Producing Inequalities: An examination of the workplace generation of earnings inequalities in six high income countries

Donald Tomaskovic-Devey, Anthony Rainey, Olivier Godechot, Martin Hällsten, Are Skeie Hermansen, Feng How, Jiwook Jung, Joseph King, Naomi Kodama, Eunmi Mun, Mirna Safi, Zaibu Tufal[1]

Abstract

In this paper we used linked employer-employee data for six countries (Canada, France, Japan, Norway, South Korea, Sweden) over twenty years to explore the workplace generation of earnings inequalities. Focusing on all job-person matches we find that countries vary a great deal in their levels and trends in inequality. Inequalities are lower in countries with higher job protections and worker power, but rise faster in those same countries. Recent research has drawn attention to rising between firm inequality as a major source of rising inequality in Sweden, Germany and the U.S. We find this pattern in ever country, although it is much weaker in Canada and Norway, and Canada's increase in between workplace inequality begins later (post 2009). Rising between workplace inequality produces the majority or all of rising inequality, in all countries, except Canada where within workplace inequality is rising faster. Workplace centered explanations for rising inequality include increased precarity in employment relationships, increased global pressures for inequality (via three mechanisms – the decline of low inequality manufacturing, the rise of high inequality financial sectors and global cities), and the declining protective role of state sector and large firm employment in moderating tendencies toward higher inequality. We find mixed patterns, no country displays all sources. In Canada and France rising inequality is most strongly linked to rising inequality in the private sector, particularly among large firms, followed by rising inequality among financial service firms. In Sweden the key drivers of increased inequality are the private sector overall and financial services, in particular. In Norway the two main drivers of inequality are rising inequality in the public sector and among non-manufacturing firms. In Japan finance is actually the strongest driver of change, but it has an equality producing effect. Japan stands out as the only country in which a global city makes a substantively large contribution to increasing national inequality.

JEL Codes: D31, J31, J81, K31

---

[1] Tomaskovic-Devey is the corresponding author, tomaskovic-devey@soc.umass.edu.
Authorship roles: Tomaskovic-Devey, University of Massachusetts, Amherst conceptualized paper, lead writer, coordinated analyses and statistical code development; Rainey, University of Massachusetts, Amherst, wrote core code, comparative data analysis, institutional data collection, writing; Godechot, Science Po, French estimates; Hällsten, Stockholm University, Swedish Estimates; Hermansen, Oslo University, Norwegian estimates; Hou, Statistics Canada, Canadian Estimates; Jung, University of Illinois, Urbana, South Korean Estimates; King, U.S. Census, institutional analysis, preliminary code, Kodama, Hitotsubashi University, Japanese estimates; Mun University of Illinois, Urbana, South Korean Estimates; Safi, Science Po, French estimates; Tufal, University of California, Irvine, institutional data collection.