

Income Distribution, Bargaining Power, and Structural Change in Developed Economies

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Main argument

Technical progress (and globalization) not to blame for rise in inequality in recent decades.

What is to be blame?

Decline in workers' bargaining power, especially union power.

Two brief observations from paper:

1. Labor Unions Combat Workplace Segmentation (Reich, Gordon, Edwards 1973; Braverman 1974)

- unions fight for standardization of tasks and broad occupational categories; allows higher-wage workers to transmit greater bargaining power to lower-wage workers (Rubery and Piasna 2016)
- enforce compliance with labor laws.

Result: lower wage dispersion across skill levels as well as along racial/ethnic lines (in US especially).

2. Comparison US/UK with continental Europe

Inequality rose much less in European countries where commitment to social democracy (worker power in politics) was firm and where workers retained collective bargaining rights (worker power in the workplace).

What do we conclude from this? Technical progress and globalization, which affected structure of US/European economies in similar ways, not direct causes of rise in inequality. Worker power is the key.

The End

Thank you very much!