

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: Differences and Changes in Wage Structures

Volume Author/Editor: Richard B. Freeman and Lawrence F. Katz, Editors

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-26160-3

Volume URL: <http://www.nber.org/books/free95-1>

Conference Date: July 12-24, 1992

Publication Date: January 1995

Chapter Title: Front matter, Differences and Changes in Wage Structures

Chapter Author: Richard B. Freeman, Lawrence F. Katz

Chapter URL: <http://www.nber.org/chapters/c7849>

Chapter pages in book: (p. -12 - 0)

# DIFFERENCES AND CHANGES IN WAGE STRUCTURES



Edited by  
**Richard B. Freeman & Lawrence F. Katz**

National Bureau of Economic Research  
Comparative Labor Markets Series



This Page Intentionally Left Blank

---

# Differences and Changes in Wage Structures



NBER Comparative Labor Markets Series  
*A National Bureau of Economic Research Series*  
Edited by Richard B. Freeman

*Also in the series*

David Card and Richard B. Freeman, editors  
*Small Differences That Matter: Labor Markets and Income  
Maintenance in Canada and the United States*

Lisa M. Lynch, editor  
*Training and the Private Sector: International  
Comparisons*

Rebecca M. Blank, editor  
*Social Protection versus Economic Flexibility: Is There a  
Trade-off?*

Joel Rogers and Wolfgang Streeck, editors  
*Works Councils: Consultation, Representation, and  
Cooperation in Industrial Relations*

---

# Differences and Changes in Wage Structures

Edited by

Richard B. Freeman and  
Lawrence F. Katz



The University of Chicago Press

*Chicago and London*

---

RICHARD B. FREEMAN holds the Herbert Ascherman Chair in Economics at Harvard University. He is also director of the Labor Studies Program at the National Bureau of Economic Research and executive programme director of comparative labour market institutions at the London School of Economics' Centre for Economic Performance. LAWRENCE F. KATZ is professor of economics at Harvard University and a research associate of the National Bureau of Economic Research.

The University of Chicago Press, Chicago 60637  
The University of Chicago Press, Ltd., London  
© 1995 by the National Bureau of Economic Research  
All rights reserved. Published 1995  
Printed in the United States of America  
04 03 02 01 00 99 98 97 96 95 1 2 3 4 5  
ISBN: 0-226-26160-3 (cloth)

Portions of the introduction have been reprinted by permission of the publisher from Richard B. Freeman and Lawrence F. Katz, "Rising Wage Inequality: The United States vs. Other Advanced Countries," in *Working Under Different Rules*, edited by Richard B. Freeman (New York: Russell Sage Foundation, 1994), pages 29–62.

Library of Congress Cataloging-in-Publication Data

Differences and changes in wage structures / edited by Richard B. Freeman and Lawrence F. Katz.

p. cm.—(NBER Comparative labor markets series)

Includes bibliographical references and index. I. Wages—Case studies—Congresses. I. Freeman, Richard B. (Richard Barry). II. Katz, Lawrence F. III. Series.

HD4906.D53 1995

331.2'1—dc20

95-11716

CIP

ⓈThe paper used in this publication meets the minimum requirements of the American National Standard for Information Sciences—Permanence of Paper for Printed Library Materials, ANSI Z39.48-1984.

---

## National Bureau of Economic Research

### Officers

Paul W. McCracken, *chairman*  
John H. Biggs, *vice chairman*  
Martin Feldstein, *president and chief  
executive officer*

Geoffrey Carliner, *executive director*  
Gerald A. Polansky, *treasurer*  
Sam Parker, *director of finance and  
administration*

### Directors at Large

Peter C. Aldrich  
Elizabeth E. Bailey  
John H. Biggs  
Andrew Brimmer  
Carl F. Christ  
Don R. Conlan  
Kathleen B. Cooper  
Jean A. Crockett

George C. Eads  
Martin Feldstein  
George Hatsopoulos  
Karen N. Horn  
Lawrence R. Klein  
Leo Melamed  
Merton H. Miller  
Michael H. Moskow

Robert T. Parry  
Peter G. Peterson  
Richard N. Rosett  
Bert Seidman  
Kathleen P. Utgoff  
Donald S. Wasserman  
Marina v. N. Whitman  
John O. Wilson

### Directors by University Appointment

Jagdish Bhagwati, *Columbia*  
William C. Brainard, *Yale*  
Glen G. Cain, *Wisconsin*  
Franklin Fisher, *Massachusetts Institute of  
Technology*  
Saul H. Hymans, *Michigan*  
Marjorie B. McElroy, *Duke*  
Joel Mokyr, *Northwestern*

James L. Pierce, *California, Berkeley*  
Andrew Postlewaite, *Pennsylvania*  
Nathan Rosenberg, *Stanford*  
Harold T. Shapiro, *Princeton*  
Craig Swan, *Minnesota*  
Michael Yoshino, *Harvard*  
Arnold Zellner, *Chicago*

### Directors by Appointment of Other Organizations

Marcel Boyer, *Canadian Economics  
Association*  
Mark Drabenstott, *American Agricultural  
Economics Association*  
Richard A. Easterlin, *Economic History  
Association*  
Gail D. Fosler, *The Conference Board*  
A. Ronald Gallant, *American Statistical  
Association*  
Robert S. Hamada, *American Finance  
Association*

Charles Lave, *American Economic  
Association*  
Rudolph A. Oswald, *American Federation of  
Labor and Congress of Industrial  
Organizations*  
Gerald A. Polansky, *American Institute of  
Certified Public Accountants*  
James F. Smith, *National Association of  
Business Economists*  
Josh S. Weston, *Committee for Economic  
Development*

### Directors Emeriti

Moses Abramovitz  
Emilio G. Collado  
George T. Conklin, Jr.  
Thomas D. Flynn

Gottfried Haberler  
Franklin A. Lindsay  
Paul W. McCracken  
Geoffrey H. Moore

James J. O'Leary  
George B. Roberts  
Eli Shapiro  
William S. Vickrey



---

## **Relation of the Directors to the Work and Publications of the National Bureau of Economic Research**

1. The object of the National Bureau of Economic Research is to ascertain and to present to the public important economic facts and their interpretation in a scientific and impartial manner. The board of Directors is charged with the responsibility of ensuring that the work of the National Bureau is carried on in strict conformity with this object.

2. The President of the National Bureau shall submit to the Board of Directors, or to its Executive Committee, for their formal adoption all specific proposals for research to be instituted.

3. No research report shall be published by the National Bureau until the President has sent each member of the Board a notice that a manuscript is recommended for publication and that in the President's opinion it is suitable for publication in accordance with the principles of the National Bureau. Such notification will include an abstract or summary of the manuscript's content and a response form for use by those Directors who desire a copy of the manuscript for review. Each manuscript shall contain a summary drawing attention to the nature and treatment of the problem studied, the character of the data and their utilization in the report, and the main conclusions reached.

4. For each manuscript so submitted, a special committee of the Directors (including Directors Emeriti) shall be appointed by majority agreement of the President and Vice Presidents (or by the Executive Committee in case of inability to decide on the part of the President and Vice Presidents), consisting of three Directors selected as nearly as may be one from each general division of the Board. The names of the special manuscript committee shall be stated to each Director when notice of the proposed publication is submitted to him. It shall be the duty of each member of the special manuscript committee to read the manuscript. If each member of the manuscript committee signifies his approval within thirty days of the transmittal of the manuscript, the report may be published. If at the end of that period any member of the manuscript committee withholds his approval, the President shall then notify each member of the Board, requesting approval or disapproval of publication, and thirty days additional shall be granted for this purpose. The manuscript shall then not be published unless at least a majority of the entire Board who shall have voted on the proposal within the time fixed for the receipt of votes shall have approved.

5. No manuscript may be published, though approved by each member of the special manuscript committee, until forty-five days have elapsed from the transmittal of the report in manuscript form. The interval is allowed for the receipt of any memorandum of dissent or reservation, together with a brief statement of his reasons, that any member may wish to express; and such memorandum of dissent or reservation shall be published with the manuscript if he so desires. Publication does not, however, imply that each member of the Board has read the manuscript, or that either members of the Board in general or the special committee have passed on its validity in every detail.

6. Publications of the National Bureau issued for informational purposes concerning the work of the Bureau and its staff, or issued to inform the public of activities of Bureau staff, and volumes issued as a result of various conferences involving the National Bureau shall contain a specific disclaimer noting that such publication has not passed through the normal review procedures required in this resolution. The Executive Committee of the Board is charged with review of all such publications from time to time to ensure that they do not take on the character of formal research reports of the National Bureau, requiring formal Board approval.

7. Unless otherwise determined by the Board or exempted by the terms of paragraph 6, a copy of this resolution shall be printed in each National Bureau publication.

*(Resolution adopted October 25, 1926, as revised through September 30, 1974)*

---

# Contents

Preface	ix
<b>Introduction and Summary</b>	1
Richard B. Freeman and Lawrence F. Katz	
<b>I. CROSS-COUNTRY STUDIES</b>	
<b>1. A Comparison of Changes in the Structure of Wages in Four OECD Countries</b>	25
Lawrence F. Katz, Gary W. Loveman, and David G. Blanchflower	
<b>2. International Differences in Executive and Managerial Compensation</b>	67
John M. Abowd and Michael L. Bognanno	
<b>3. The Gender Earnings Gap: Some International Evidence</b>	105
Francine D. Blau and Lawrence M. Kahn	
<b>4. International Wage Curves</b>	145
David G. Blanchflower and Andrew J. Oswald	
<b>II. INDIVIDUAL COUNTRY STUDIES</b>	
<b>5. The Changing Structure of Male Earnings in Britain, 1974–1988</b>	177
John Schmitt	
<b>6. Real Wages, Employment, and Wage Dispersion in U.S. and Australian Labor Markets</b>	205
Robert G. Gregory and Francis Vella	

<b>7. Labor Markets and Economic Growth: Lessons from Korea's Industrialization, 1970–1990</b>	227
Dae-Il Kim and Robert H. Topel	
<b>8. Wage Differentials in Italy: Market Forces, Institutions, and Inflation</b>	265
Christopher L. Erickson and Andrea C. Ichino	
<b>9. The Swedish Wage Structure: The Rise and Fall of Solidarity Wage Policy?</b>	307
Per-Anders Edin and Bertil Holmlund	
<b>10. Getting Together and Breaking Apart: The Decline of Centralized Collective Bargaining</b>	345
Richard B. Freeman and Robert S. Gibbons	
<b>11. Earnings Inequality in Germany</b>	371
Katharine G. Abraham and Susan N. Houseman	
<b>12. A Comparative Analysis of East and West German Labor Markets: Before and After Unification</b>	405
Alan B. Krueger and Jörn-Steffen Pischke	
Contributors	447
Author Index	449
Subject Index	455

---

# Preface

This volume contains twelve papers that explore and compare wage structure developments in the United States, Australia, Japan, Korea, and various Western European countries. The papers are the result of a broader research project on comparative labor markets and institutions funded by the Ford Foundation through a grant to the National Bureau of Economic Research (NBER).

The papers in this volume were presented at conferences held at the Center for Economic Performance (CEP) of the London School of Economics and at the NBER. We thank the many conference participants, particularly the discussants, for their many insightful comments. This volume would not have been possible without the valuable assistance of the staff at the NBER and the CEP. We are particularly grateful to Jennifer Amadeo-Holl of the NBER.

This Page Intentionally Left Blank