

# Is there wage polarization in Europe? Aggregate and individual level analysis

Riccardo Massari, Sapienza University of Rome

Paolo Naticchioni, University of Cassino

Giuseppe Ragusa, Luiss University

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## Abstract

This paper investigate the wage polarization trends in Europe. First, we analyze whether the unconditional wages get polarized over time in Europe. Second, we analyze the conditional impact of technology on wages, using proxies for technological change, in such a way testing the routinization explanations. We make use of both industry and individual level data. At the industry level we use the EUKLEMS database, from 1980 to 2005. At the individual level, we make use of ECHP and EUSIL data, augmented with occupational task measures, derived from Goos et al. (2009). As far as the dynamics of unconditional wages is concerned, we show that both using industry and individual data unconditional wages do not polarize over time. As for the conditional impact of technological proxies, the evidence is more mixed. Using EUKLEMS data, we do not derive a clear polarizing impact of ICT on wages of unskilled, medium, and skilled workers. However, using individual level data and a decomposition methodology (Firpo et al., 2010), we show that proxy for technological change, such as occupational tasks (abstract, routine, service) and offshorability, entail a U-shape impact on wages, suggesting a conditional polarizing effect of technology. This U-Shape impact is mainly due to the service task for the lower tail of the distribution and to the abstract task for the upper tail of the distribution.

JEL Classification: J3, J5

Keywords: wage inequality, polarization, occupational tasks, offshoring, RIF-regressions