



Intangible capital and compensation differences

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Recap from the Ljubljana meeting

- Two broad occupational categories:
 - **IC group:** R&D, ICT, management and marketing personnel
 - **non-IC group:** administration, production workers, other non-production workers, other services workers
- Years investigated: 1998 and 2006
- Worker group analyzed: White-collar manufacturing workers
- Variable of interest: Total hourly wage (includes performance-related pay schemes)
- Control variables:
 - Gender
 - Years of education
 - Years of (potential) experience
 - Years of seniority



What's new since Ljubljana?

- Extension of the analysis to cover also private-sector services
- Additional control variables
 - Share of IC workers in the branch
 - Share of IC workers in the company
 - Personnel's average years of schooling
 - Firm size (personnel < 50, personnel \geq 50 & personnel < 100, personnel \geq 100 & personnel < 300, personnel \geq 300)



These new extensions are interesting because...

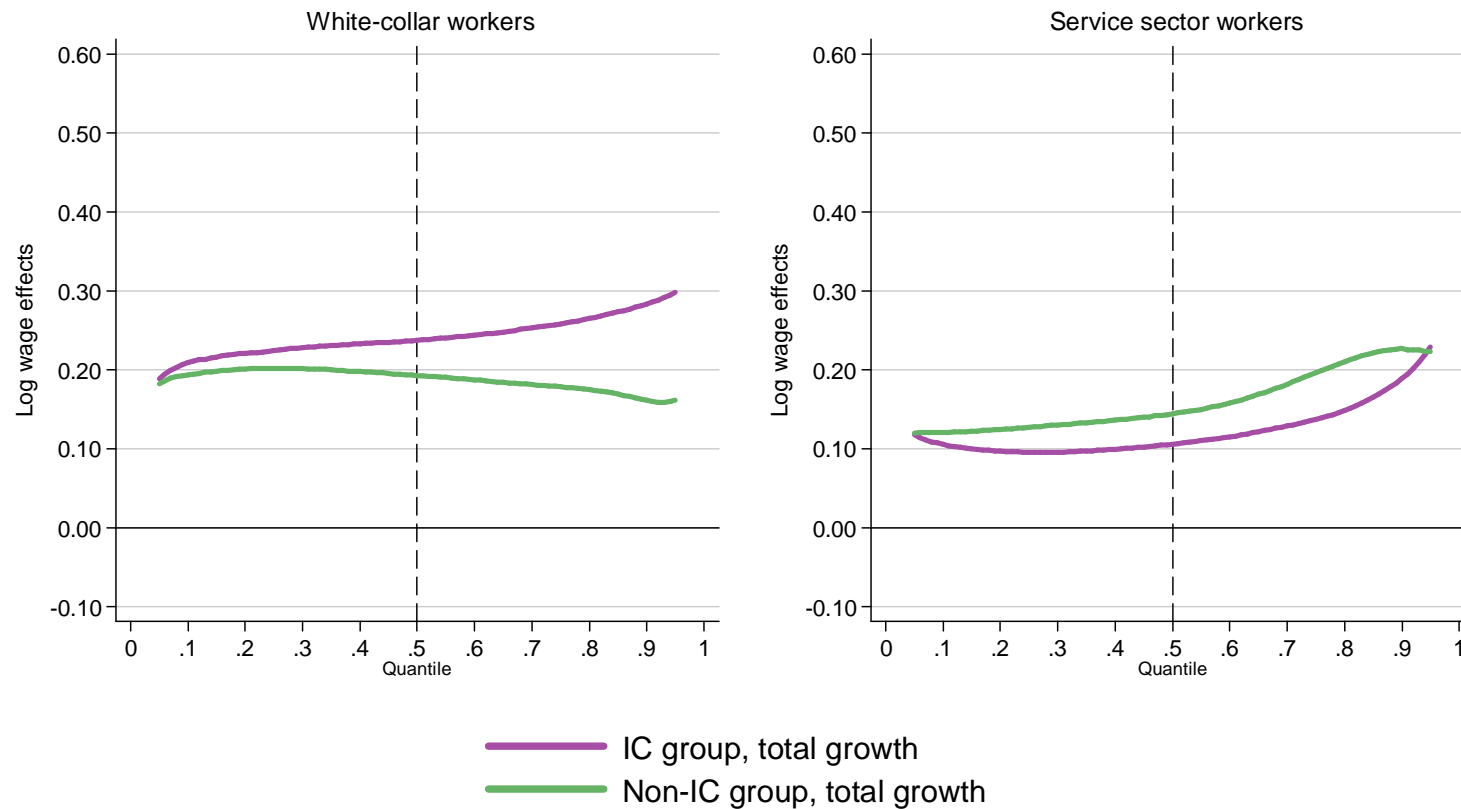
- There has been differences in wage development between service sector and manufacturing in Finland during the period of 1998-2006
- The conclusions about the effects of characteristics and coefficients on wage growth and wage gaps might be sensitive to the included variables



The structure of the presentation

1. Real total-wage *growth* across sectors and worker groups
2. IC/non-IC wage gaps across sectors
3. Gender wage gaps across sectors and worker groups
4. Summary of some of the main findings

Wage growth between 1998 and 2006 across sectors and worker groups

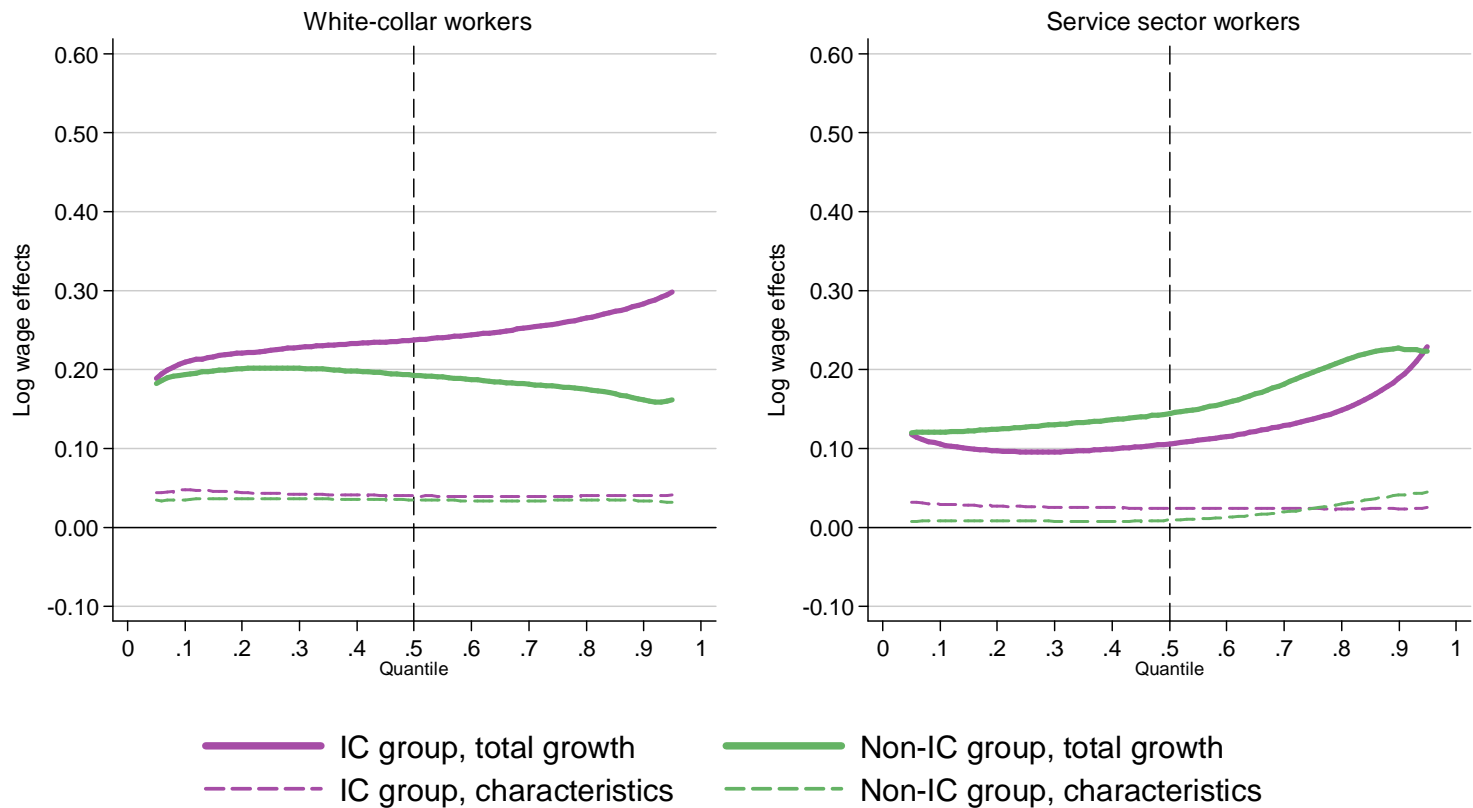




What has contributed to the observed patterns of wage growth?

- Decomposition method developed by Melly (2006)
- Includes three steps:
 - estimation of the conditional wage distribution using quantile regression techniques
 - integration of this conditional distribution over the range of covariates considered
 - decomposition of changes over time in the estimated counterfactual distribution into two distinct factors capturing the contribution of changes in coefficients (price effect) and covariates (composition effect), respectively

Wage growth between 1998 and 2006 across sectors and worker groups, basic decomposition results

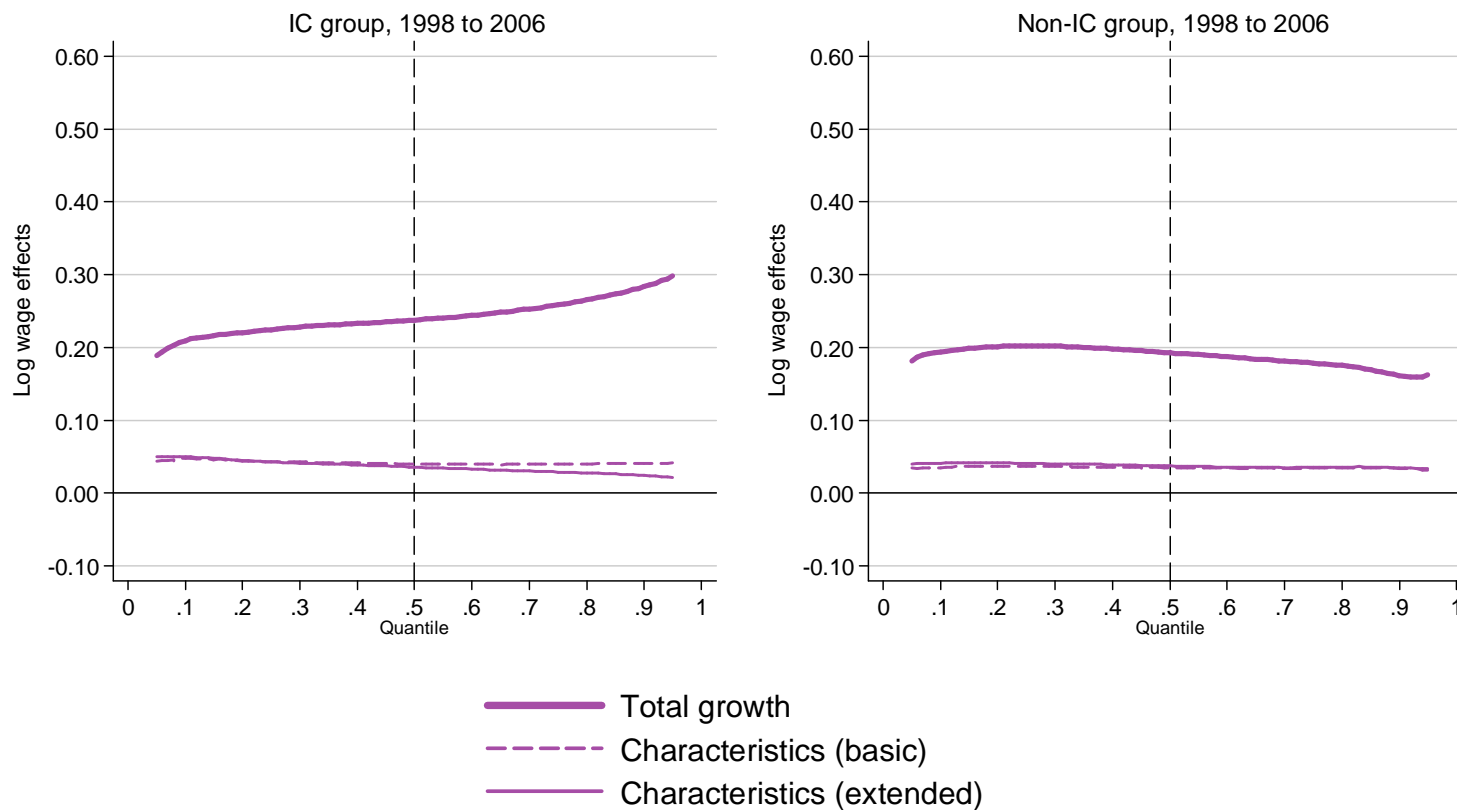




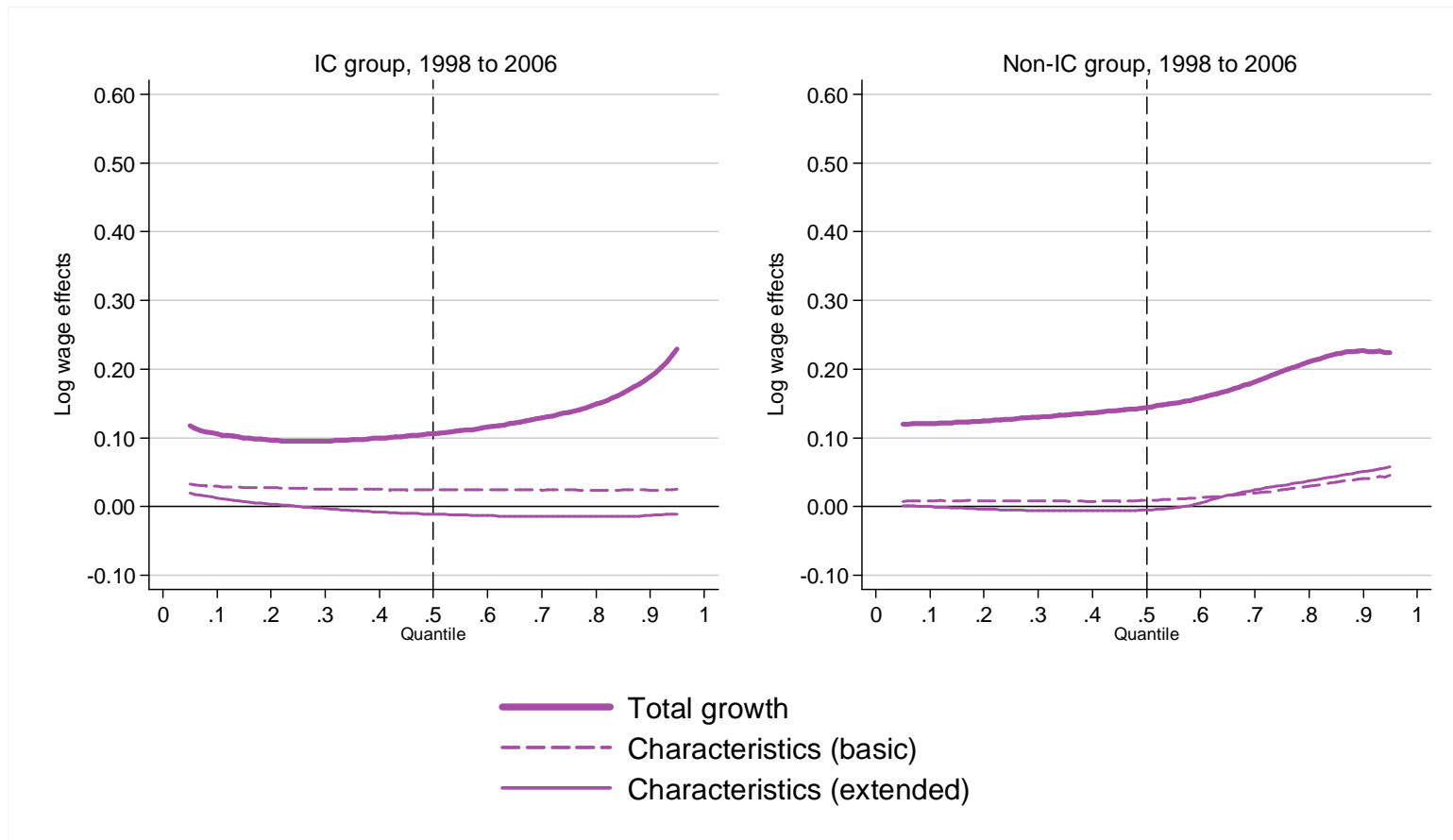
New control variables

- Share of IC workers in the branch
- Share of IC workers in the company
- Personnel's average years of schooling
- Firm size (personnel < 50 , personnel ≥ 50 & personnel < 100 , personnel ≥ 100 & personnel < 300 , personnel ≥ 300)

Wage growth between 1998 and 2006, white-collar workers in manufacturing, basic model vs. extended model



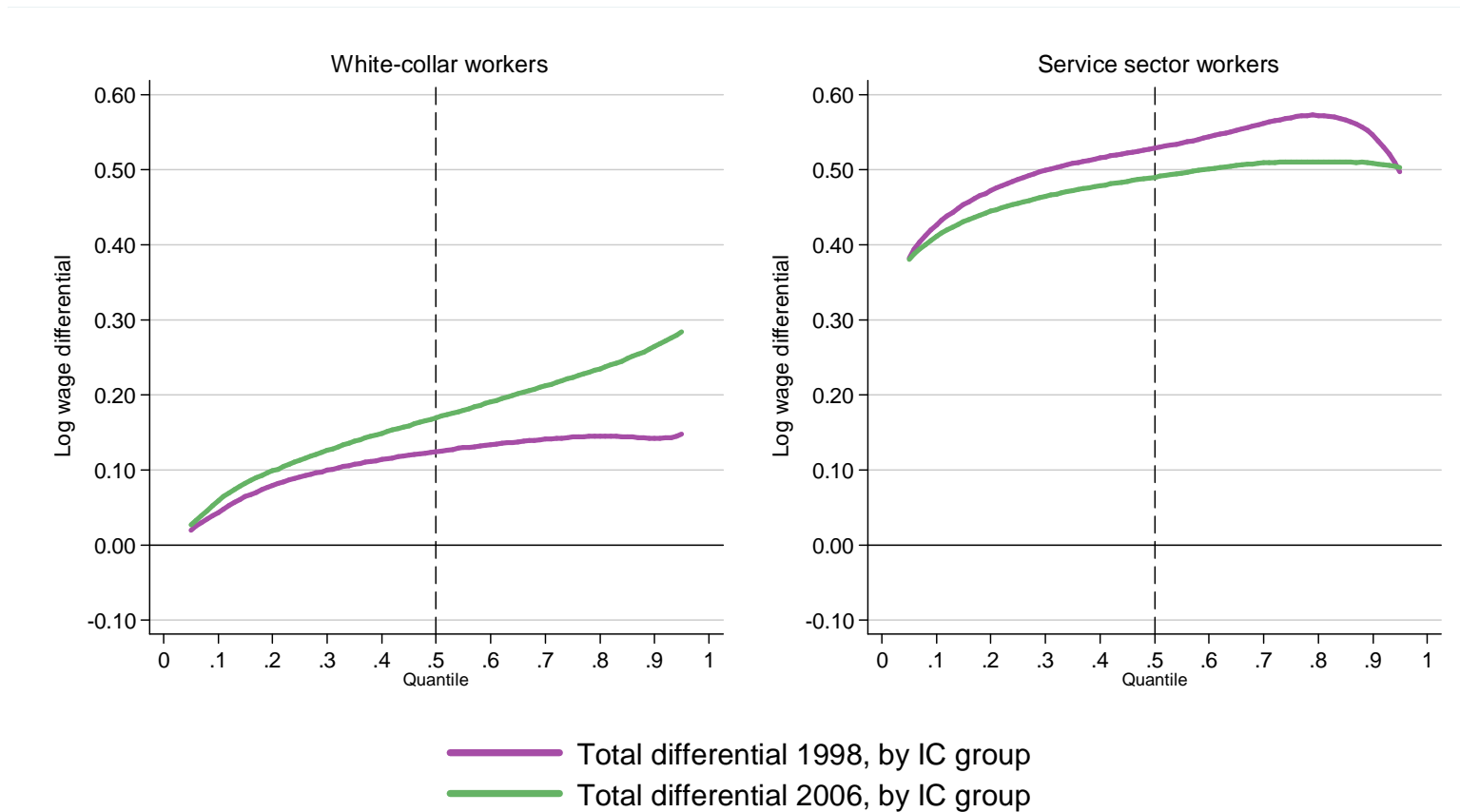
Wage growth between 1998 and 2006, service sector, basic model vs. extended model



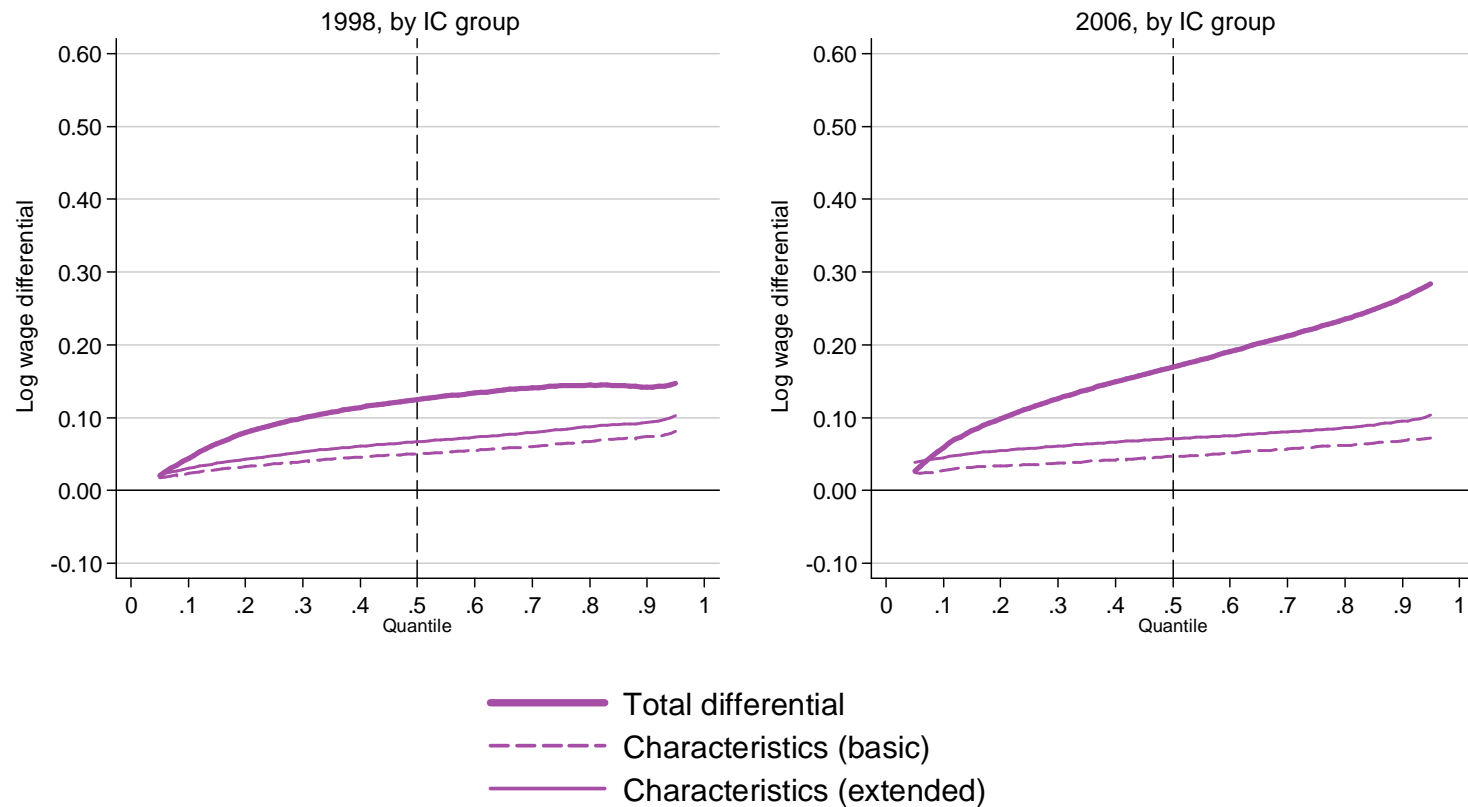


To what extent have the observed patterns
in wage growth been reflected in the
IC/non-IC wage gap?

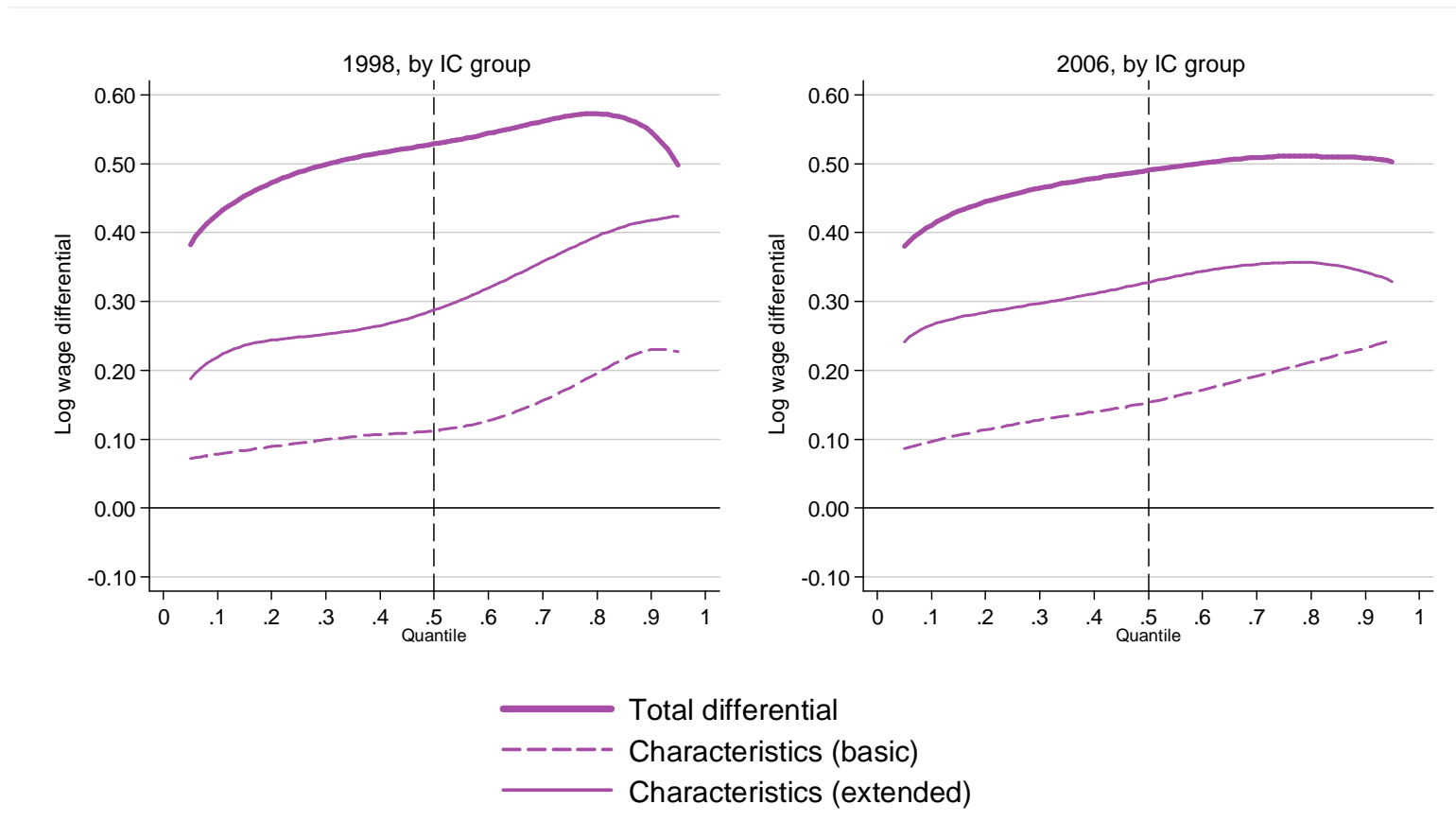
Wage gap between IC and non-IC workers in 1998 and 2006



Wage gap between IC and non-IC workers in 1998 and 2006, white-collar workers, basic model vs. extended model



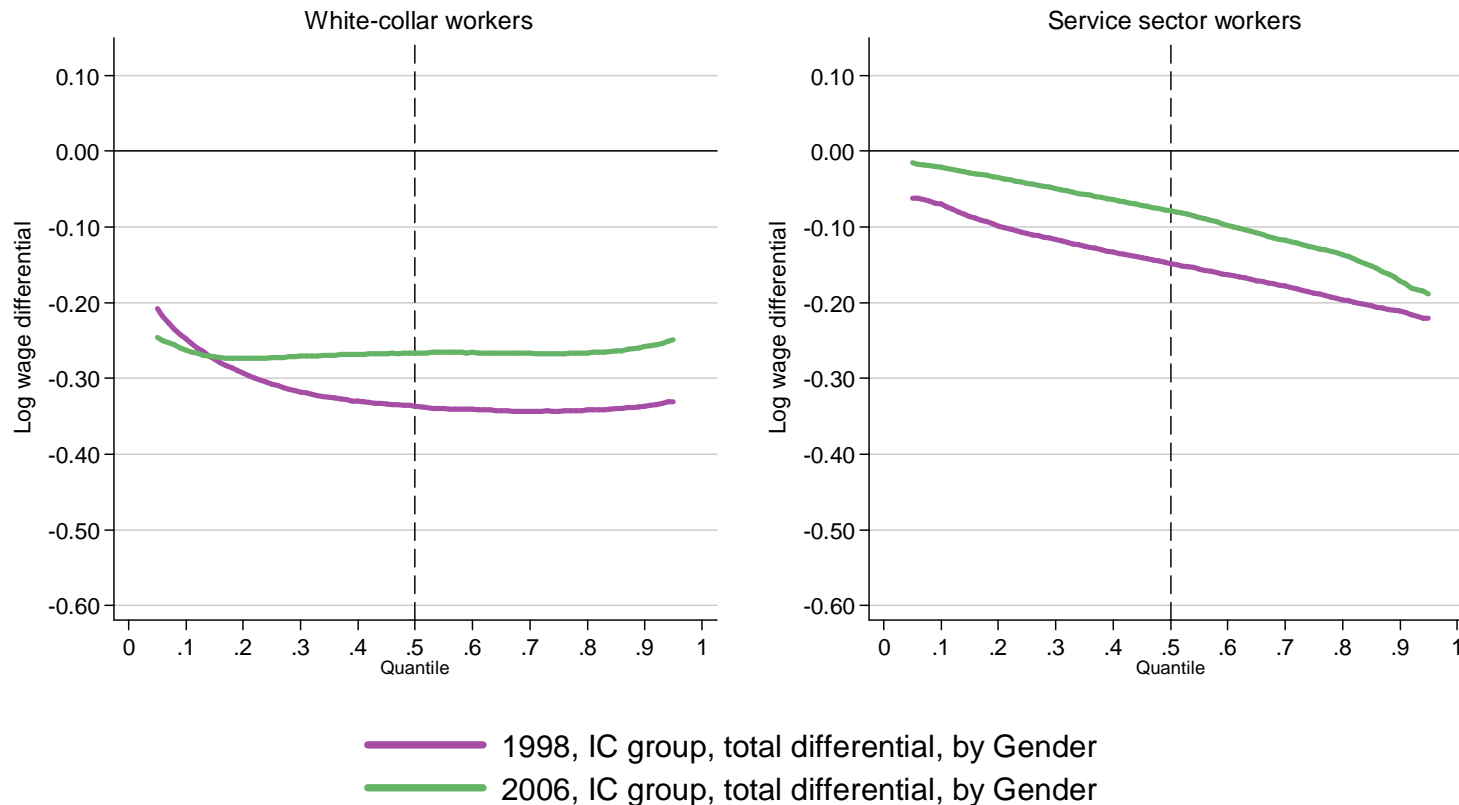
Wage gap between IC and non-IC workers in 1998 and 2006, service sector, basic model vs. extended model



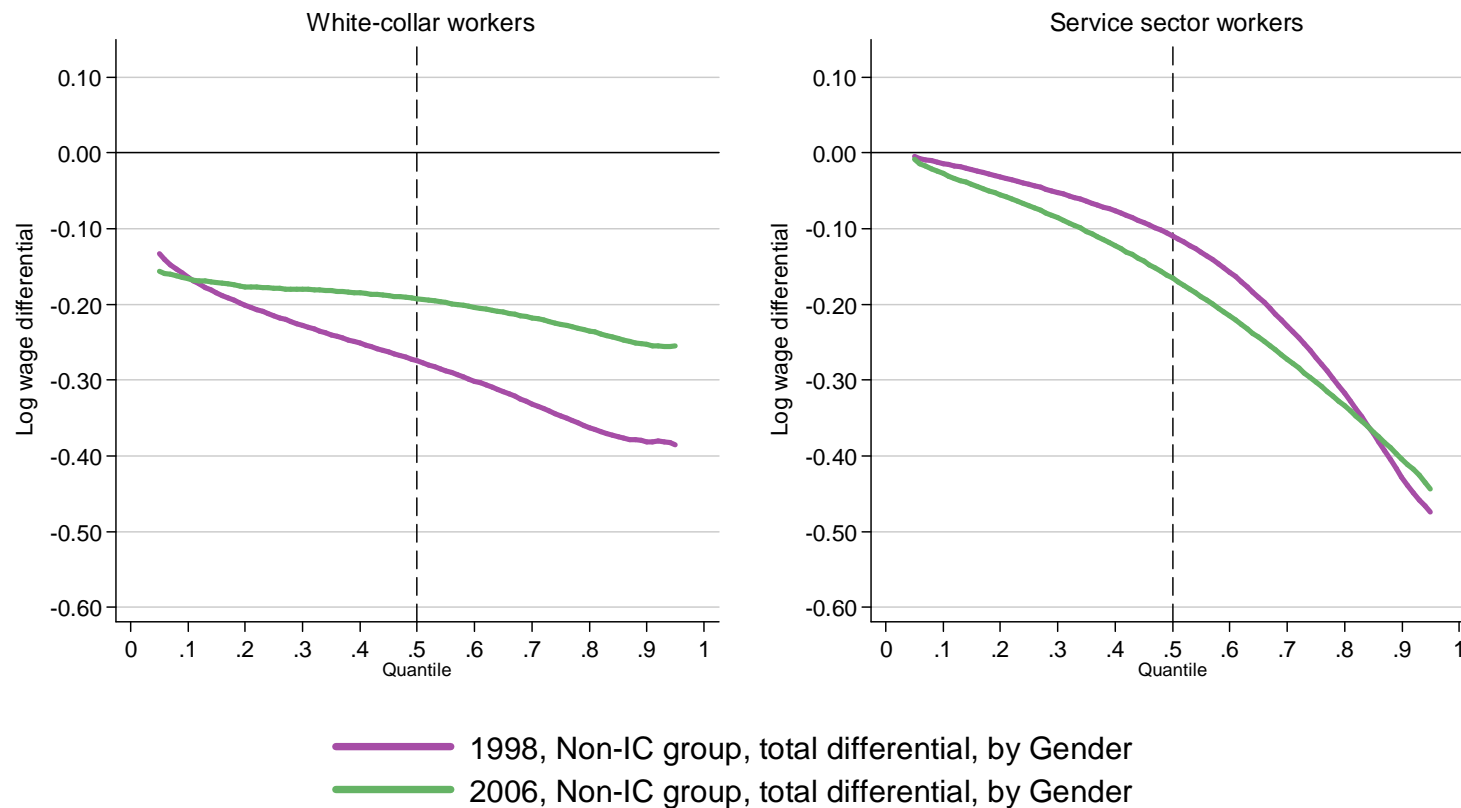


Gender wage gaps across sectors and worker groups

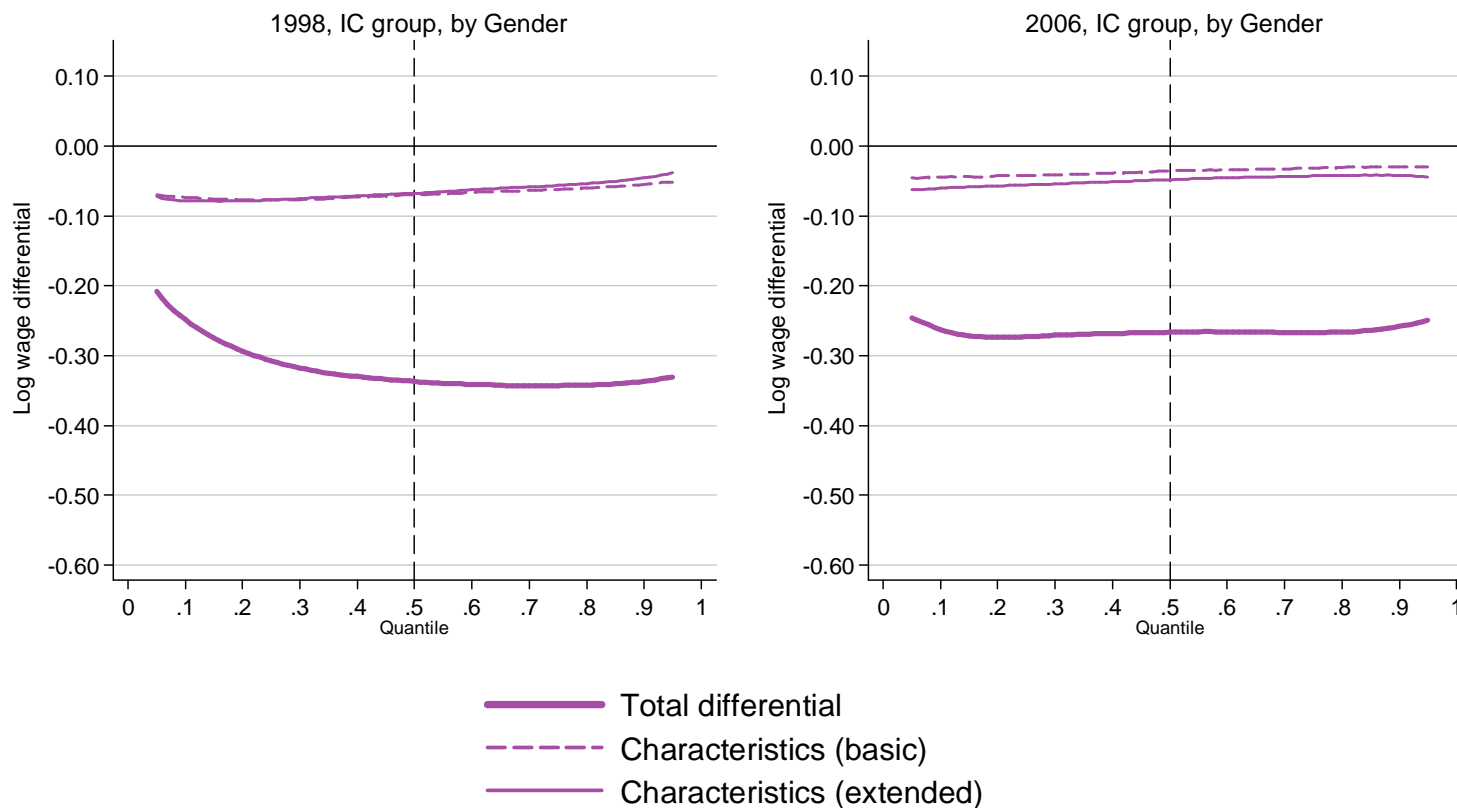
Gender wage gaps in 1998 and 2006 among IC workers



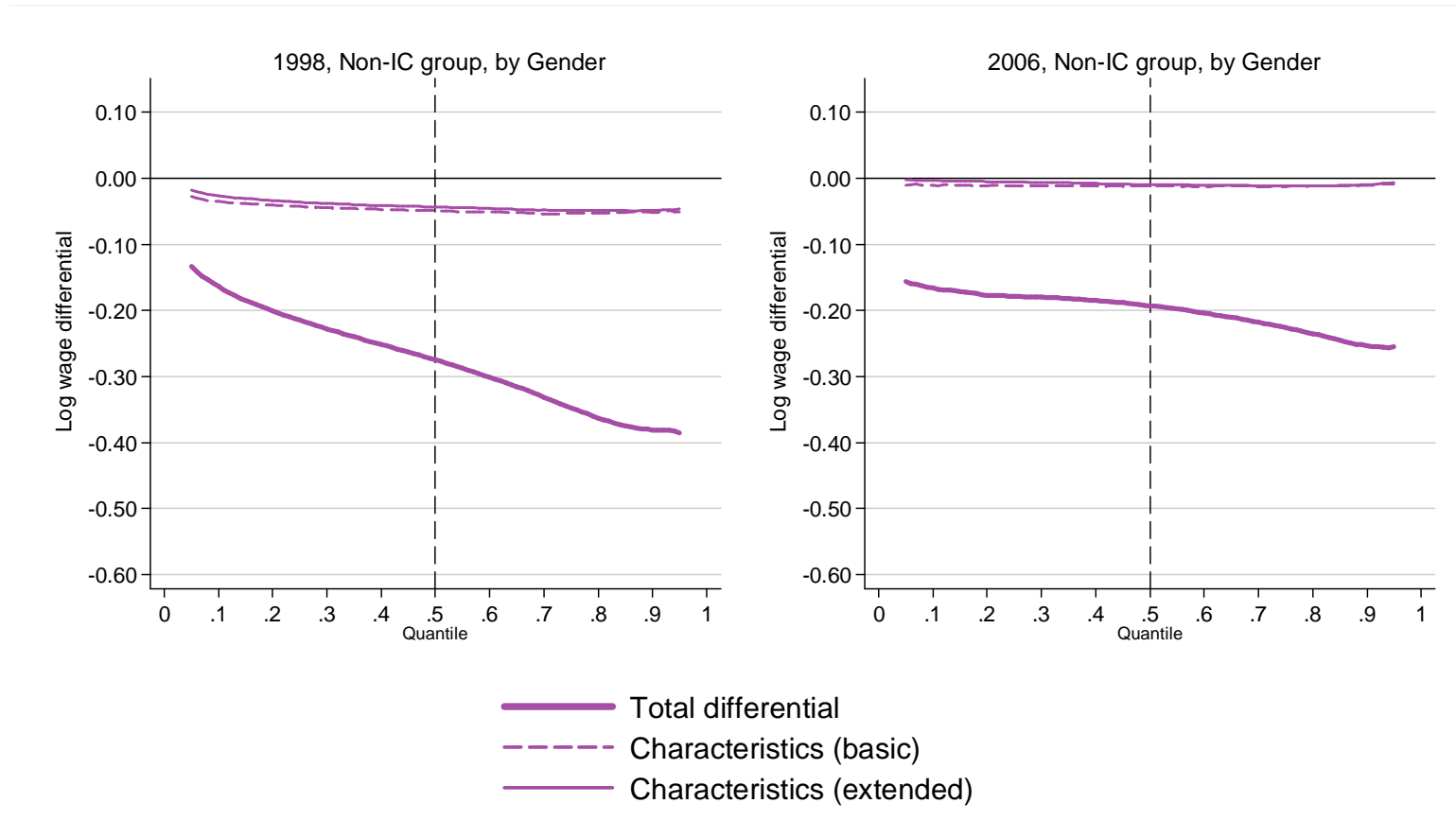
Gender wage gaps in 1998 and 2006 among non-IC workers



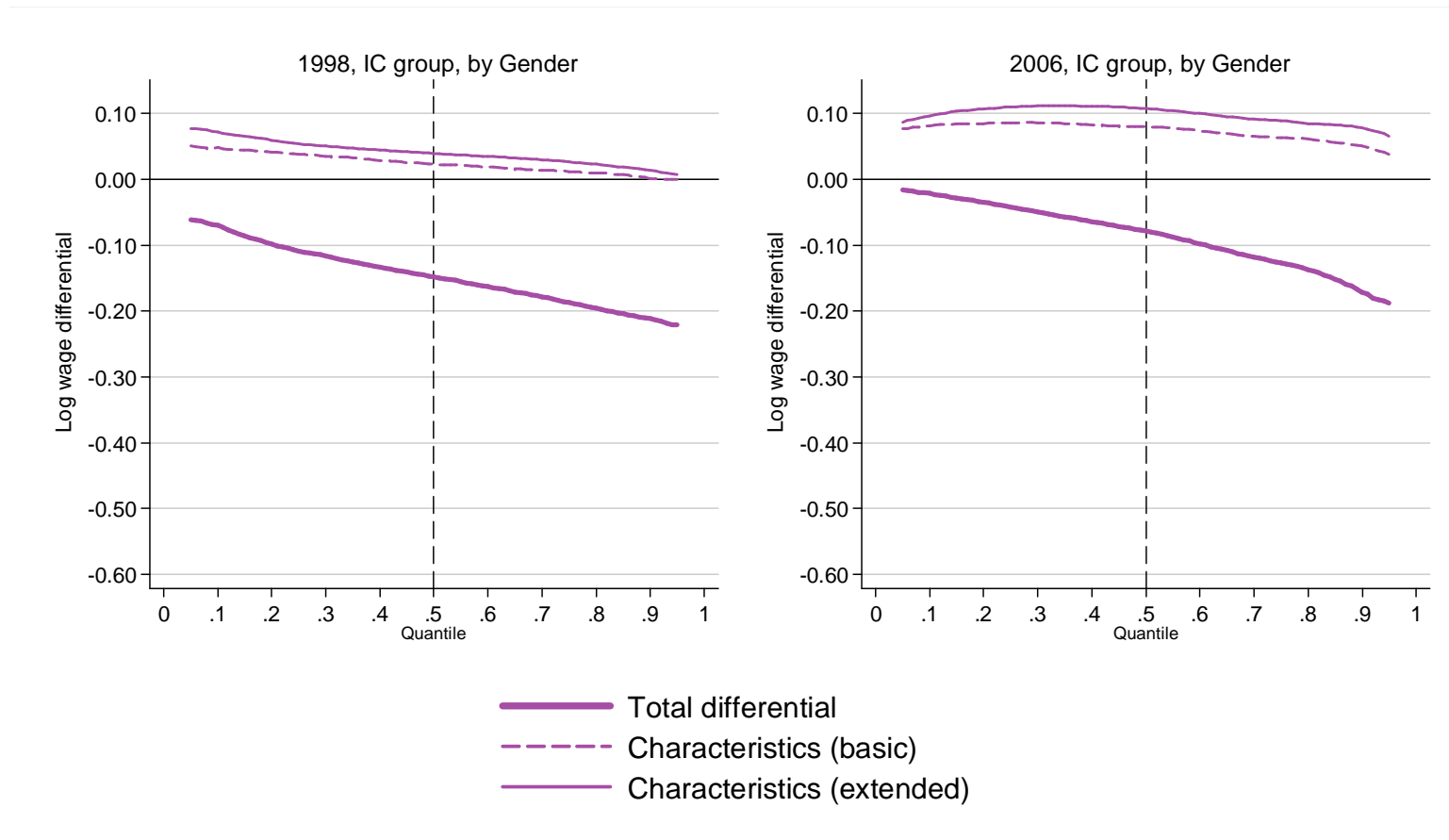
Gender wage gaps in 1998 and 2006 among IC white-collar workers, basic model vs. extended model



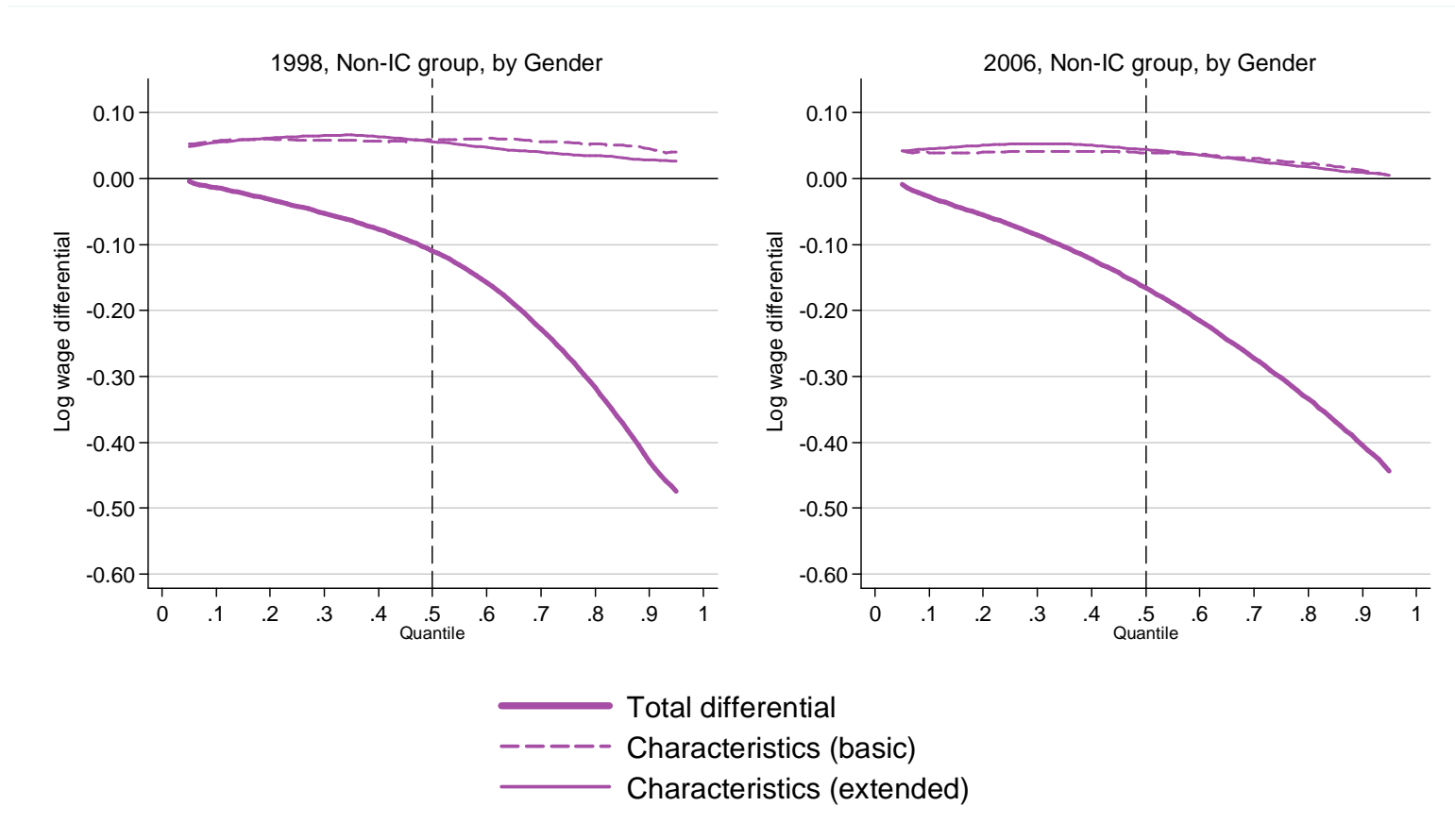
Gender wage gaps in 1998 and 2006 among non-IC white-collar workers, basic model vs. extended model



Gender wage gaps in 1998 and 2006 among IC workers in service sector, basic model vs. extended model



Gender wage gaps in 1998 and 2006 among non-IC workers in service sector, basic model vs. extended model





Summary of main findings: Wage growth analysis

- In manufacturing, IC group experienced stronger wage growth than non-IC group, especially at the top of the wage distribution. However, ...
- In service sector, wage growth stronger for non-IC workers, except at the both ends of the wage distribution
- The role of changes in characteristics small in accounting for the observed patterns in wage growth among IC and non-IC workers



Summary of main findings: IC/non-IC wage gap

- As a result of differences in wage growth between worker groups, wage advantage of IC workers over non-IC workers has increased in manufacturing, especially at the top of the wage distribution, and decreased in service sector
- Characteristics important in explaining the wage gap between IC and non-IC workers
 - The new variables turned out to be relevant here, especially in service sector



Summary of main findings: Gender wage gap

- The average gender wage gap tends to be higher among IC workers than among non-IC workers. However, ...
- The increase of the gap along the wage distribution significantly stronger for non-IC workers. Also, ...
- The gender wage gap among IC workers has decreased in both sectors between 1998 and 2006 whereas ...
- Among non-IC workers the gap has *increased* in service sector
- Gender differences in characteristics explain some of the gender wage gap among white-collar workers in manufacturing, but actually contribute positively to the wage gap in service sector