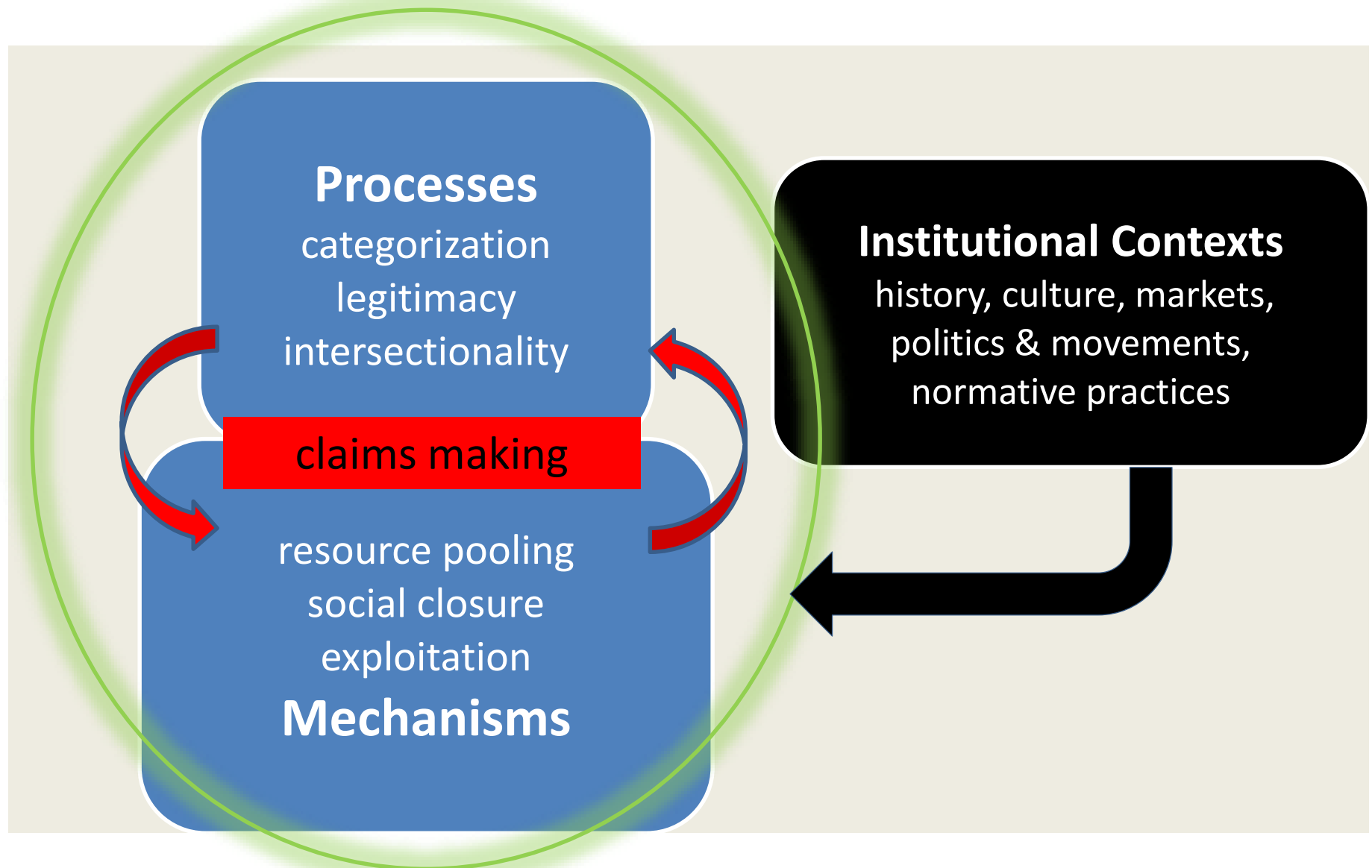


# The Organizational Production of Earnings Inequalities

Donald Tomaskovic-Devey  
University of Massachusetts

1. Organizations as income generation/distribution devices
2. Comparative Organizational Inequality Network (COIN) first estimates
3. The sources of rising inequality in Germany

# Relational Inequality Theory



# Inequalities are generated in relational **fields** populated by:

## Actors

- Individuals
- Collective positions

## Relationships

- Between organizations
- Between positions
- Between people

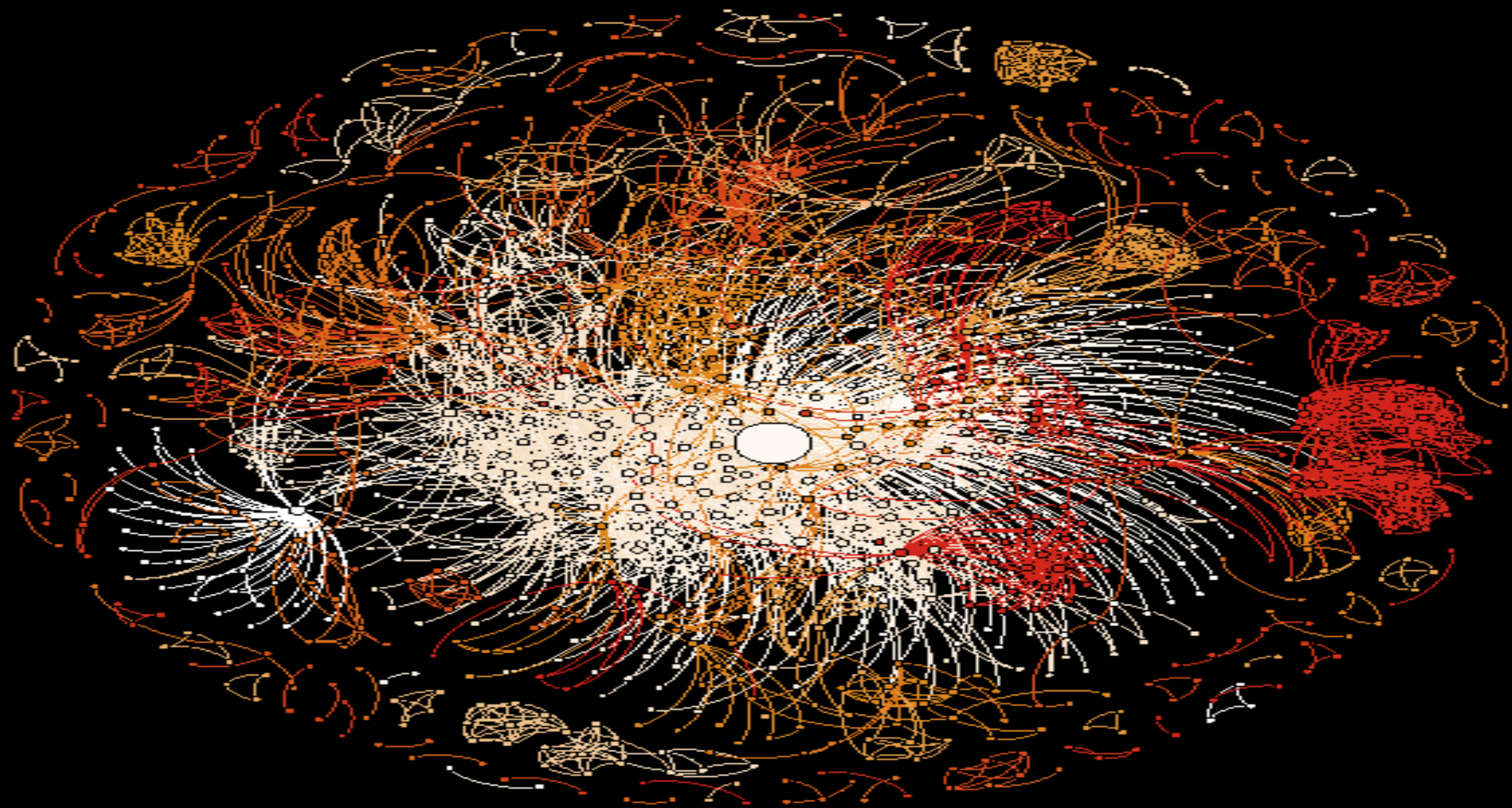
## Practices

- Organizational
- Institutional

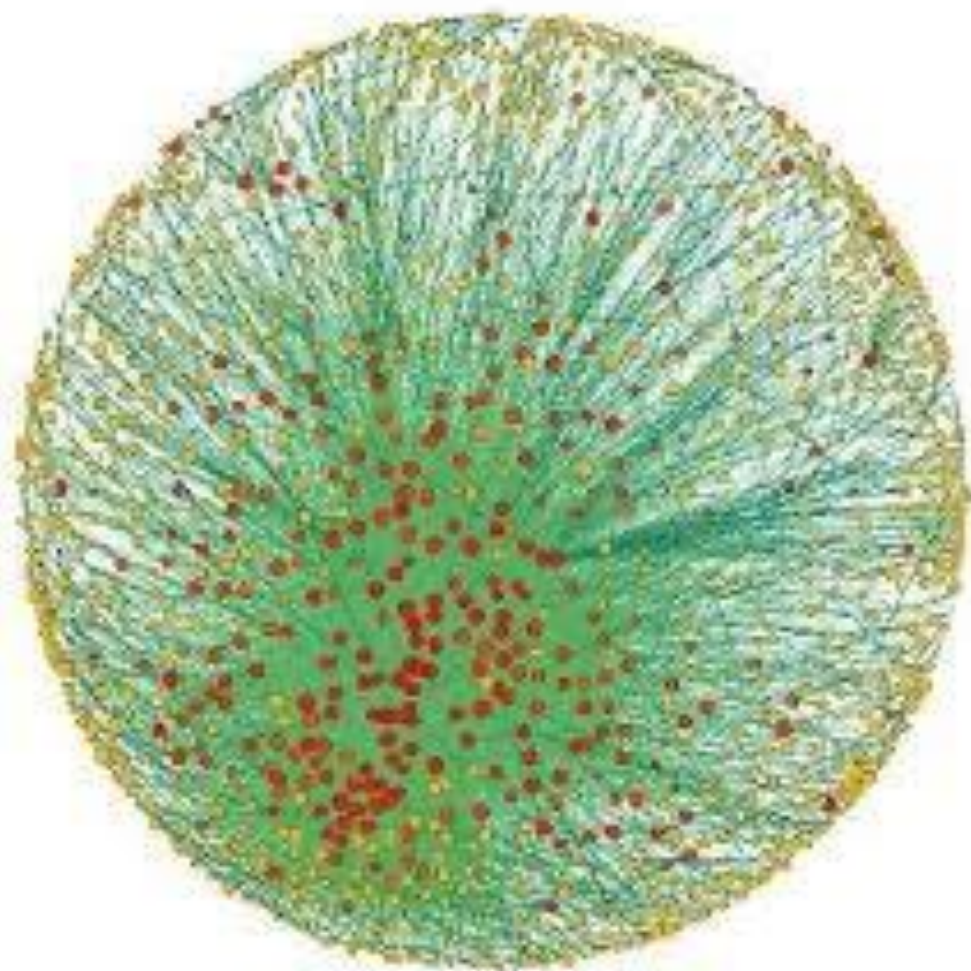
# Organizations

- Are internal and external networks/fields of social relationships
  - *Please abandon the magic market metaphor*
- Are income pooling devices
- Vary greatly in the resources stakeholders can make claims on
- Vary greatly in the relative power of actors
  - symbolic capital
  - asset specificity, network dependencies
- Generate the inequalities states and households adjust to



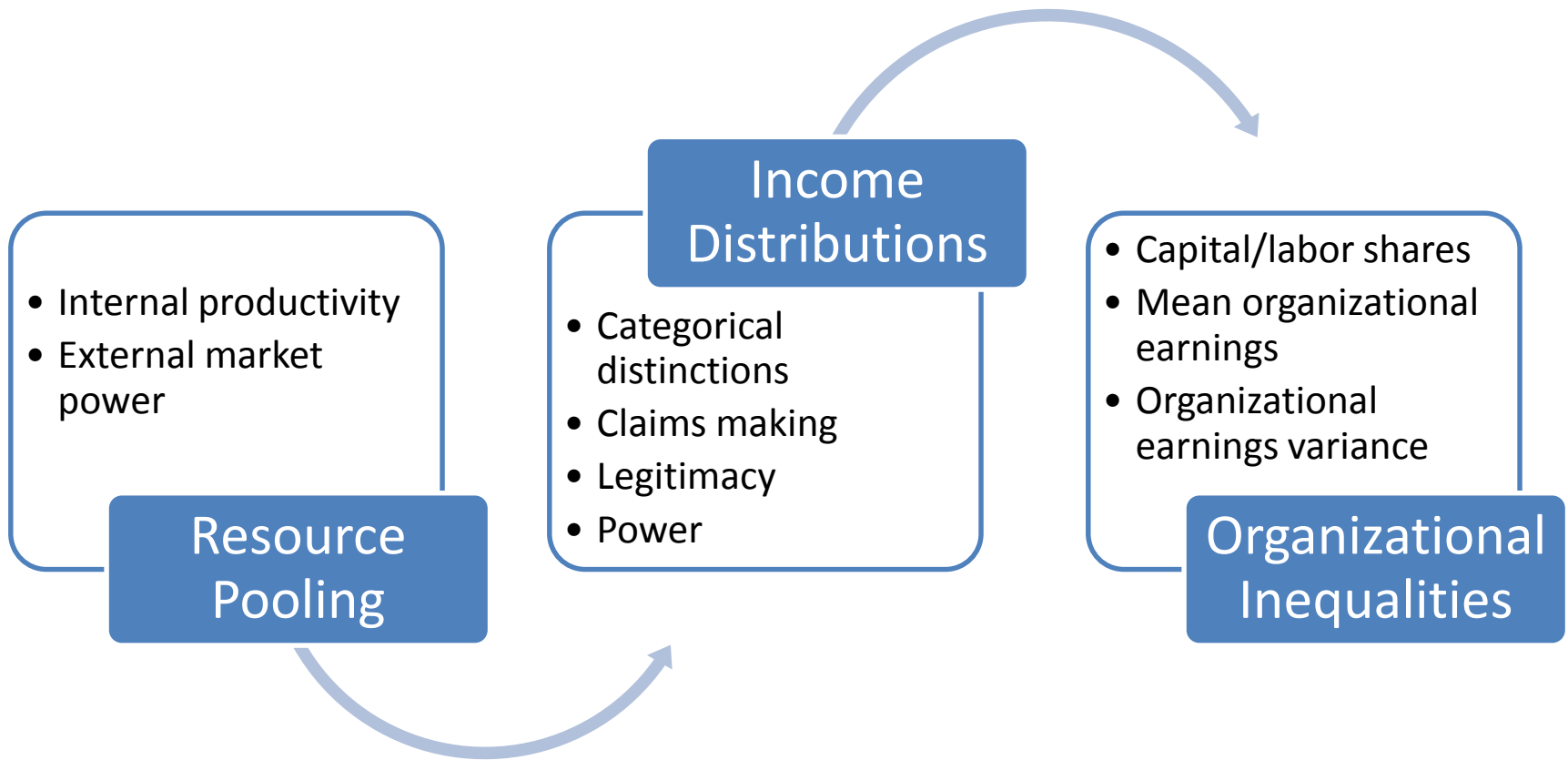






# Relational Inequality Theory:

Income distributions are result of relational processes within and between organizations





# Substantial evidence from labor economics (Card, Cardoso, Heining, and Klein, 2015)

- That workplace resource levels shift wages independently of human capital/labor markets
  - “rent sharing” explanation
- Great variation in value added between firms, even in same 4 digit industry
  - “value added” explanation
- Evidence of rising between workplace earnings inequalities
  - Typically evaluated as differences in productivity
  - Sometimes evaluated as result of market power

# **COIN Project**

## **The Organizational Production of Earnings Inequalities, Cross National Estimates**

**Estimates in this presentation were prepared by:** Olivier Godechot (France:), Peter Jacobebbinghaus (Germany), István Boza (Hungary); Zoltán Lippényi (Netherlands), Are Hermansen (Norway), Joe King (Slovenia), Eunmi Mun and Jiwook Jung (South Korea), Martin Hällsten (Sweden), Naomi Kodama (Japan).

**Future Estimates:** Czech Republic (Alena Křížková), U.S. (Joe King), Canada (Feng Hou)

# Previous Research

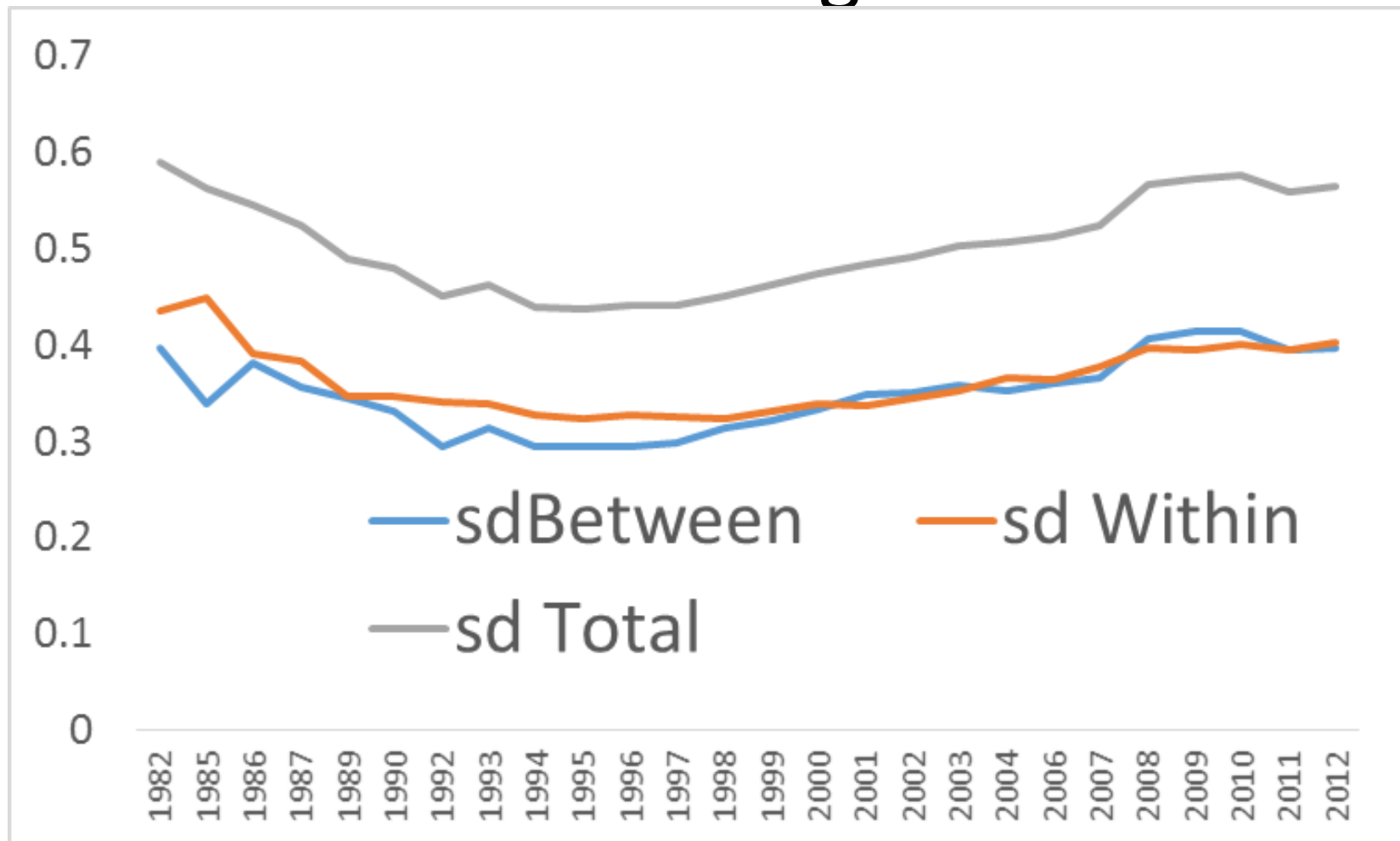
- Focus on variance decomposition of inequality measured as **Log(earnings)** over time into **within** and **between** establishment components; one country at a time.
- Almost all of rising inequality is **between** workplace in Sweden (Skans, Edin and Holmlund 2009) and the U.S. (Song et al. 2015)
- 2/3 rising German inequality **between** workplace (Tomaskovic-Devey, Melzer, Jacobebbinghaus, 2016)
- In all three **inequality is rising**, **within** workplace inequality is the larger component, but **between** is growing more rapidly

# Research Questions

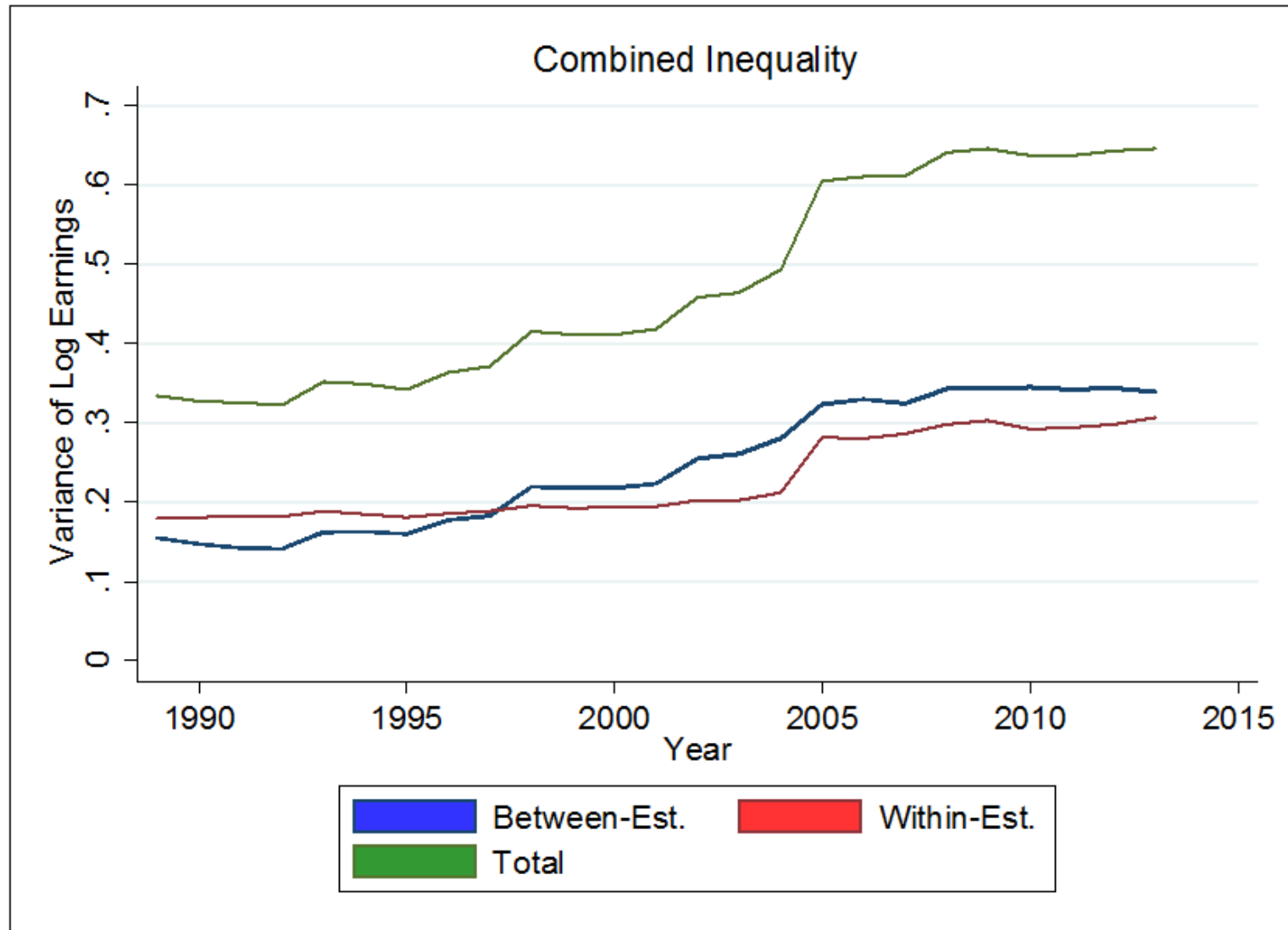
Naïve based on this literature:

- Are earnings inequalities rising everywhere?
- Is the between establishment component growing faster everywhere?
- WARNING MIX
  - OF SD AND VARIANCE ESTIMATES
  - VARIOUS TIME FRAMES

# Korea Full-Time Trends in SD Log Earnings

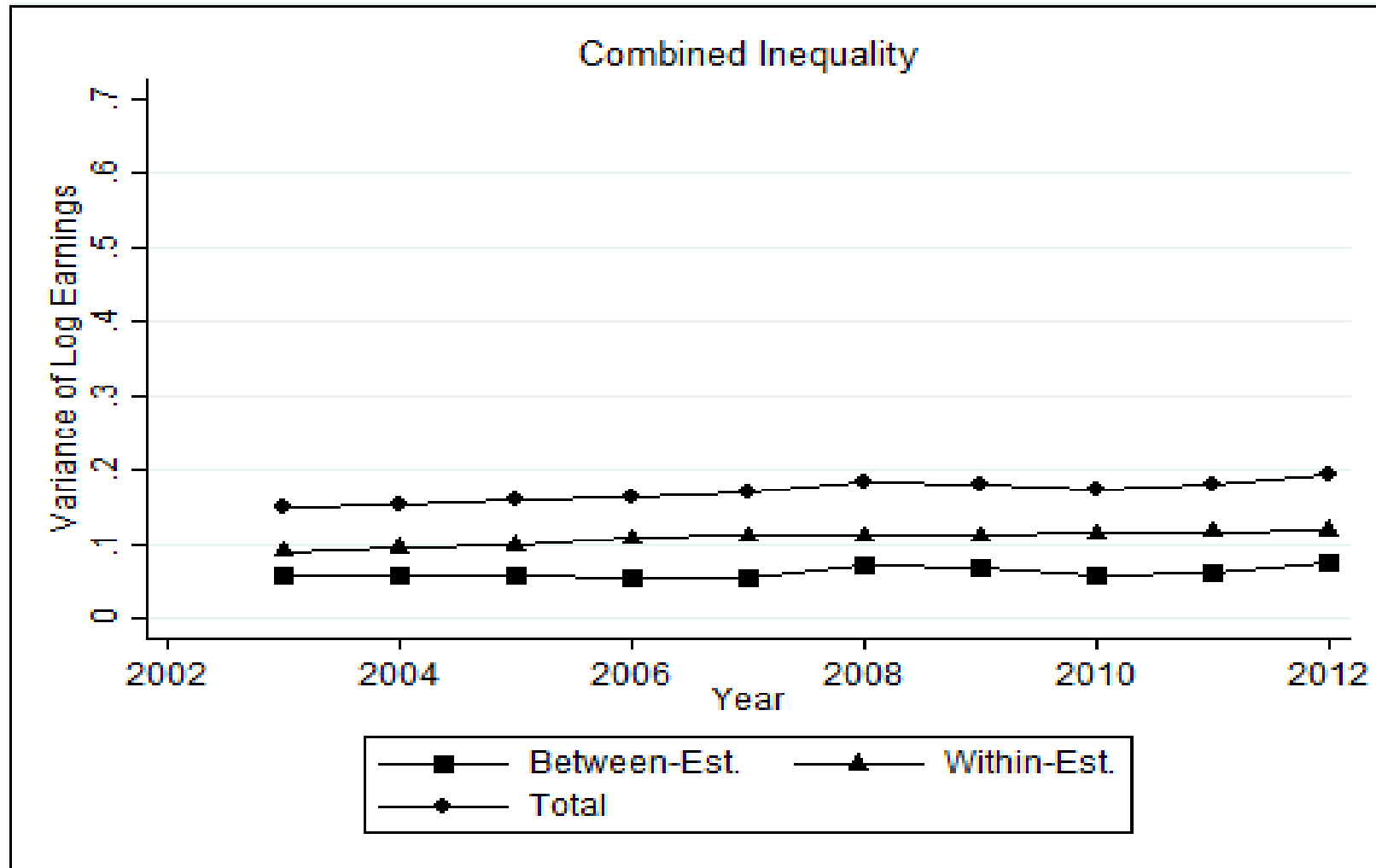


# Japan

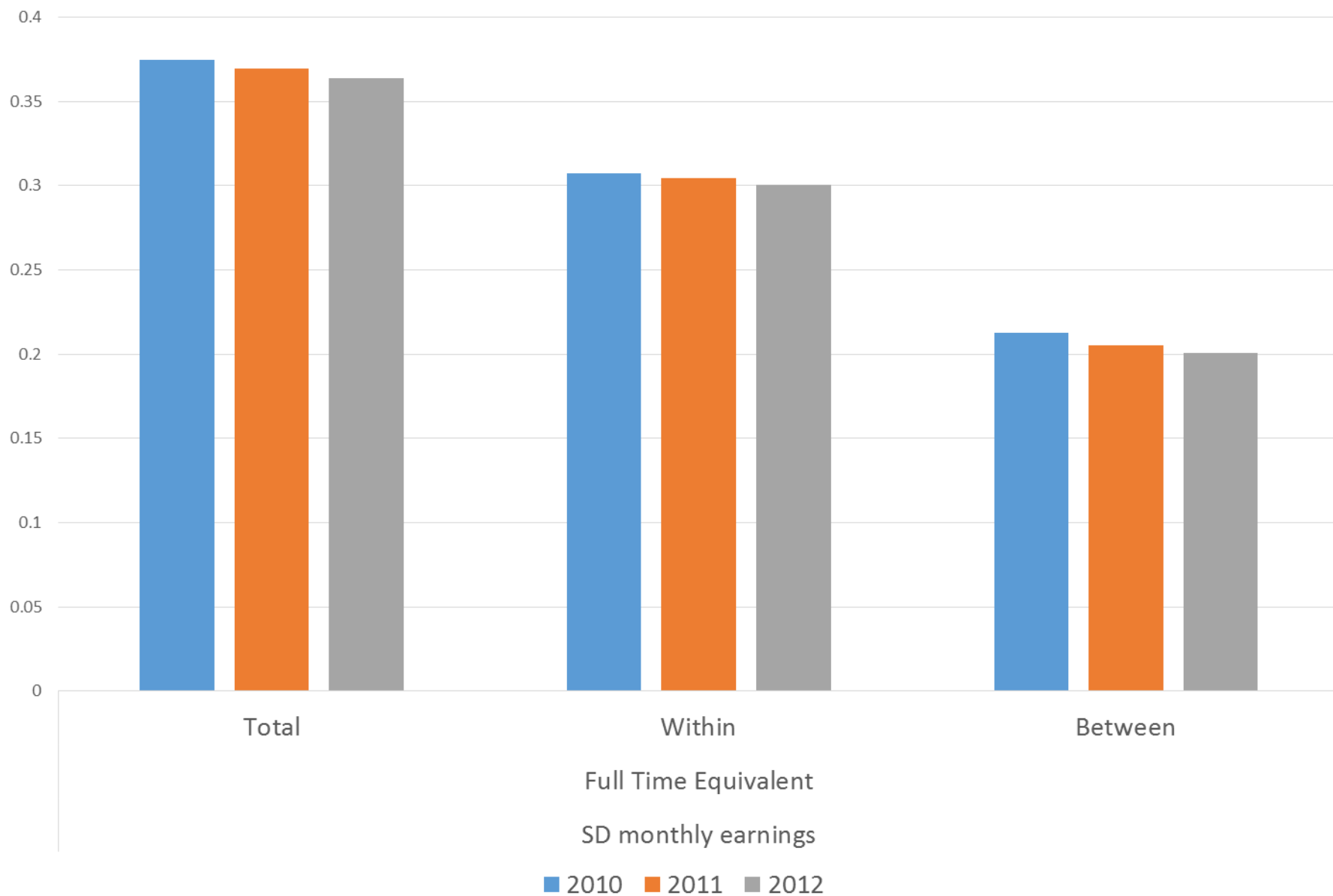




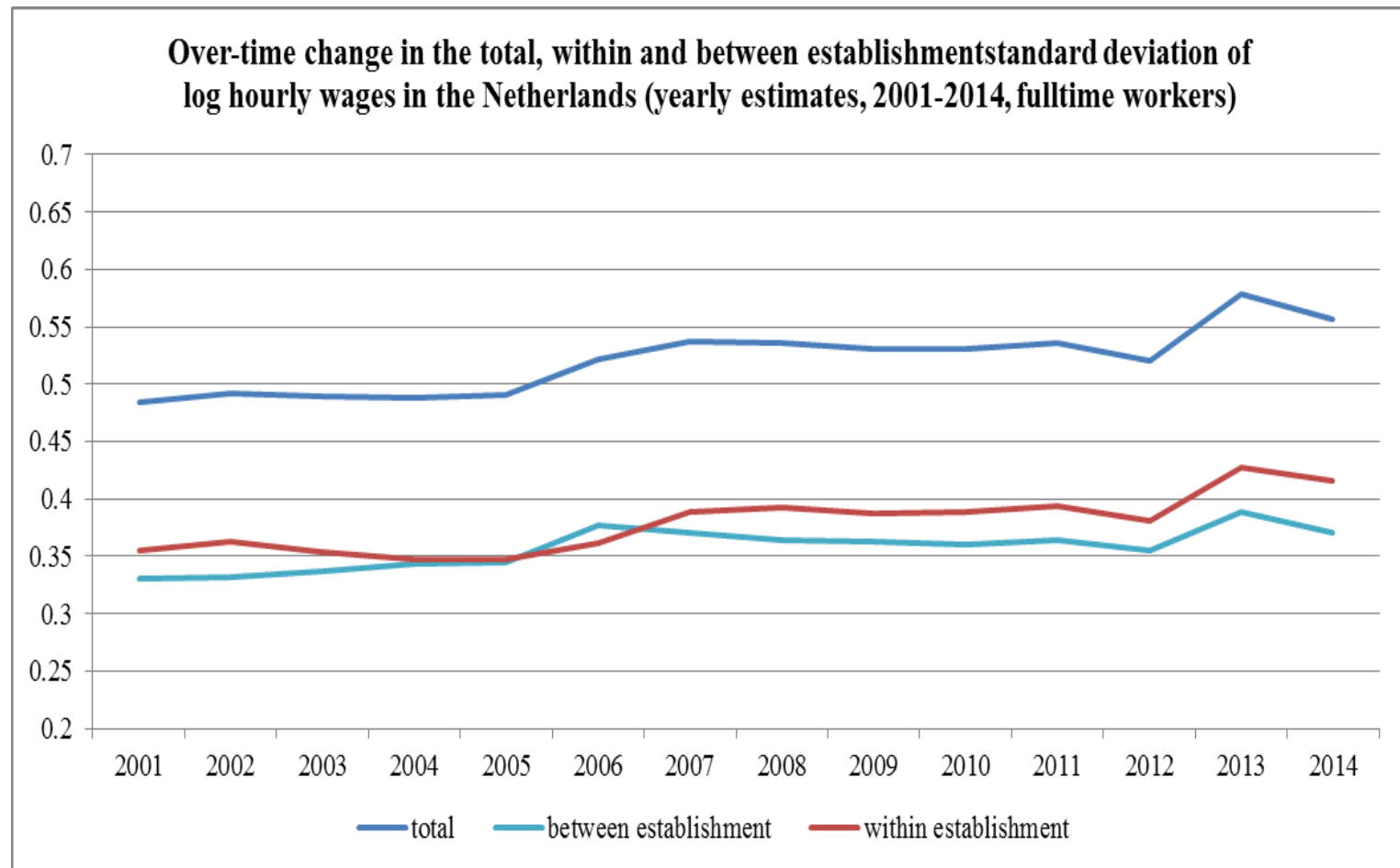
# Norway - Full-time earnings threshold, Yearly Earnings, age 20-60



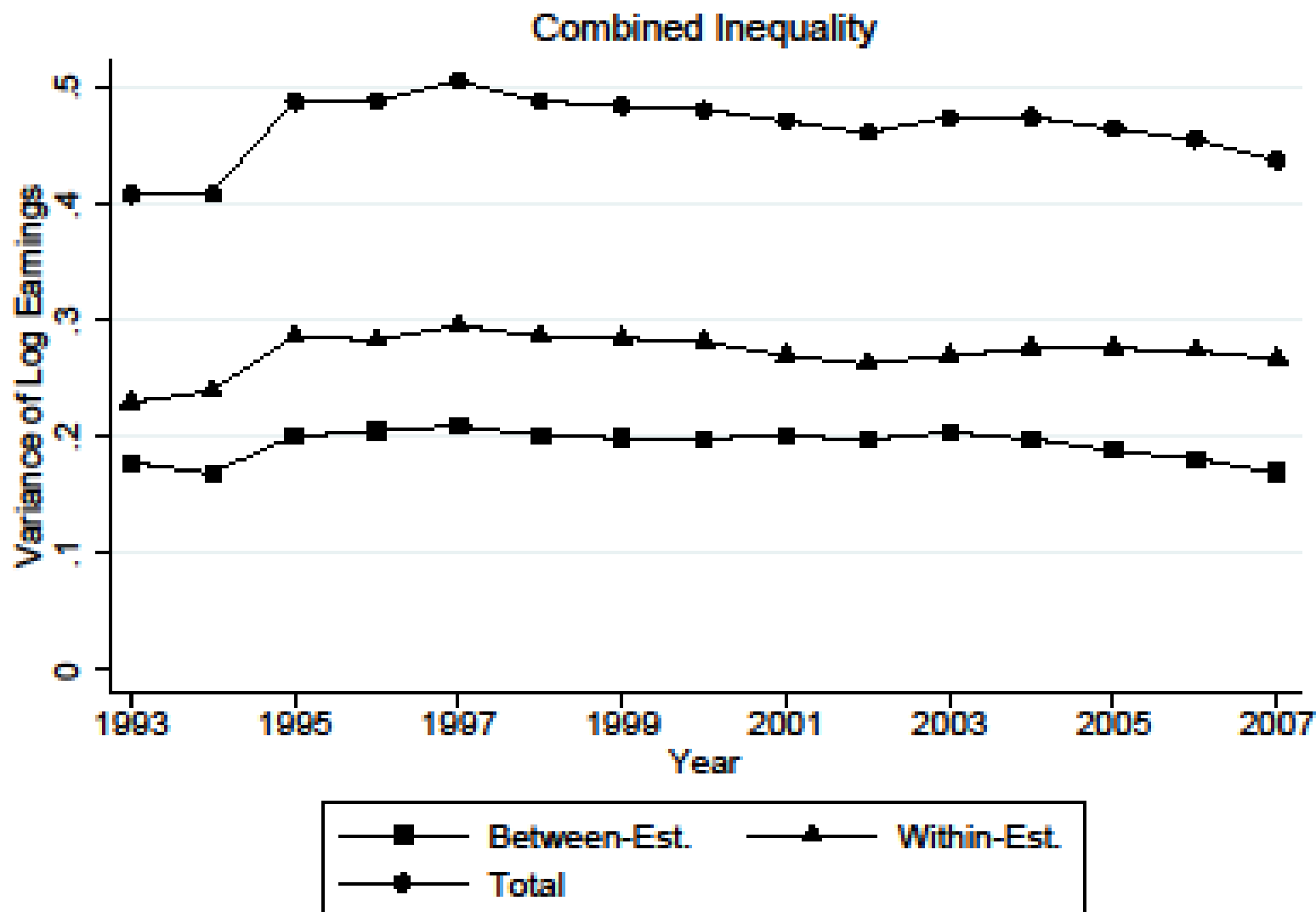
# Sweden



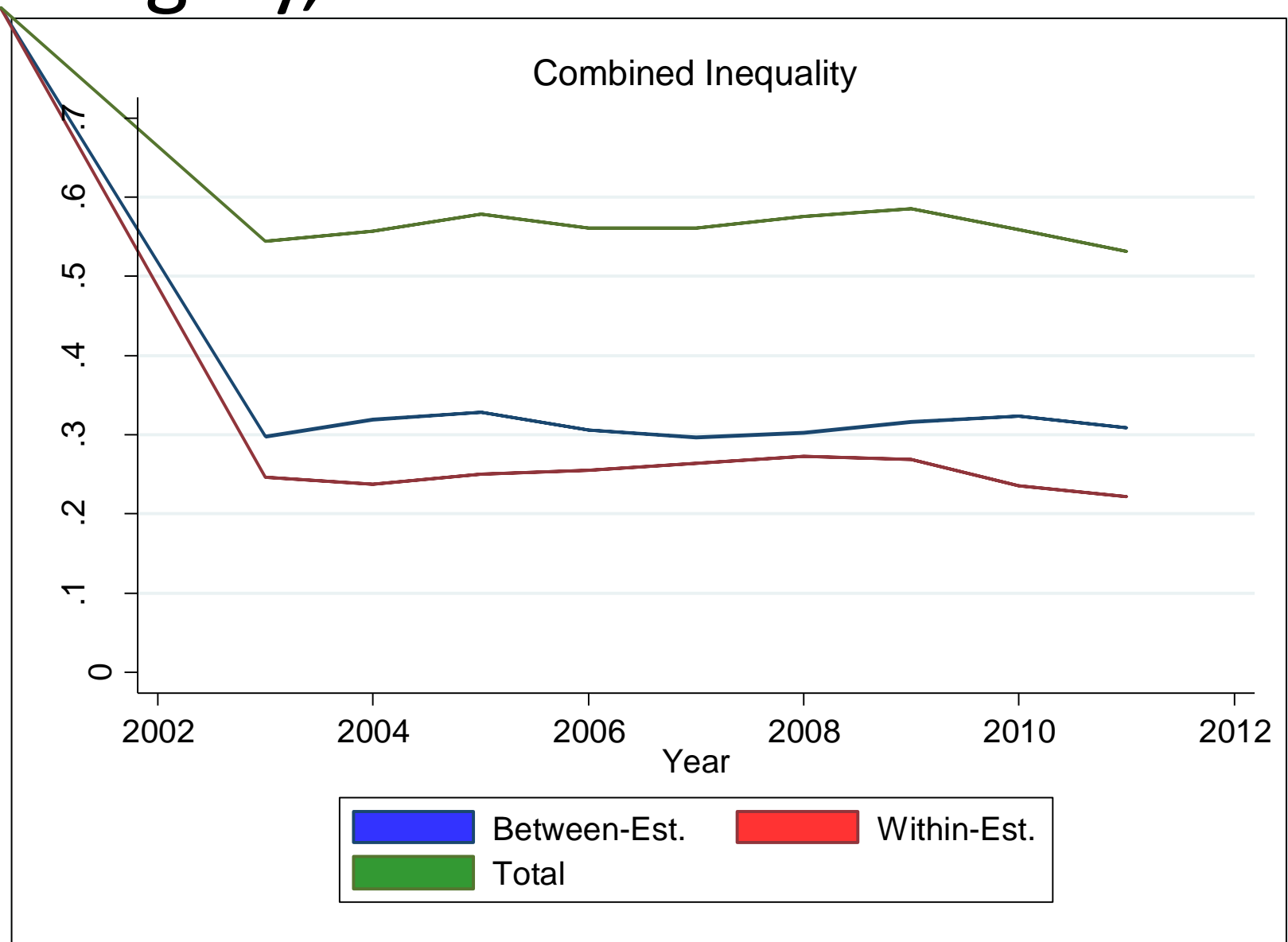
# Netherlands Inequality Trends in Hour Adjusted Daily Log Earnings, Full-time



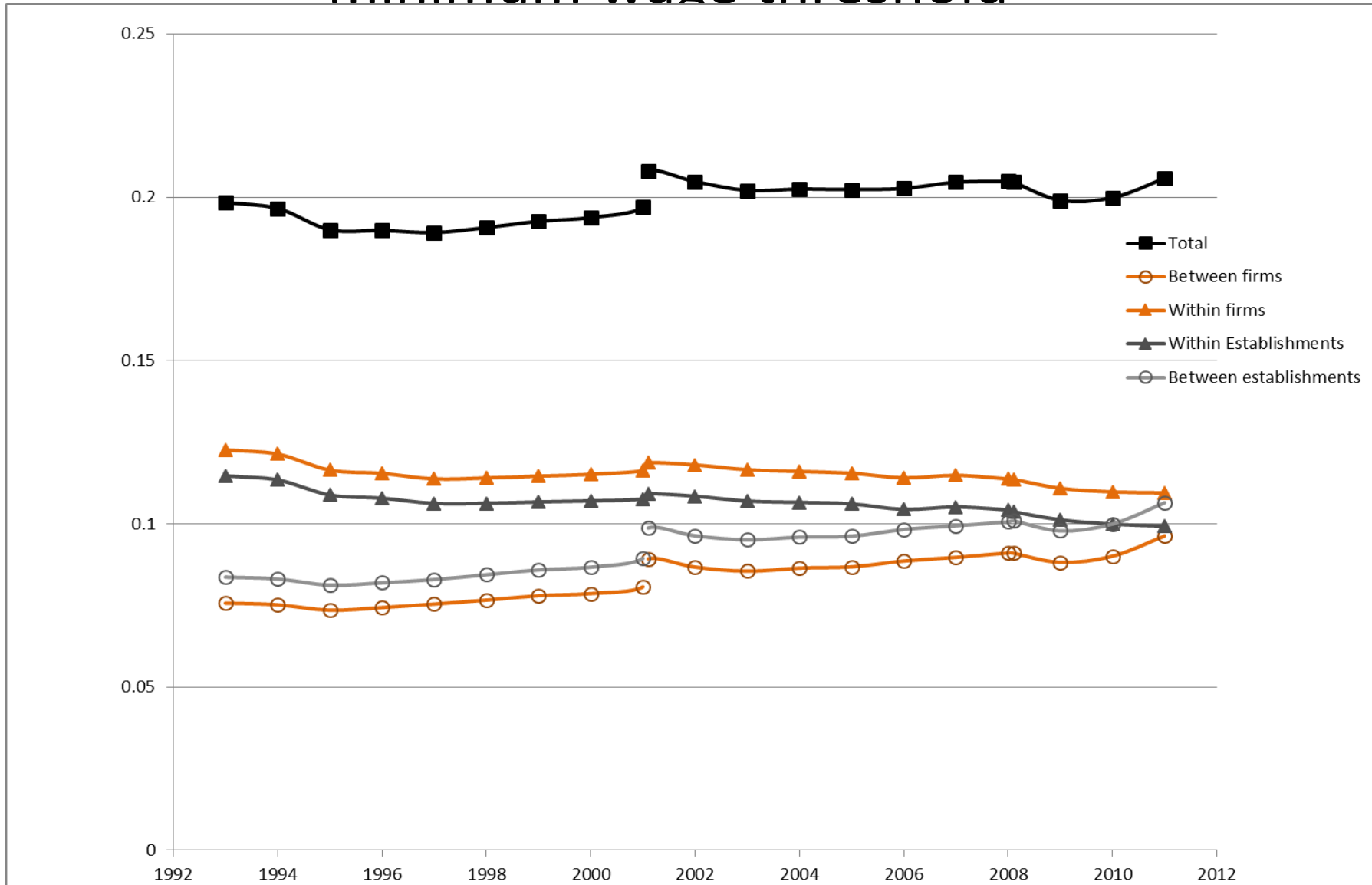
Slovenia, Yearly earnings for non-movers, all workers (no full-time/part-time distinction available, but 95% full time)



# Hungary, Administrative Estimates

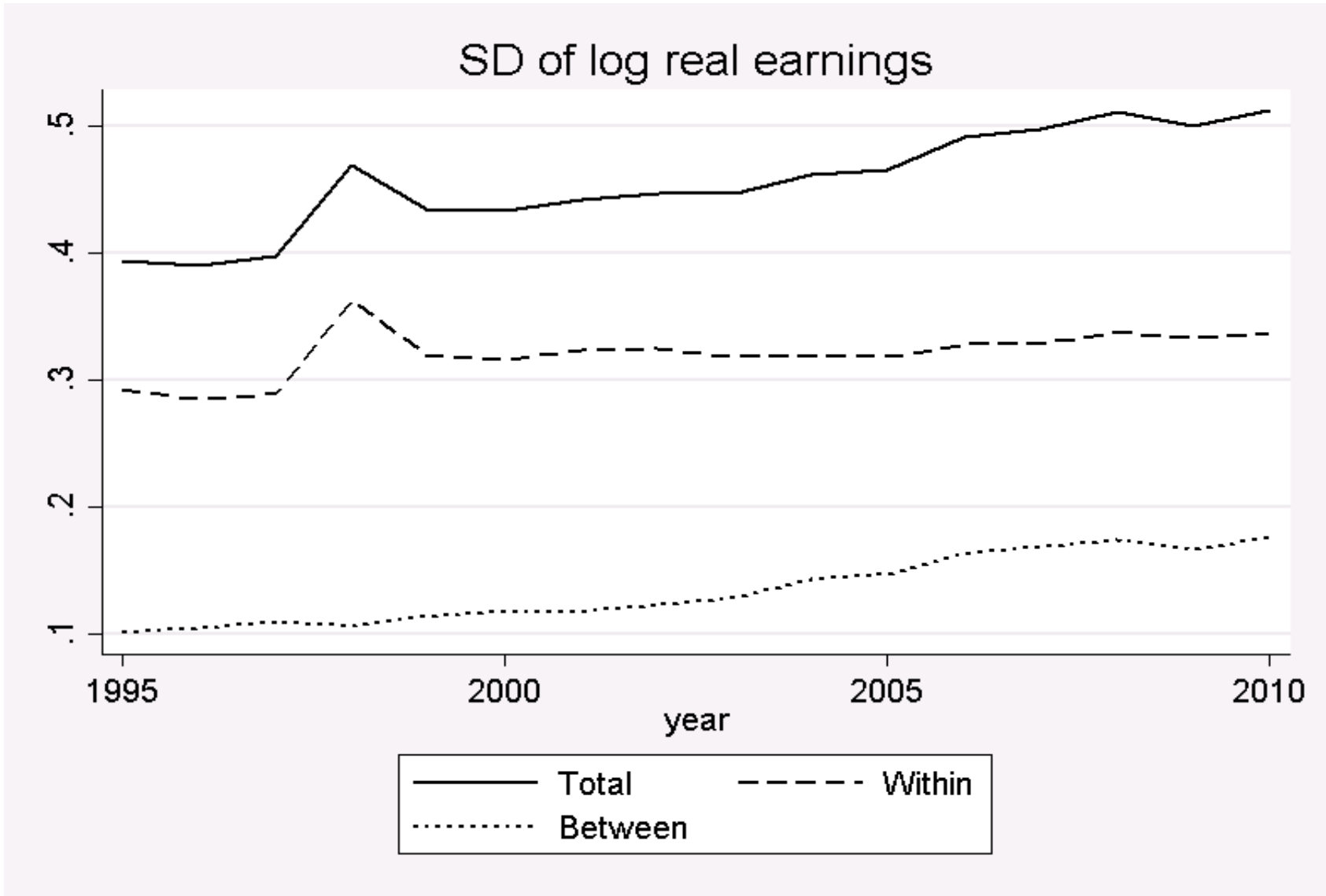


# France, full-time, full-year, all ages, above .9 minimum wage threshold





# Germany: total, between, within workplace inequality trends



## Country Trend Comparisons 1990+

	Total	Within	Between	Between Component
Germany - FT	Sharp increase	Small increase	Sharp increase	~20→30%
France –FT	Flat	Decline	Increase	~30→50%
Sweden 2010-2012	Decline	Decline	Decline	~33→30%
Norway – FT	Slight Increase	Slight Increase	Flat	~50%
Netherlands - FT	Rising	Slight Rise	Rising	~46→51→44%
Slovenia – FT	Sharp rise, slight decline	Increase, flat	Increase, decline	~40%
Hungary – 2003- 2011	Rise, decline, rise, decline	Rising, decline after 2010	Rise, decline, rise	~54→58%
Japan 1989-2014	Increase	Increase	Increase	~47→53%
Korea –FT 1992+, Sample	Increase	Increase	Increase	~50%

# Provisional observation

- Substantial country variation
  - In levels
  - Trends
  - Components
- Not consistent with naïve hypotheses
- Not consistent with Varieties of Capitalism

# **The Organizational Production of German Earnings Inequalities**

Donald Tomaskovic-Devey, University of Massachusetts, Amherst

Peter Jacobebbinghaus, Institute for Employment Research (IAB), Nuremberg

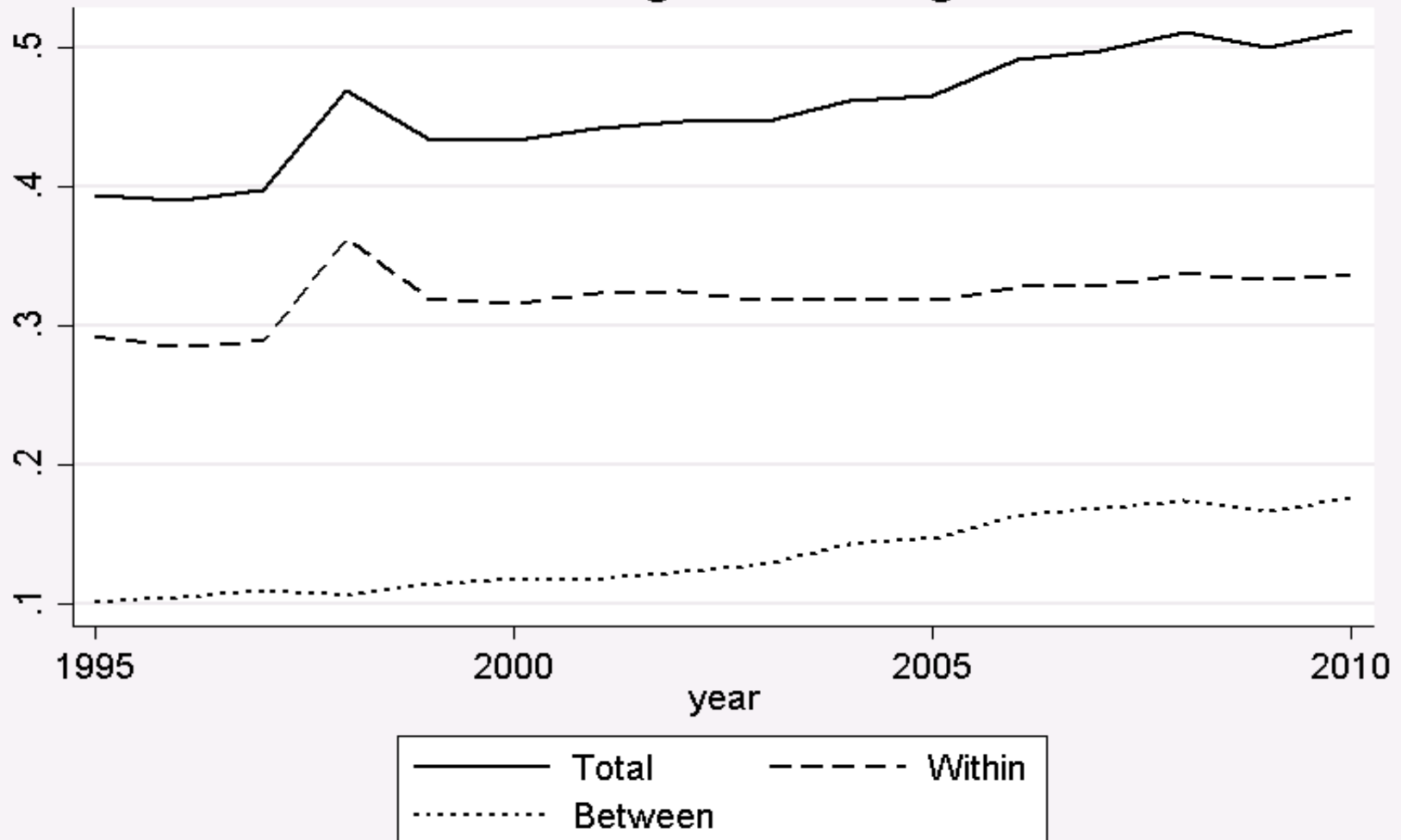
Silvia Melzer, Bielefeld University

# *What drives **workplace** inequality levels and trends?*

- LEEP data for Germany 1995-2010, **20+** employees
- Key reference Card, Heining, and Klein (2014)
- Like Card et al. we focus on private sector, **full-time** workers
- Unlike Card et al. we include East Germany and Women
- Modestly
  - We have a better sampling strategy
  - We have a better top-code imputation strategy
  - We have a theory of organizational inequality generation

# total, between, within workplace inequality trends

SD of log real earnings





# total, between, within workplace inequality trends

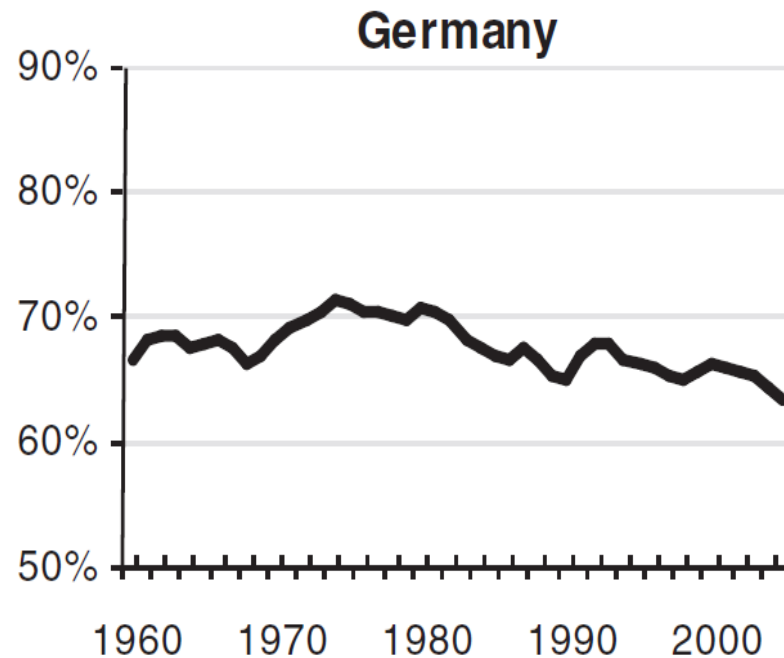
SD of log real earnings



Change in between establishment inequality (log mean earnings) and within establishment inequality (sd log mean earnings)

	1995	2010	Log Point Change
mean within workplace inequality	0.28	0.31	<b>0.04</b>
sd of within workplace inequality	0.10	0.12	<b>0.02</b>
sd of mean workplace log earnings	0.29	0.38	<b>0.08</b>
mean workplace log earnings	4.46	4.44	<b>-0.01</b>

# Labor's share of national income, Kristal 2010



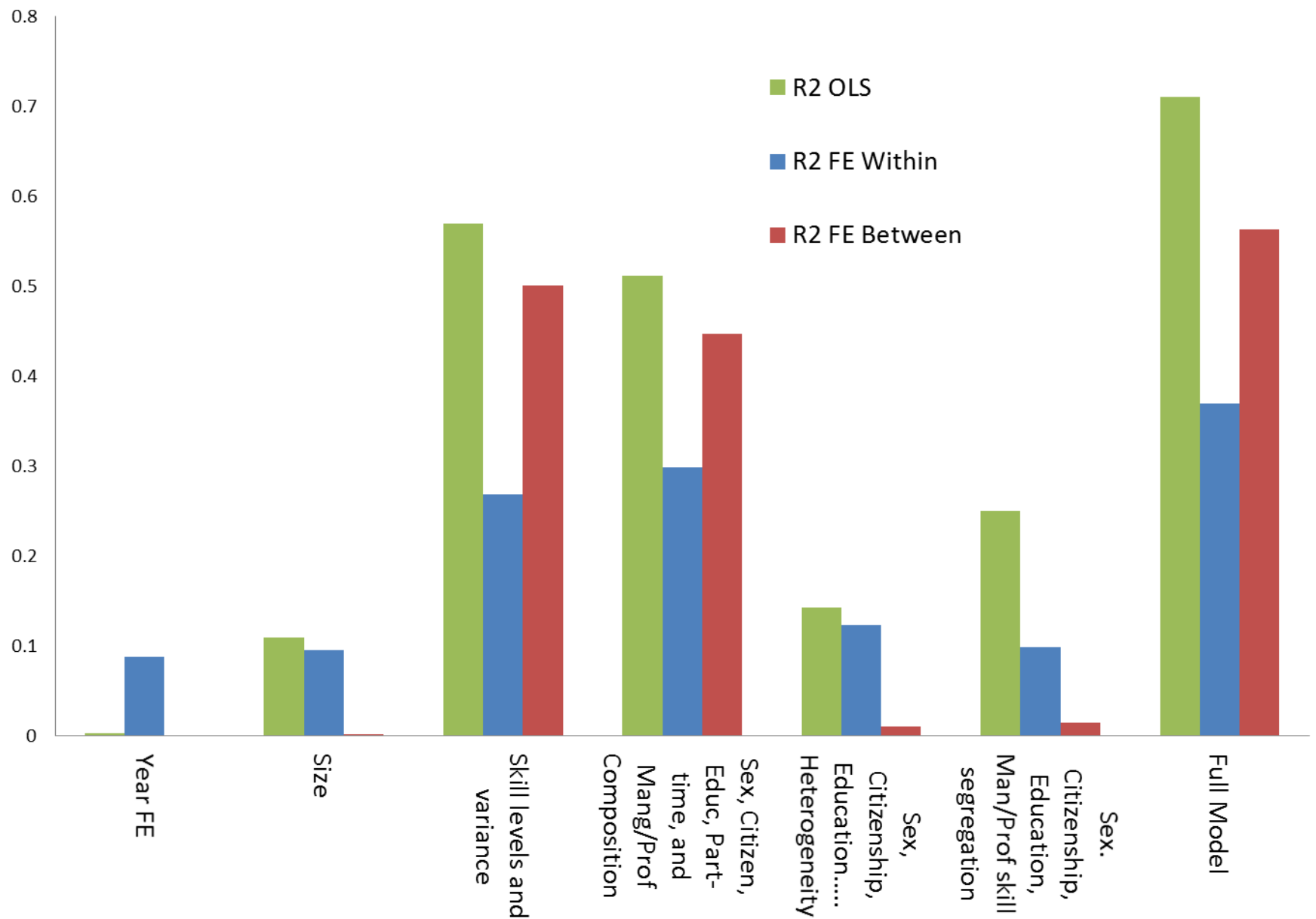
# what drives earnings inequalities?

- Resource Pooling/Productivity → Between Establishment
- Capital/labor claims → Between Establishment
- Workforce claims → Within Establishment
- Claims making mechanisms, observed as
  - Skill levels and their variances: occupation, tenure, experience
  - Status Composition: education, sex, citizenship, part-time, mang/prof
  - Status heterogeneity: same list
  - Job segregation by sex, citizenship, educ

# Models

- Workplace year = unit of analysis
- Conceptually nested OLS models
  - Lived reality
  - Historical aggregation of Xs and Ys
- Conceptually nested workplace FE models
  - Estimates contemporary within workplace change
  - Better contemporary causal attribution

## contributions to between workplace earnings variation, FE model

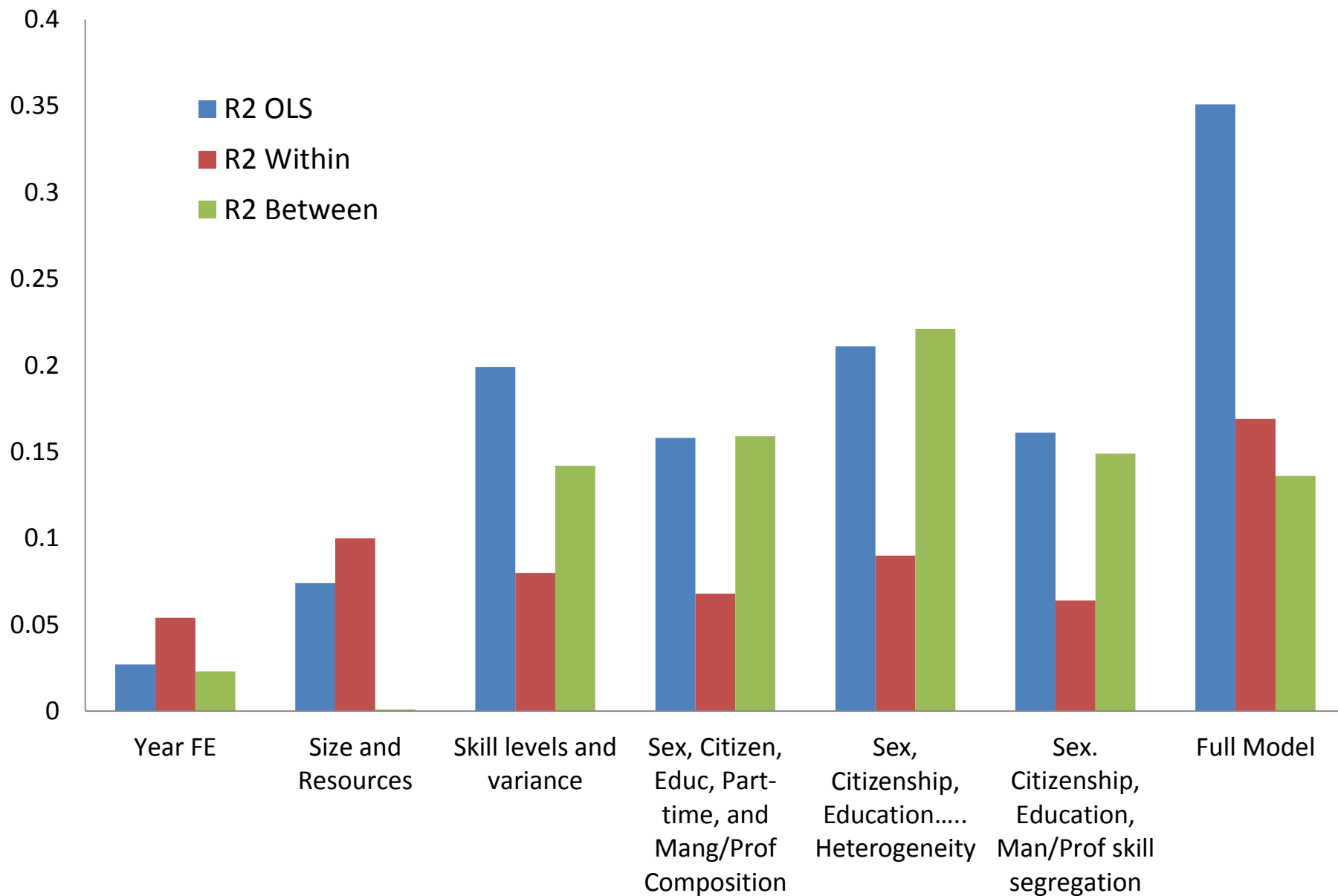




# Key drivers of change in mean full-time employee establishment wage

- Occupational skill level
- Occupational skill heterogeneity
- Age and Tenure Level
- Educational Composition
- Sex Composition
- Part-time composition

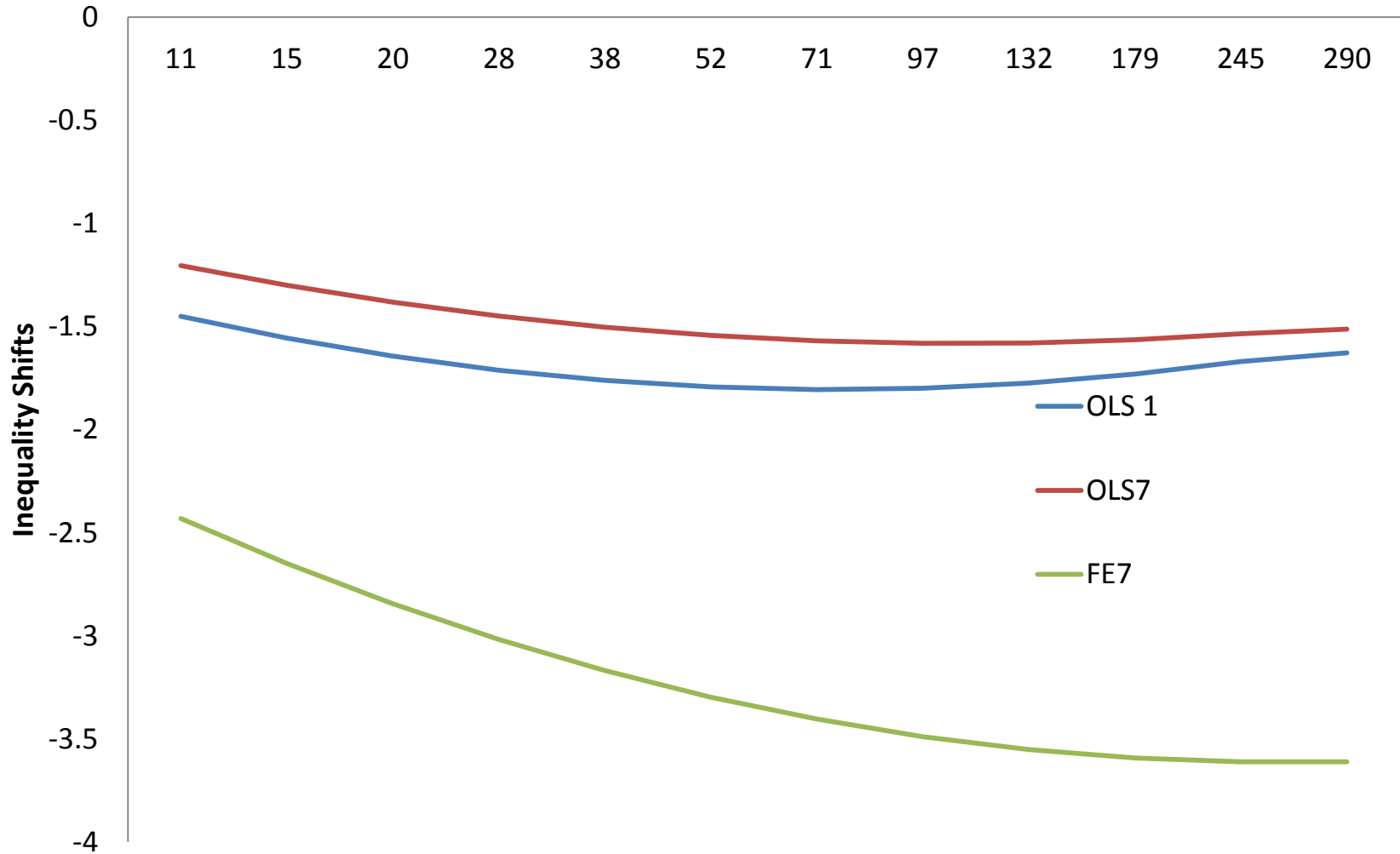
## contributions to within establishment variance, OLS and FE models



# Key drivers of change in within establishment inequality

- Low mean wage → higher inequality
- High skill and high education → higher inequality
- Gender and skill heterogeneity → higher inequality
- Gender and education segregation → higher inequality
- Some evidence of declining impact of gender and increased impact of skill and low wage
- Education effect is stable OLS vs FE
- **Age, tenure, part-time and citizenship not significant in FE**

## The influence of rising mean earnings on within workplace inequality.



# In Germany between 1995-2010

- Between workplace inequality shifts respond to:
  - Firm skill specialization
  - Exploitation of female and part-time labor
- Within workplace inequality shifts respond to:
  - Low wage production strategies
  - High skill production systems
  - Gender and occupational skill wage claims
  - Part-time, education, gender, skill heterogeneity
  - Gender and tertiary education segregation

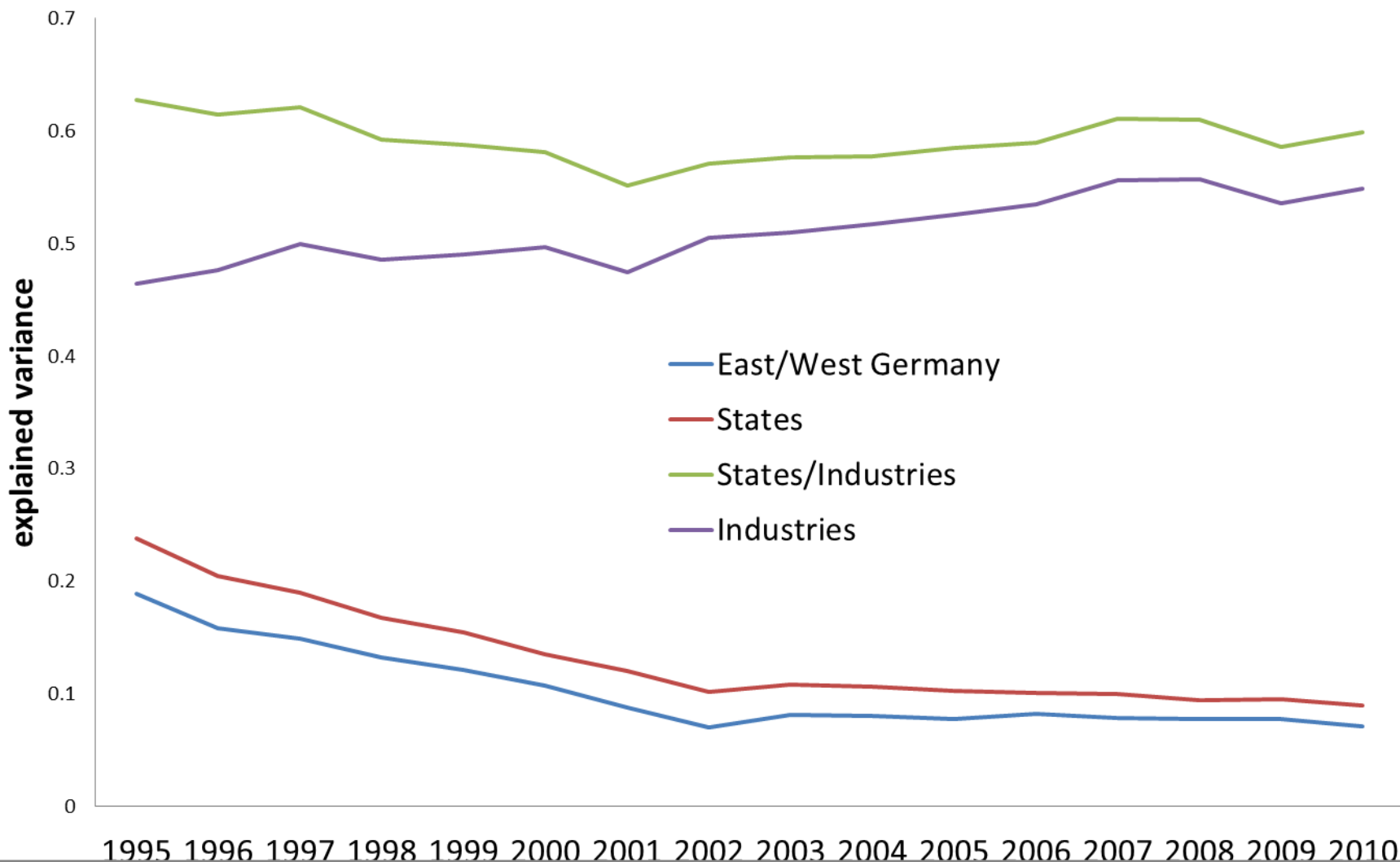
# Conclusions?

- New data, new methods
- We need organizational theory
  - Thanks Chuck Tilly
  - Thanks Adam Smith
- National inequality trends are produced by organizational process first
  - Rising between workplace inequalities
    - Outsourcing, low road strategies
  - Substantial institutional and historical variation
  - Capitalism leads to rising inequality?

*Thank you!*

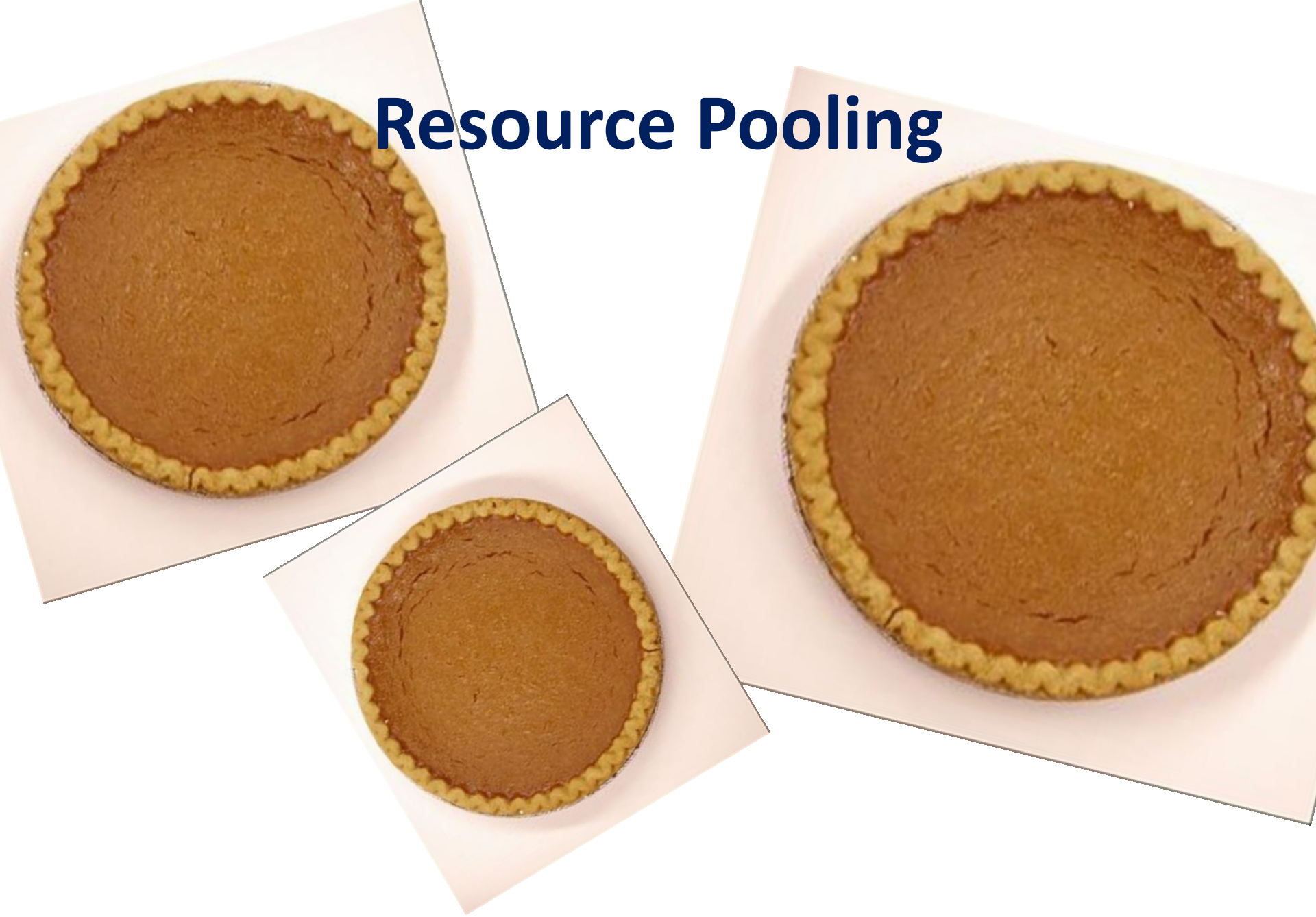
*Also thanks to the Alexander Von Humboldt  
Foundation and the U.S. National Science  
Foundation and many collaborators*

# variance in between establishment earnings explained by east/west germany, state, and industry location, 1995-2010





# Resource Pooling



# Opportunity Hoarding

- Status Homophily
  - Birds of a feather...
- Triad Closure
  - The friend of my friend.....
- Status Closure
  - Segregation by ....
- Jurisdictional Claims
  - Professional monopolies
- Boundary Work
  - Moral, in-group, immoral out-group



Nothing brings two people closer than the mutual hatred of other people.



ROTTENCARDS



# Exploitation

## Behavioral Conceptualization

- Resource transfers between actors
- Withholding respect, denying humanity
- Taking advantage of power advantages