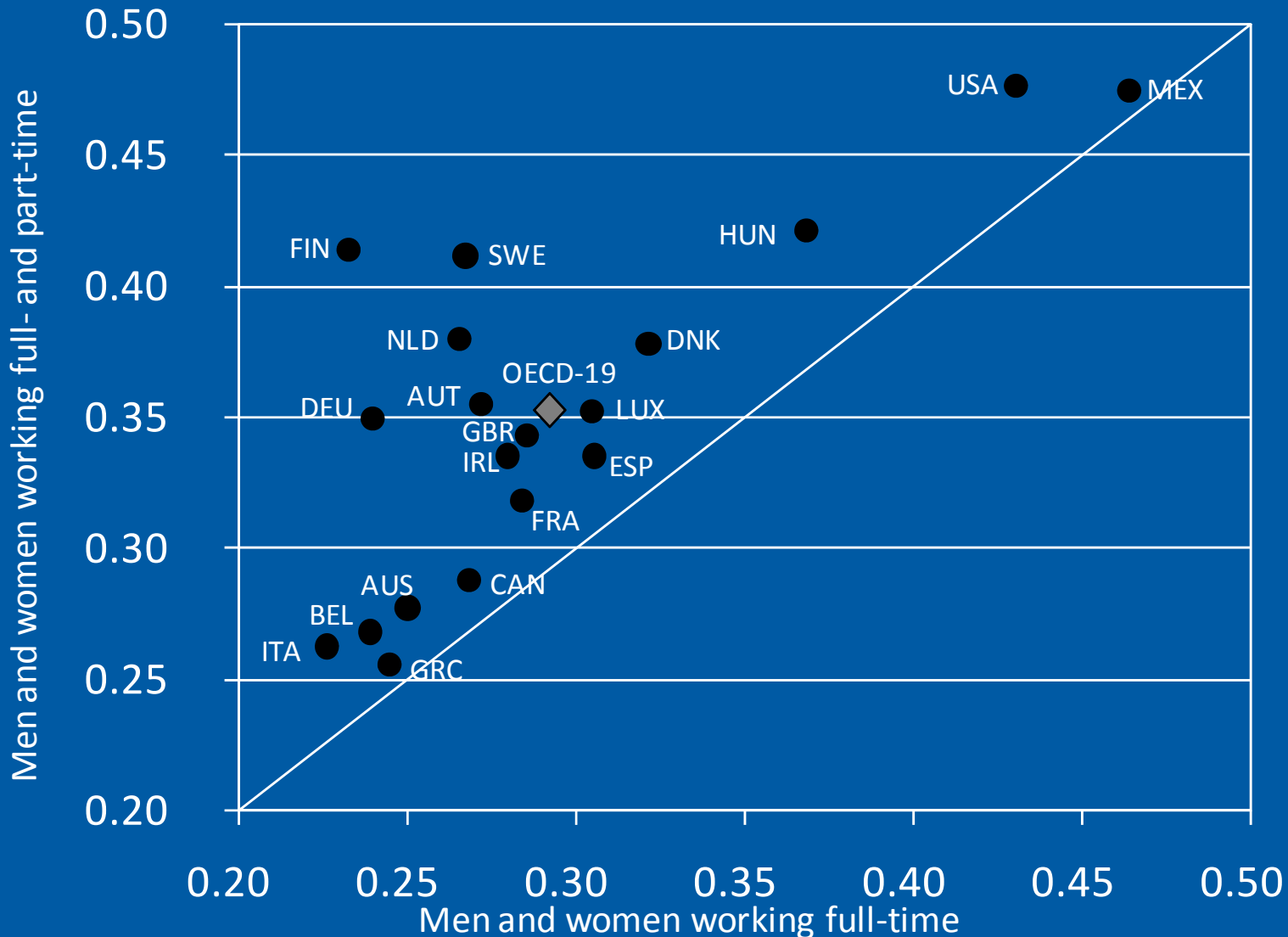
- **The dispersion of pay**



Earnings inequality has risen in many countries: Trend in P90/P10 ratio for men working full time (1990=1.0)



Earnings inequality is much higher when part-time workers enter the picture, annual earnings in 2000



Part 2

Trends in earnings inequality

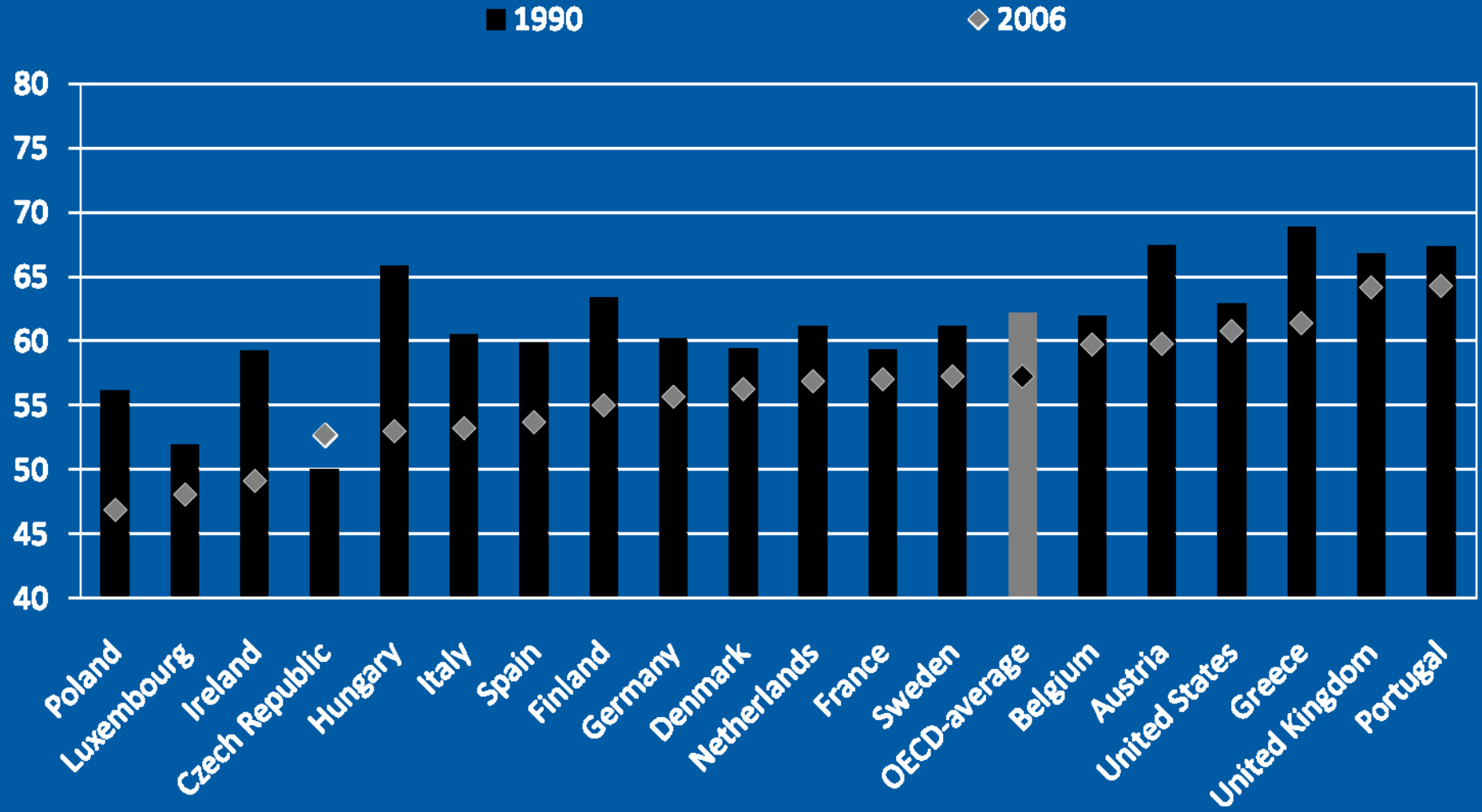
- **Implications for overall inequality**

Does rising earnings inequality imply rising income inequality?

- Earnings are 70% of household income (before taxes) :
 - Partial off-sets from rising E-P ratio and redistributive taxes and transfers
 - Reinforcements from declining wage share and rising dispersion of investment income
- Net effect during the past two decades:
 - Market income inequality rose in parallel with earnings inequality
 - Redistribution dampened the impact on disposable income

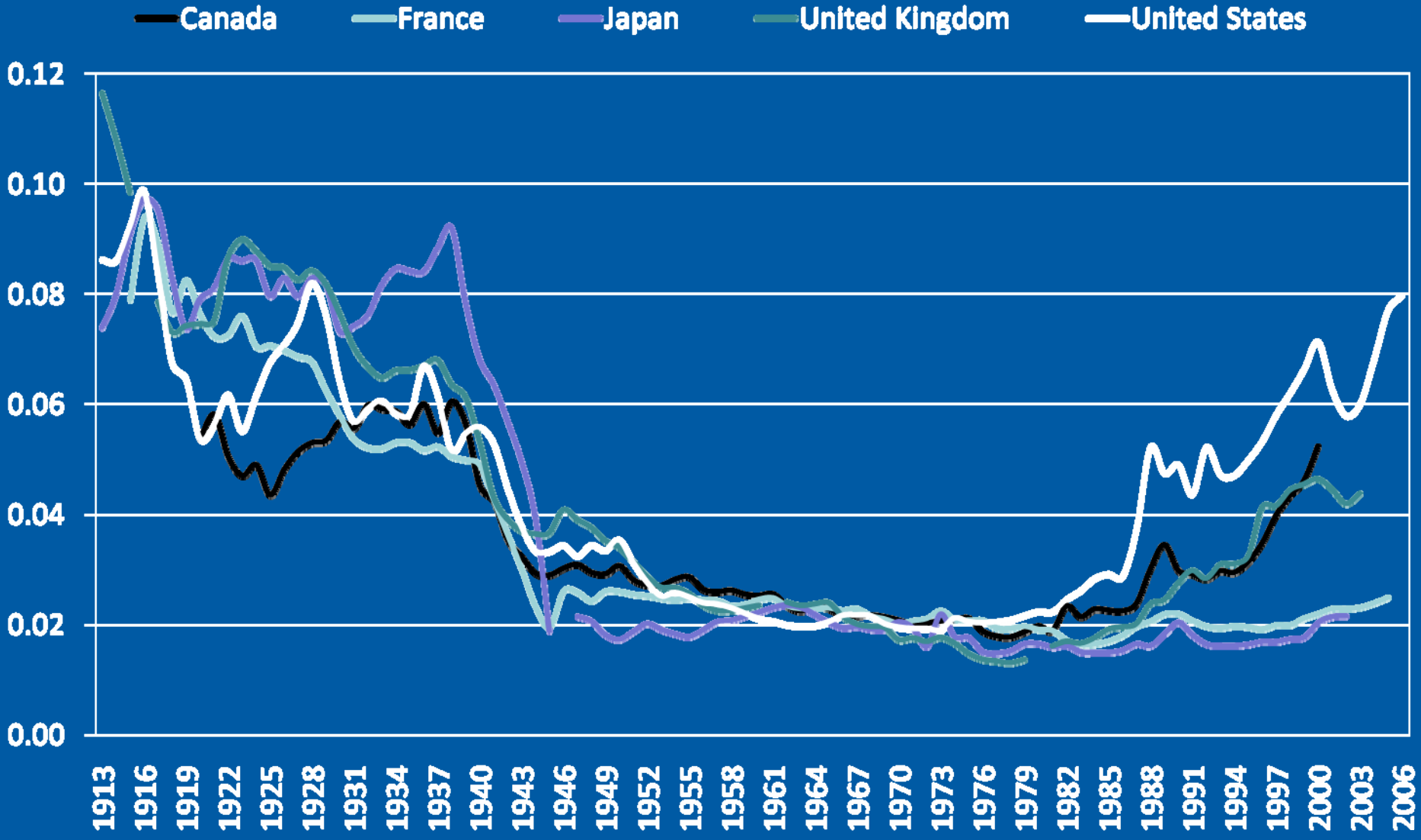
The wage share has fallen in most countries

Share of total wages and salaries in total value added, percentage





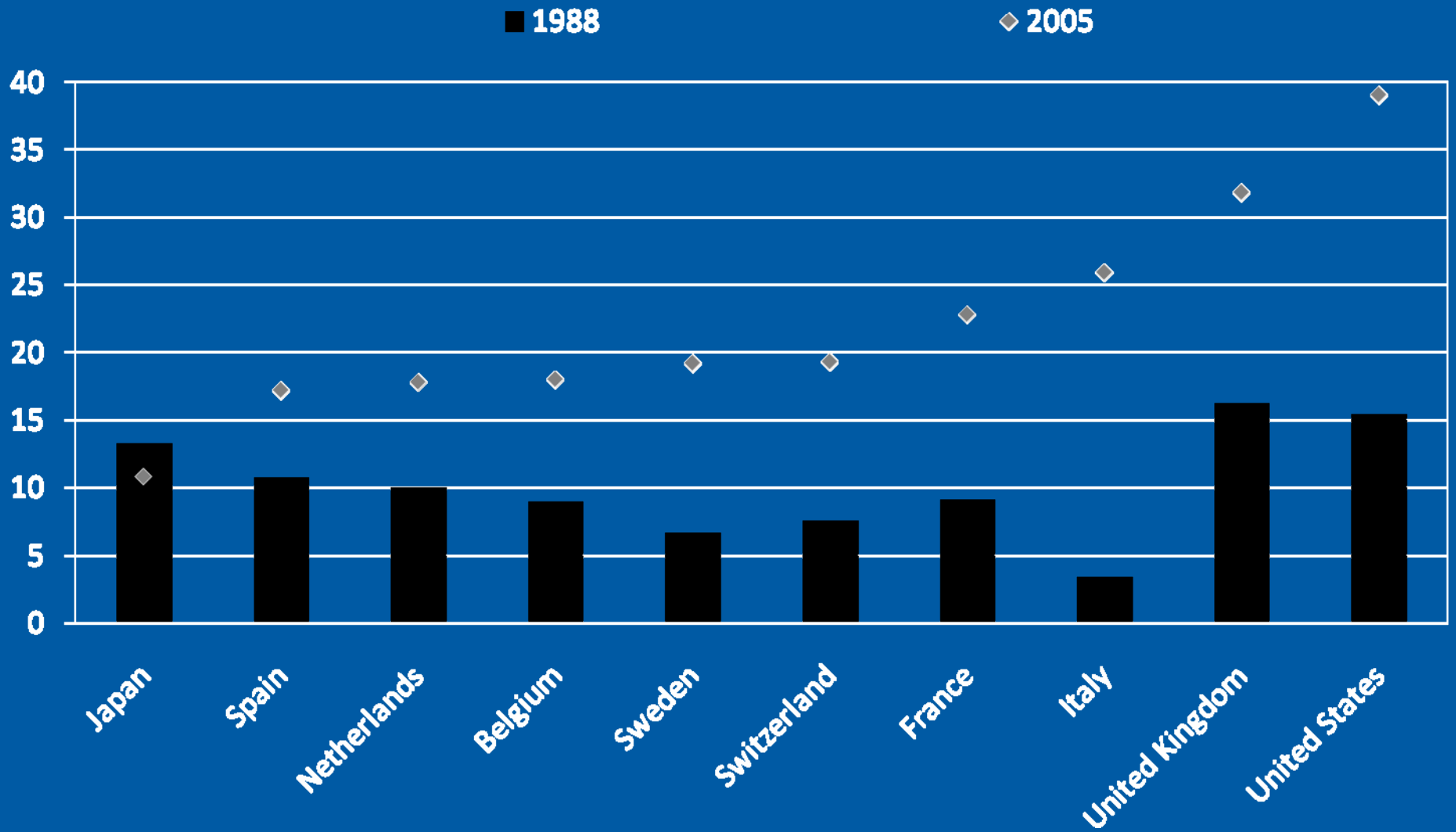
Top 0.1% income share rising again in several OECD countries



Source: Piketty and Saez (2006).



CEO pay has risen sharply in most countries: average CEO earnings as a multiple of average pay for production workers in manufacturing, 1988 and 2005

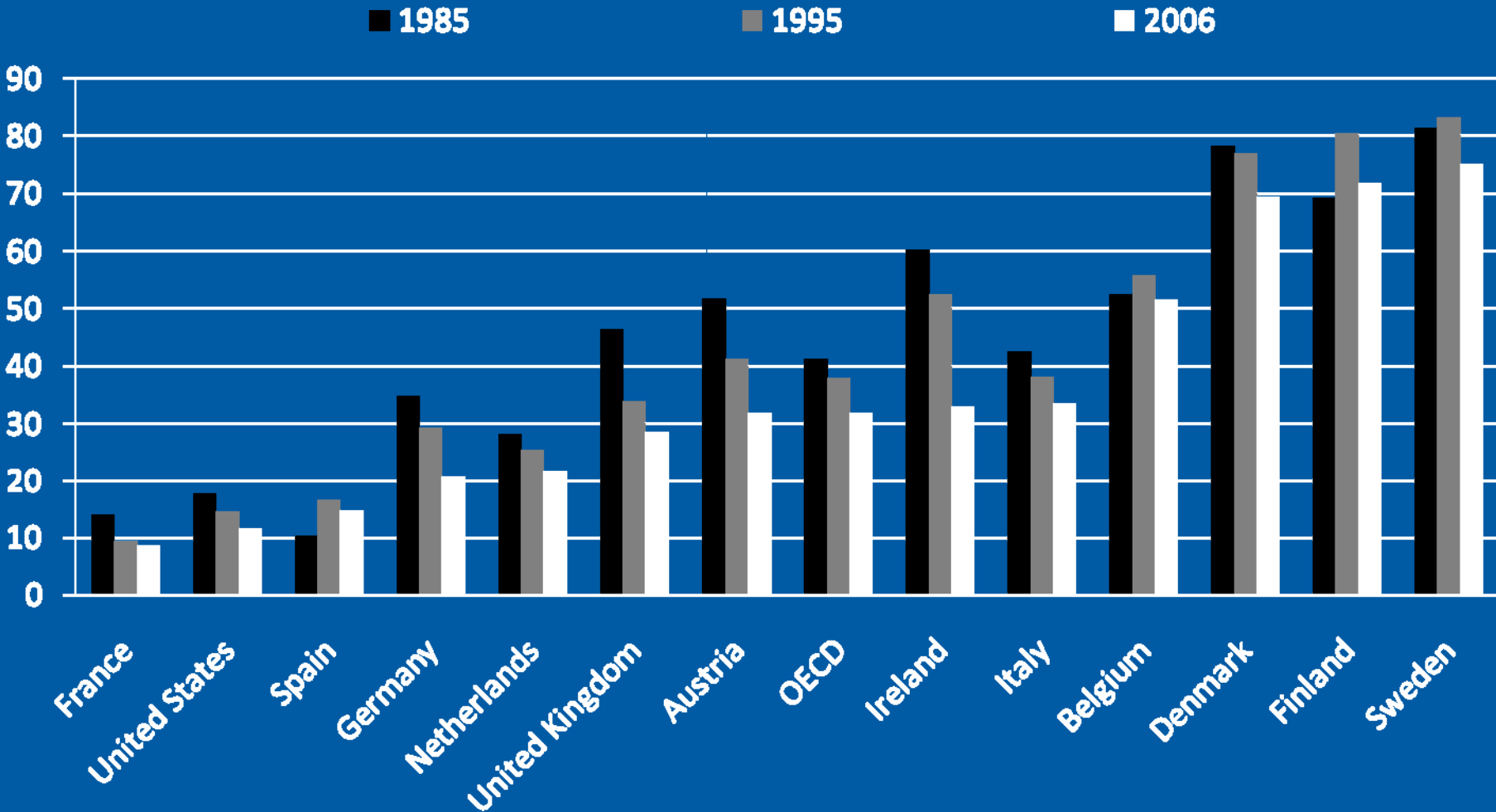


Part 3

Trends in policies and institutions affecting pay differentials

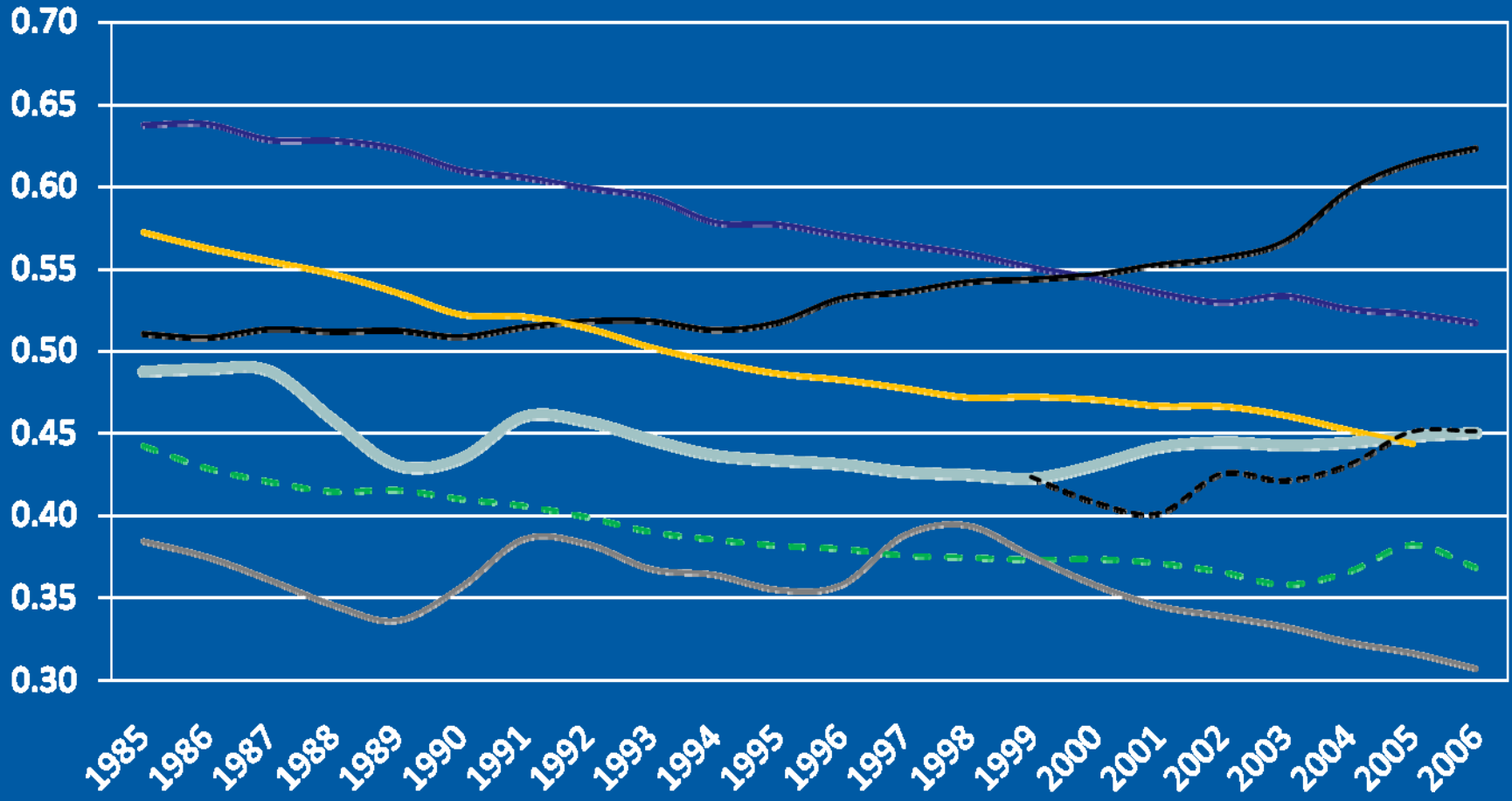
Trends in trade union density

% of employees



Trends in the level of the minimum wage: Ratio of minimum to median wages

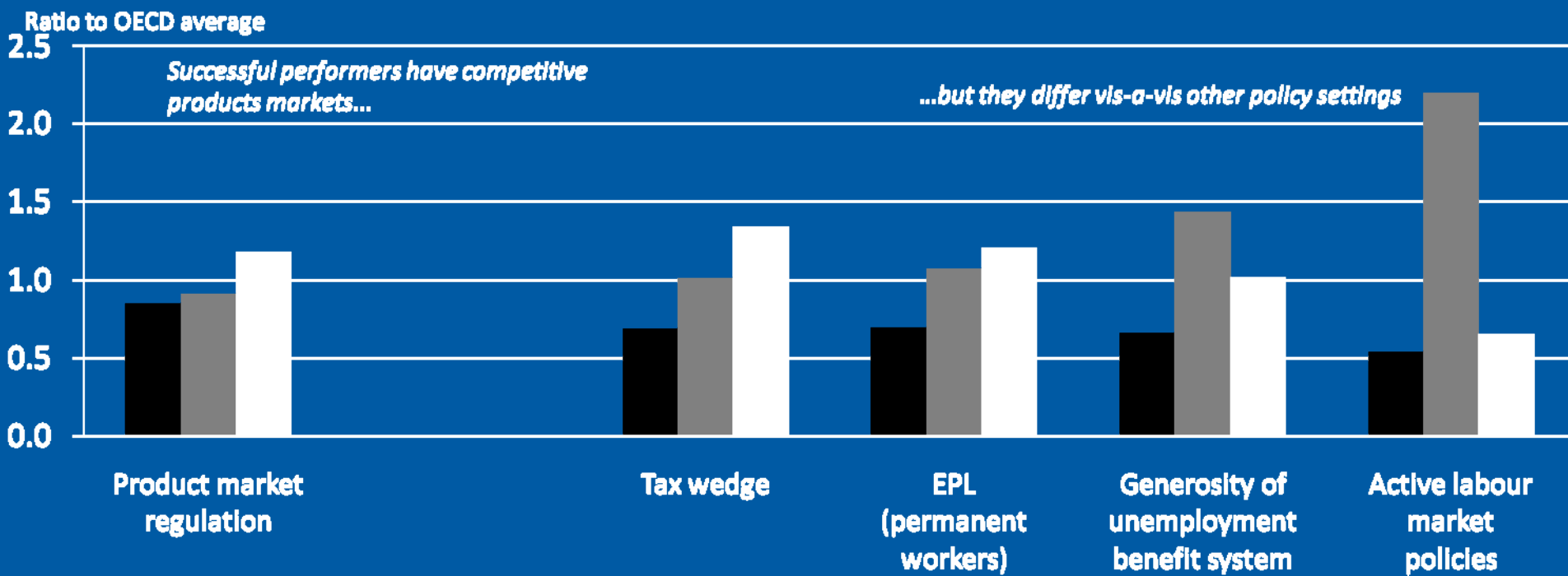
- OECD-average
- Belgium
- Spain
- France
- Netherlands
- United Kingdom
- United States





Two policy packages have delivered strong employment performance, but different levels of pay dispersion

■ "Market reliant" countries (1) ■ Other successful performers (2) ■ Other OECD countries (3)



1. Includes Australia, Canada, Japan, Korea, New Zealand, Switzerland, United Kingdom and United States. The average employment rate for this group is 70.9%.

2. Includes Austria, Denmark, Ireland, Netherlands, Norway and Sweden. The average employment rate for this group is 71.9%.

3. The average employment rate for this group is 61.2%.

Conclusions

- Wage differentials vary in complex ways across the OECD countries
- Several broad trends in recent years:
 - A falling gender pay gap
 - A rising premium for higher education
 - Rising overall earnings inequality
- Policies and institutions affecting pay differentials also differ across countries and are constantly evolving

Thank you