



# Comments on Bernd Fitzenberger CPB 20-1-2011

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# Very interesting and rich analysis

- BUT:
- Data are biased
  - against low skilled workers
  - in favour of high skilled workers
- More precise analysis warranted
  - differences US – Germany
  - gender gap in Germany



# Data are biased (1)

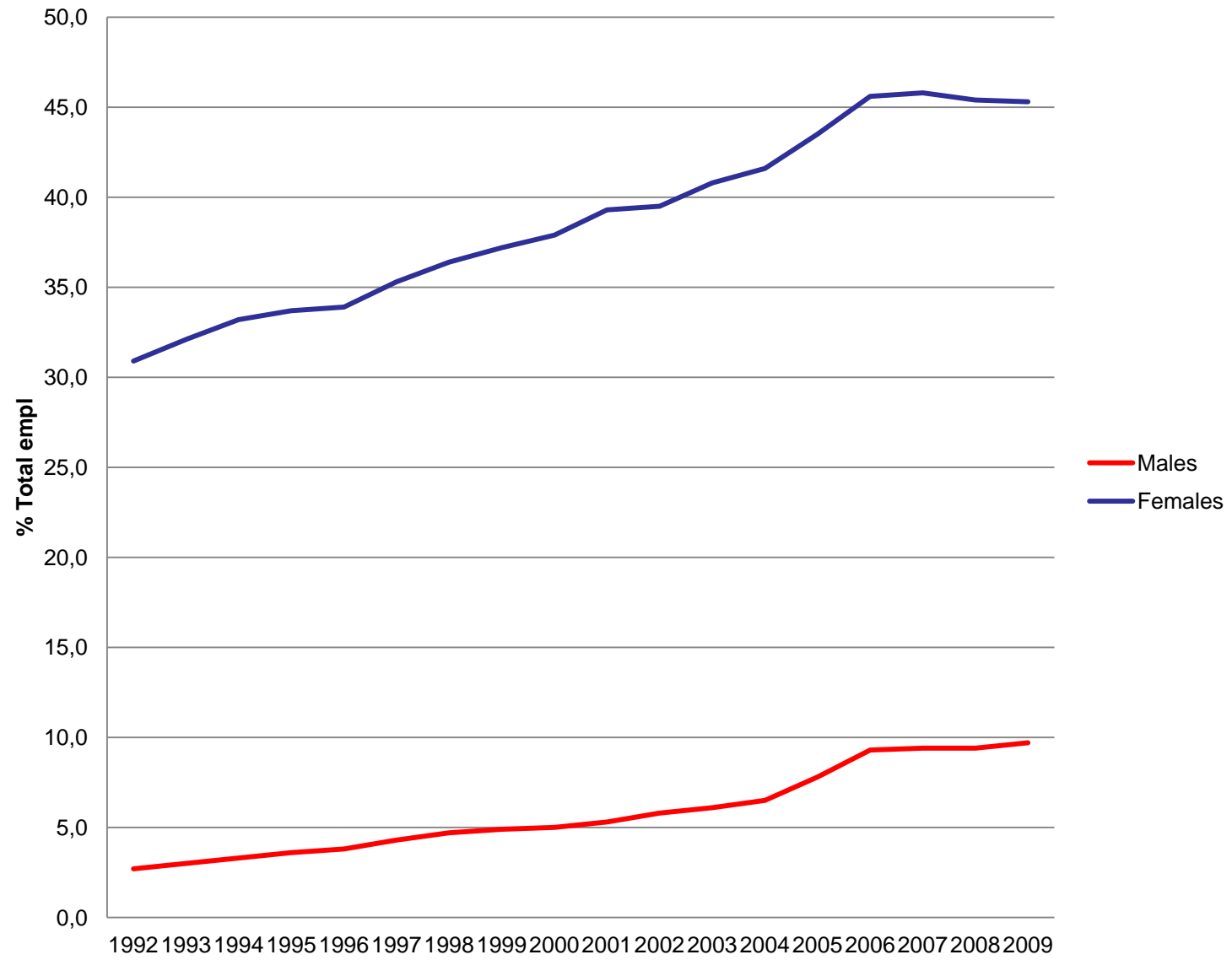
- Only national workers are taken into account
  - Much precarious and low-paid work is not on a full-time basis
  - Source: LFS Eurostat
  - 2004 – 2009: **8.5 %** of labour force is foreign



# Data are biased (2)

- Only full-time workers are taken into account
  - Much precarious and low-paid work is not on a full-time basis
  - female PT workers increase from 30% in 1992 to 45% of total employment in 2009
  - male PT workers from 3% to 10%

# Part-time work



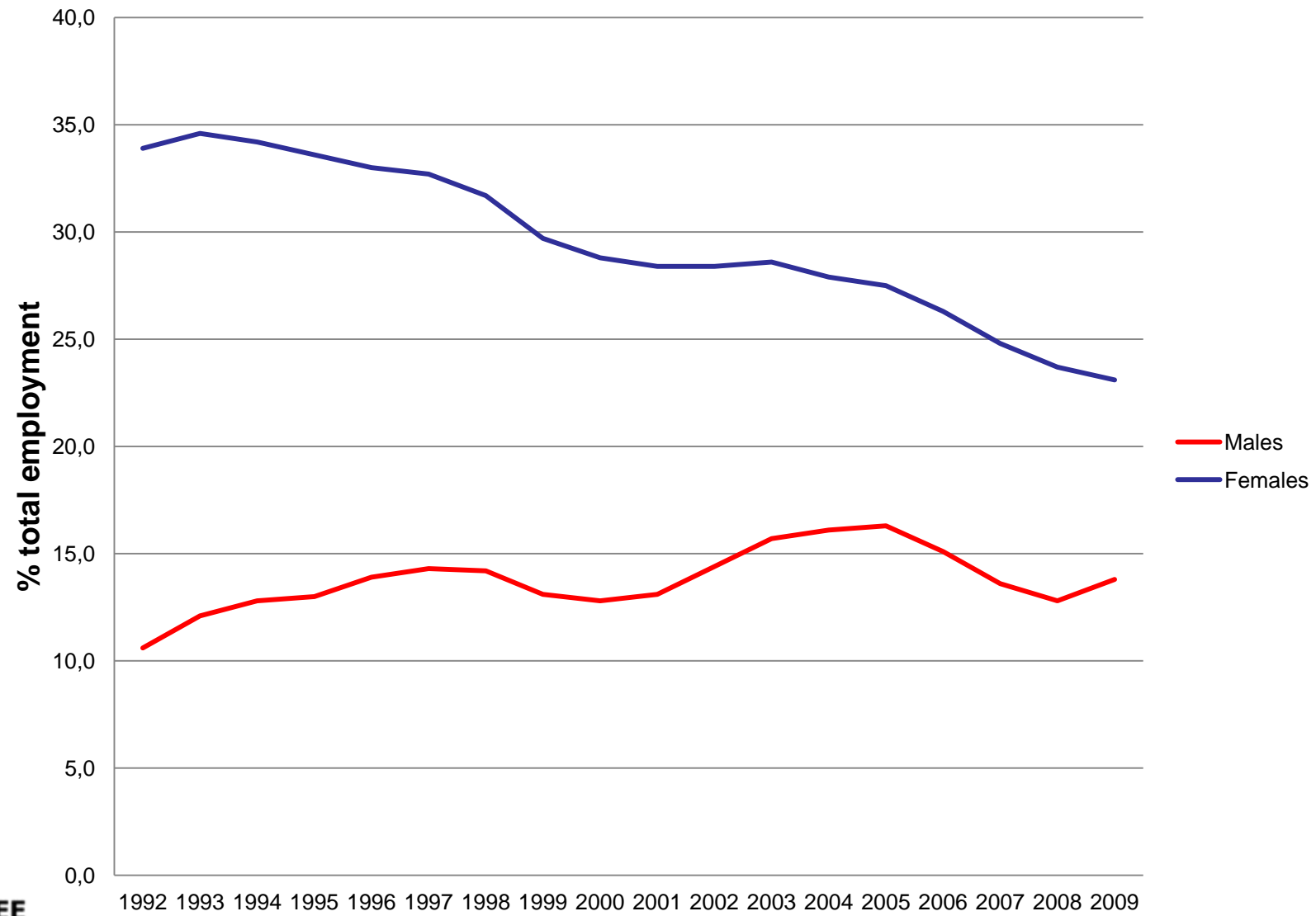


# Data are biased (3)

- Only workers in age 25 - 55 years are included
  - Young full-time workers have a higher incidence of low skills since they leave education earlier
  - Old workers have a higher incidence of low skills since their generation was lower skilled on average



# Age not 25-54



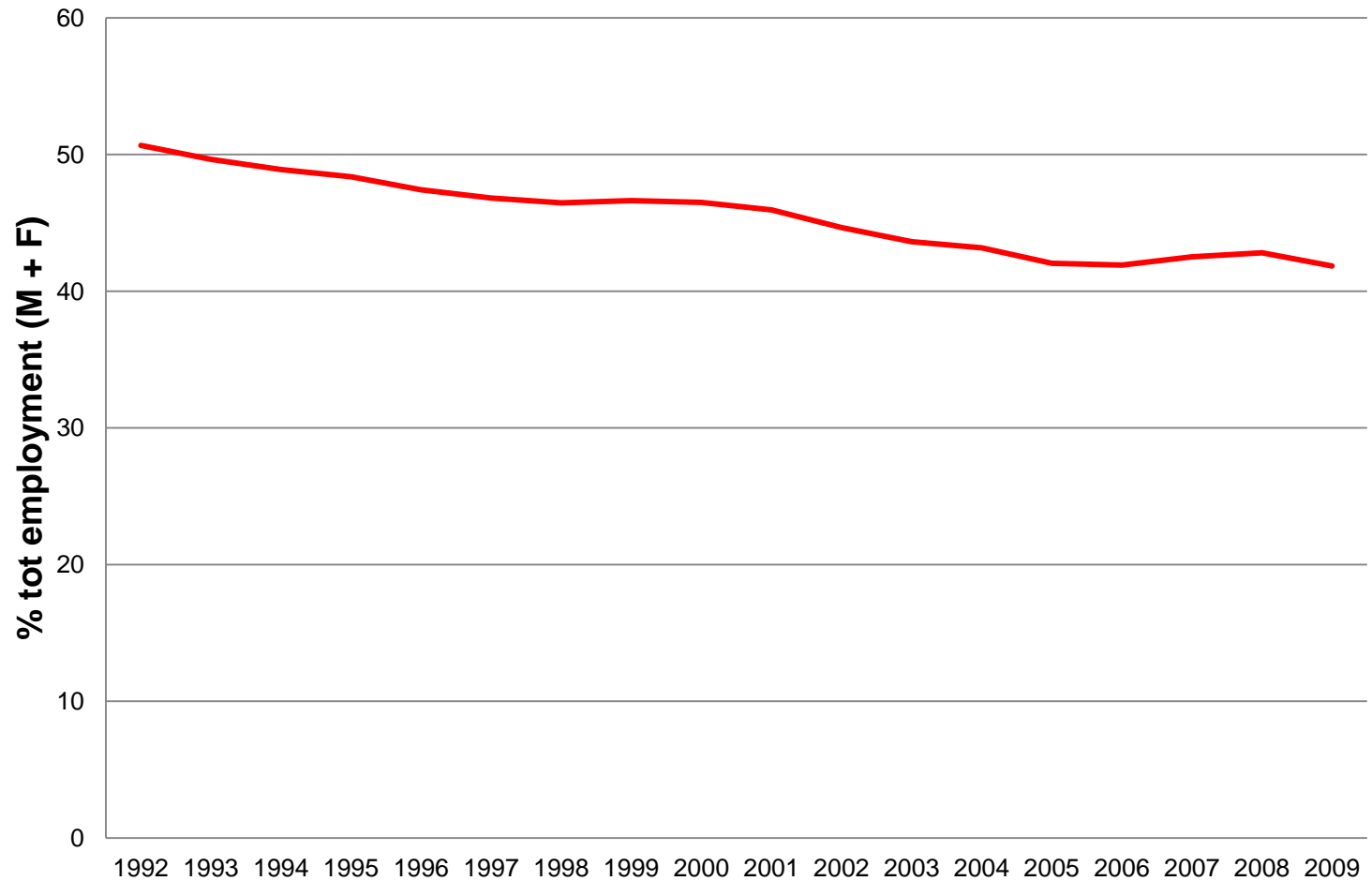
# Sample Germany - US study

- the focus is on full-time prime age males
- decreases from over **50%** of total employment in 1992 to **40%** in 2009
- biased against low-skilled workers and in favour of high skilled workers
  - ratio high/low for
    - FT males 25 -59: from **2.5** to **3.7**
    - for all workers: from **1.3** to **1.9**



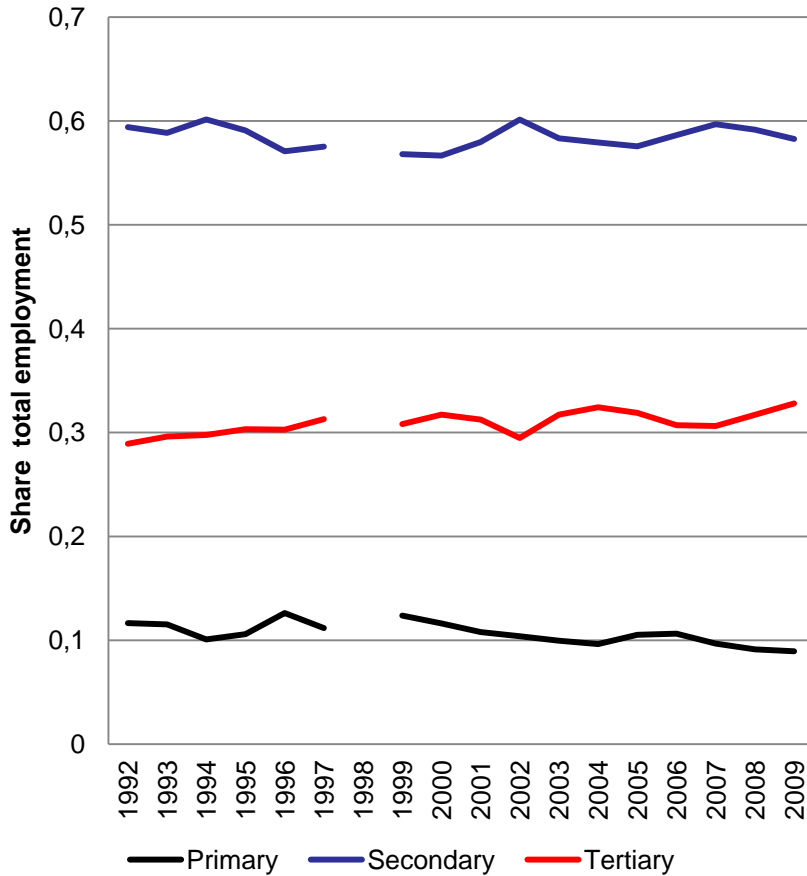


# Share of FT males 25 – 54 in all workers

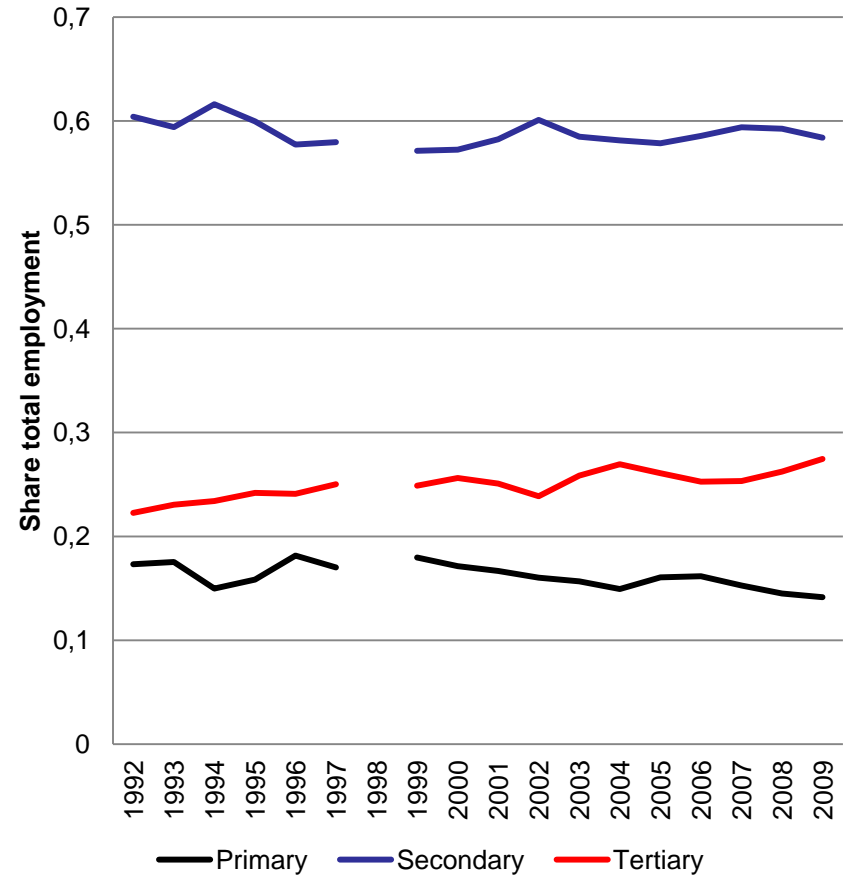


# Educational composition

## FT males 25 -59



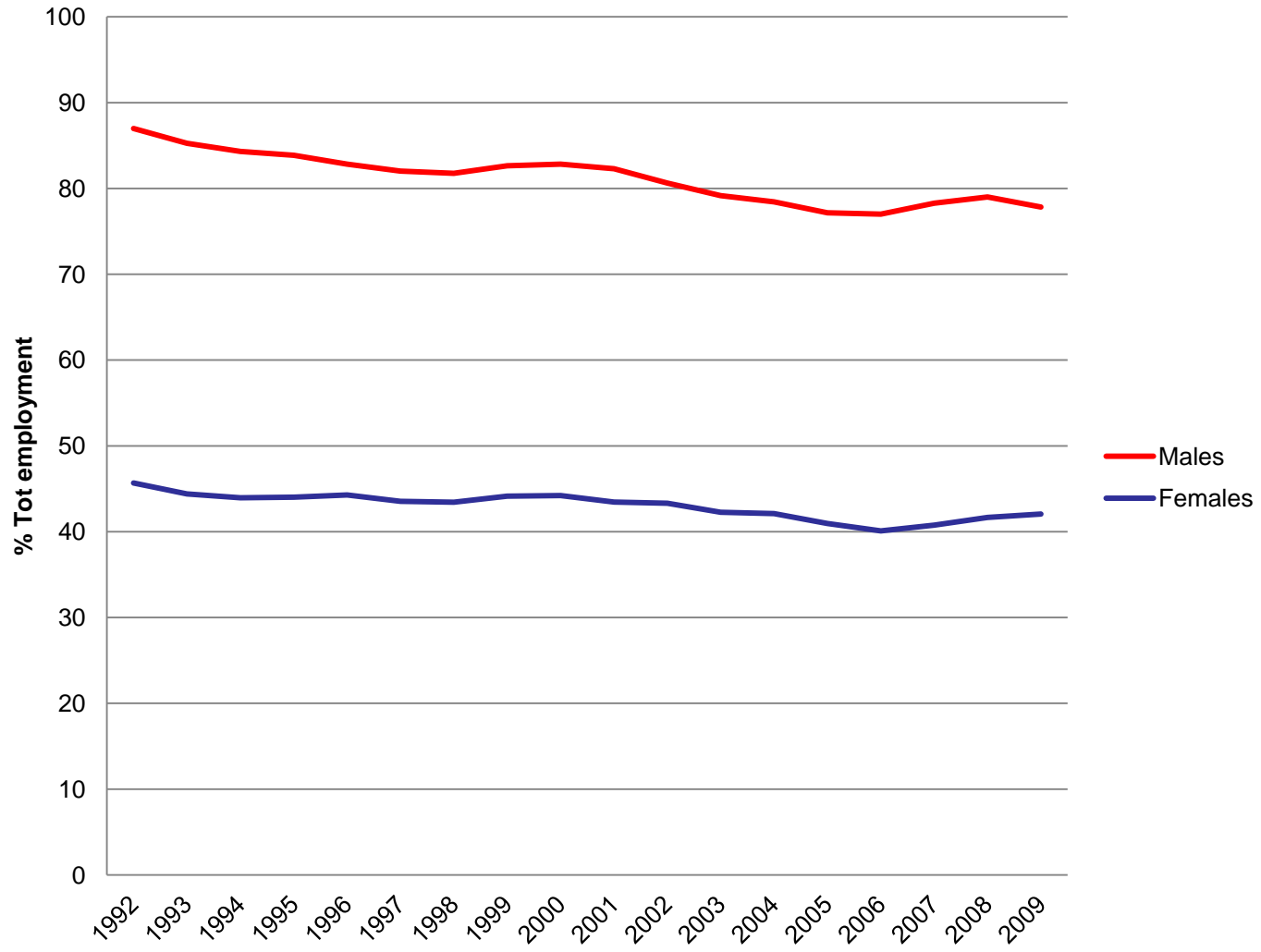
## All workers 15-74



# Sample Gender study

- the focus is on full-time prime age males and females
  - compares about 80% of male employment
  - with about 45% of female employment
- biased against low-skilled workers and in favour of high skilled workers

# Share of FT workers 25 - 54 in total employment



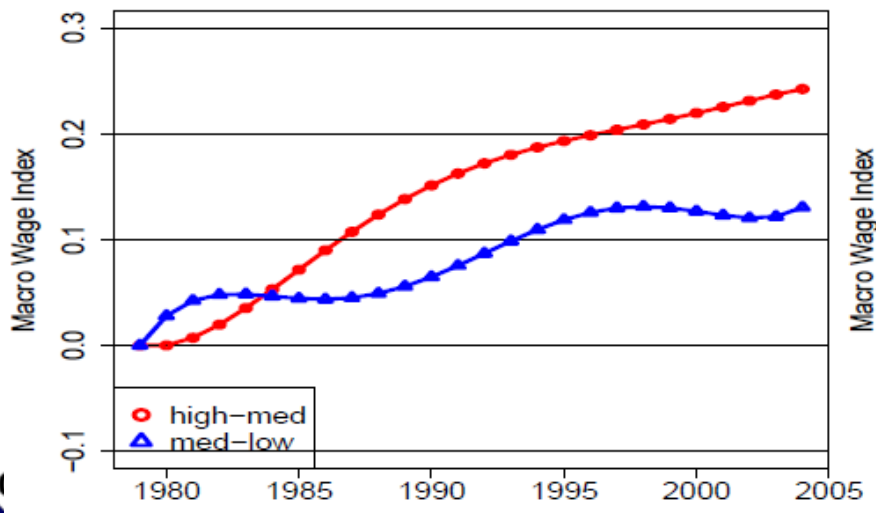
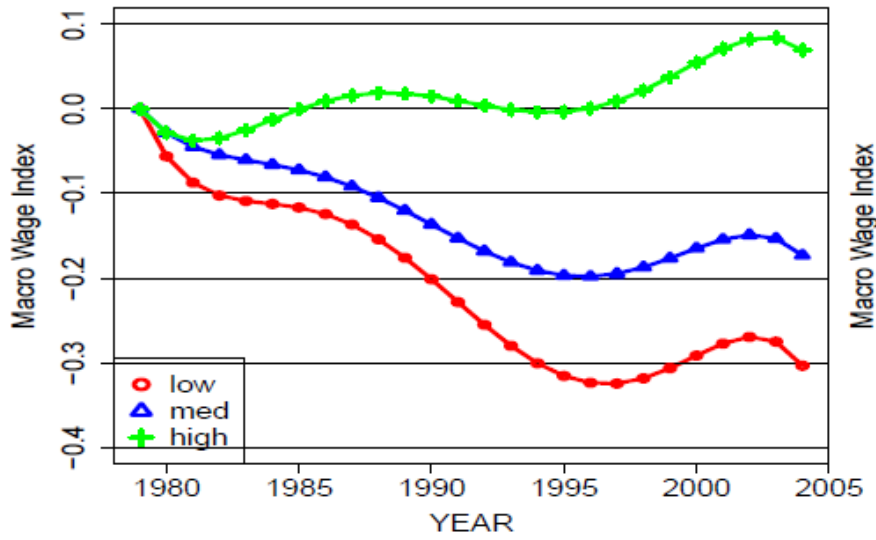
# More precise analysis (1)

- Analysis impact of skill premia on wage inequality:
  - US mean wage differentials reflect skill premia (?)
    - but no explicit comparison with Figure 5
  - steady rise might explain SBTC
  - flattening out in mid-1990s points at polarisation
  - why not formulate explicit relations which then are tested?

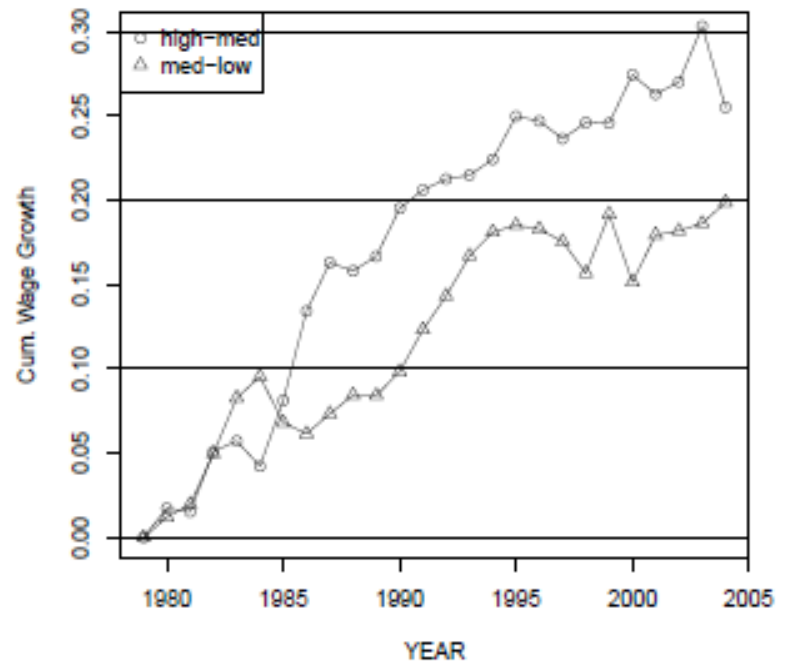


# Wage Trends across Skill Groups and Skill Premia

U.S.



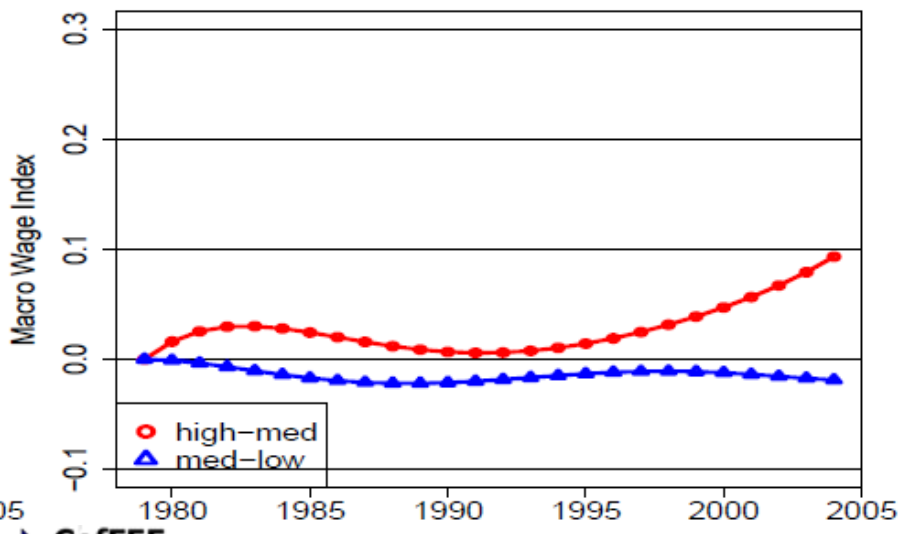
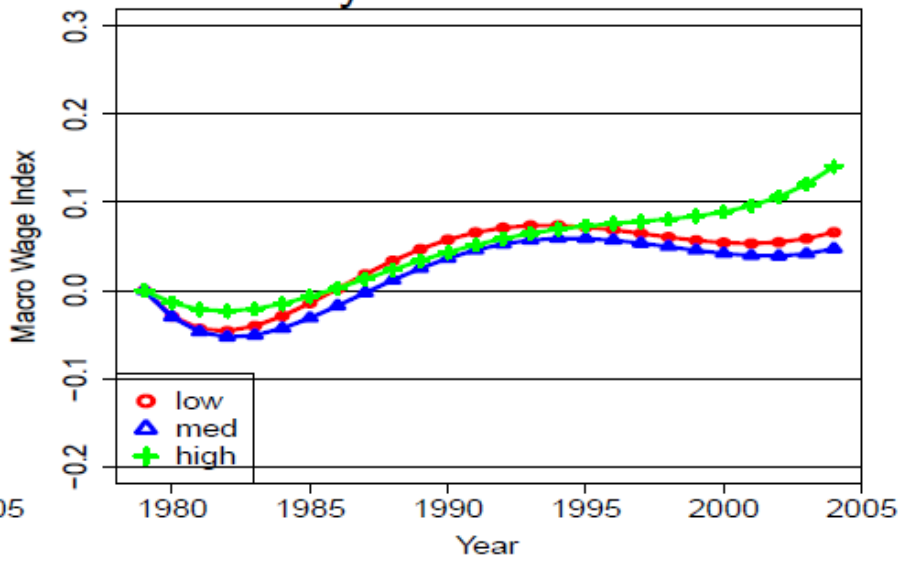
Wage Premium Uncond. U.S.



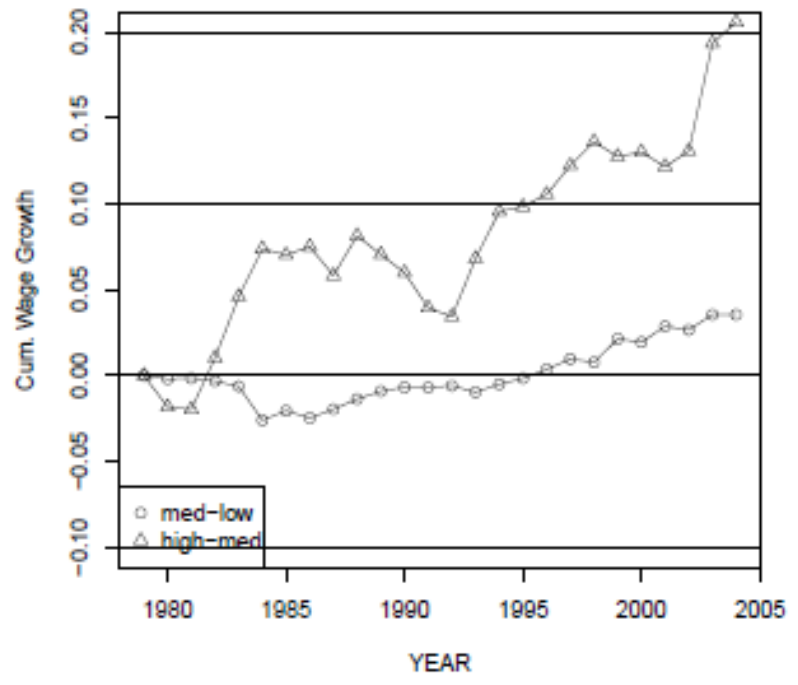


# Wage Trends across Skill Groups and Skill Premia

## Germany



## Wage Premium Uncond. Germany



# More precise analysis (2)

- Germany explicit comparison with unconditional skill premia
  - “inconsistency” in medium-low range
    - negative cohort effects for young low-skilled
      - can be in line with “the immigration story”
    - or unions may have successfully prevented widening gap induced by SBTC
  - why not discuss inconsistency in magnitude H-M (much larger unconditional)?



# More precise analysis (3)

- Macroeconomic shifts are smooth functions of SBTC, institutional factors and supply side factors
  - since US and Germany have access to same SBTC
  - and relative labour supply has similar patterns
  - the diverging pattern in Germany follows from institutional factors (and their interaction with SBTC)

# More precise analysis ?

- Macroeconomic shifts are **smooth functions ?**
  - US and Germany access to same SBTC
    - **but do they use it?** Role of interactions:
    - **can we ignore that in the US real wages decreased?**
    - **interaction wage compression - capital deepening**
      - Moeller (2005; also HC); Koeniger and Leonardi (2006)

- and relative labour supply has similar patterns, **is that true given bias?**
  - Freeman and Schettkatt (2000) narrow skill distribution relative to US
  - Kranz (2006) rapid increase supply H/L Germany
  - **Are immigration shocks smooth?**
- **and what about trade:**
  - Klein, Moser and Urban (2010)
    - wage premium H, discount L due to exports in Germany
    - also mentioned as relevant cause in gender paper

# Analysis gender gap

- Analysed comparing wage distributions by gender: **no “direct” comparison**
- Increased inequality due to “firm characteristics” : **but which?**
  - why not measure export and outsourcing
- be aware of **bias in data**
  - observation that females “swim upstream at bottom” might change





# Educational composition

## FT males 25 -59

