

The Wage Structure

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 2. differences in the way those aptitudes are rewarded

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- ▶ How persistent are individual/dynastic positions within the distribution?

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- ▶ This pattern is similar in all countries for which data are reliable
- ▶ The pattern is consistent with the human capital model: higher ability workers also acquire more skills

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- ▶ Within group wage dispersion also increased.

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- ▶ Observed trend in relative wages could be caused by either reduced supply of high skilled people or an increase in demand for high skilled people
- ▶ But the relative supply of high skilled workers went up.

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 1. The real wages of high school drop-outs fell
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 3. Within-group wage dispersion rose
- ▶ Several sources of the changes have been proposed:

Immigration

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- ▶ Supply of HS drop-outs increased by 20.7% while the supply of those with at least HS diploma increased by only 4.1%.

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- ▶ Much of this increase was in trade with poor countries

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- ▶ However pencils on desks seem to be just as good a predictor of this.
- ▶ The point is that technological change is difficult to measure; it is therefore hard to address from a policy perspective.

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- ▶ unionization has fallen over time:
 - ▶ in 1973, 24% of workforce was unionized
 - ▶ in 2006, 12% of workforce was unionized
- ▶ If unions work so well for workers why have they declined?

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- ▶ How important was policy?

Inequality Across Generations

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 - ▶ Neighborhood effects (it takes more than just parents to bring up a kid)

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