Occupational autonomy and wage divergence: Evidence from European survey data

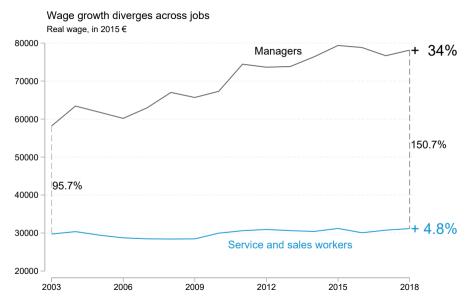
Thomas Rabensteiner Alexander Guschanski

PEGFA and University of Greenwich

January 7, 2023



Wage growth in Western Europe



Research questions



1. Is occupational autonomy related to wage growth differences in Western Europe?

Research questions

- 1. Is occupational autonomy related to wage growth differences in Western Europe?
- 2. How are technology and institutions related to occupational wage growth differences?



Changes in wage and employment structures: Focus on tasks in middle-income occupations

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Routine (Autor et al. 2003, Acemoglu and Autor 2011)

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Low-income occupations? (Mishel et al. 2013, Autor 2015)

Low wage growth of cleaners, janitors, guards, customer-facing service and sales workers . . .

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No power relations

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→ Autonomy

Degree of influence and control workers in an occupation have over the work process

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Hierarchy of occupational tasks

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Low autonomy occupations: easy to monitor and discipline, low potential to disrupt \rightarrow Low bargaining power

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Empirically test the relationship between occupational autonomy and wage growth

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Our contribution:

Empirically test the relationship between occupational autonomy and wage growth
Empirically test the role of institutions and technology

Key assumption: Autonomy as an inherent feature of an occupation

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Measuring autonomy

- Making Decisions and Solving Problems

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- Making Decisions and Solving Problems
- Thinking Creatively

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O*NET (Bureau of Labour Statistics)

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Firpo et al. (2011) use index to measure decision-making

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Alternative measure from European Work Conditions Survey



Wage data

European Union Survey of Income and Living Conditions (EU SILC)

Wage data

European Union Survey of Income and Living Conditions (EU SILC)

Repeated cross-section, 800k observations

Wage data

European Union Survey of Income and Living Conditions (EU SILC)

Repeated cross-section, 800k observations

2003-2018, 15 countries; full-time, full-year employees, private sector only

Empirical analysis

1. Is occupational autonomy related to

wage growth differences in Western Europe?

In (w_{ijkct})

 $\ln (w_{ijkct})$, Real wage of worker i in occupation j, industry k, country c, year t

$$\ln\left(\mathbf{w}_{ijkct}\right) = \beta_1(\mathbf{A}_i \times t)$$

 $ln(w_{ijkct})$, Real wage of worker i in occupation j, industry k, country c, year t

 A_i , Autonomy index

$$\ln\left(w_{ijkct}\right) = \beta_1(A_i \times t)$$

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 A_i , Autonomy index

t, Linear time trend

$$\ln\left(\mathbf{w}_{ijkct}\right) = \beta_1(\mathbf{A}_j \times \mathbf{t}) + \beta_2(\mathbf{X}_j \times \mathbf{t})$$

In (w_{ijkct}) , Real wage of worker i in occupation j, industry k, country c, year t

 A_i , Autonomy index

t, Linear time trend

 X_j , Other task-based measures (routine, offshoreable)

$$ln(w_{ijkct}) = \beta_1(A_j \times t) + \beta_2(X_j \times t) + BM_{ijkct}$$

 $ln(w_{ijkct})$, Real wage of worker i in occupation j, industry k, country c, year t

 A_j , Autonomy index

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*M*_{ijkct}, Demographic control variables (Mincer)

$$\ln (w_{ijkct}) = \beta_1 (A_j \times t) + \beta_2 (X_j \times t) + BM_{ijkct} + \lambda_{jkc}$$

 $ln(w_{ijkct})$, Real wage of worker i in occupation j, industry k, country c, year t

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 M_{ijkct} , Demographic control variables (Mincer)

 λ_{jkc} , Occupation-industry-country dummy

$$\ln (w_{ijkct}) = \beta_1(A_j \times t) + \beta_2(X_j \times t) + BM_{ijkct} + \lambda_{jkc} + \theta_{kct}$$

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 θ_{kct} , Industry-country-year dummy

$$\ln (w_{ijkct}) = \beta_1(A_j \times t) + \beta_2(X_j \times t) + BM_{ijkct} + \lambda_{jkc} + \theta_{kct} + \varepsilon_{ijkct}$$

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 θ_{kct} , Industry-country-year dummy



In wage
0.0027 (0.0006)
0.0004 (0.0006)
$0.0003 \\ (0.0004)$
Yes
Yes
Yes
Yes
Yes
Yes

	In wage
Autonomy	0.0027 (0.0006)
Routinisation	0.0004 (0.0006)
Offshoring	$0.0003 \\ (0.0004)$
Education Age Gender Migrant	Yes Yes Yes Yes
FE Occupation-industry-country Industry-country-year	Yes Yes
Number of observations: 808122 R-squared (adj.): 0.853 Standard errors in parentheses	2

Annual wage growth difference

	In wage
Autonomy	0.0027 (0.0006)
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Education Age Gender Migrant	Yes Yes Yes Yes
FE Occupation-industry-country Industry-country-year	Yes Yes
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Annual wage growth difference

High vs. mean autonomy occupation:

	In wage
Autonomy	0.0027
	(0.0006)
Routinisation	0.0004
	(0.0006)
Offshoring	0.0003
	(0.0004)
Education	Yes
Age	Yes
Gender	Yes
Migrant	Yes
FE	
Occupation-industry-country	Yes
Industry-country-year	Yes
Number of observations: 808122 R-squared (adj.): 0.853	2

Standard errors in parentheses

Annual wage growth difference

High vs. mean autonomy occupation: 0.27 pp

	In wage
Autonomy	0.0027
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Routinisation	0.0004
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Education	Yes
Age	Yes
Gender	Yes
Migrant	Yes
FE	
Occupation-industry-country	Yes
Industry-country-year	Yes
Number of observations: 80812	2

Number of observations: 808122

R-squared (adj.): 0.853 Standard errors in parentheses Annual wage growth difference

High vs. mean autonomy occupation: 0.27 pp

This effect is statistically significant at the 1%-level

Wages in a mean autonomy occupation grow by 1%

Wages in a mean autonomy occupation grow by 1% Wages in a high autonomy occupation grow by 1.27%

Wages in a mean autonomy occupation grow by 1%
Wages in a high autonomy occupation grow by 1.27%

Compounded over 12 years:

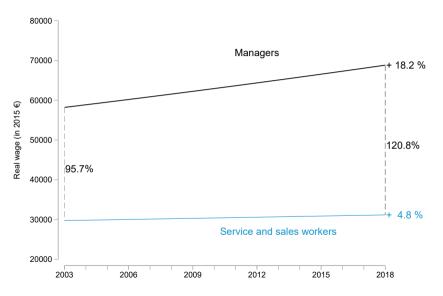
Wages in a mean autonomy occupation grow by 1%

Wages in a high autonomy occupation grow by 1.27%

Compounded over 12 years:

Wage level difference of 3.3% (if occupations have same initial wage level)

Autonomy: Wage gap between Managers and Service workers 25.1%





Routineness

Routineness

Offshoreability

Routineness

Offshoreability

Increasing returns to education (SBTC)

Routineness

Offshoreability

Increasing returns to education (SBTC)

Increasing return to STEM occupations (cognitive analytical)

Routineness

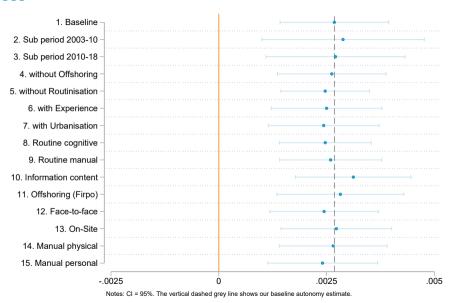
Offshoreability

Increasing returns to education (SBTC)

Increasing return to STEM occupations (cognitive analytical)

But we find increasing returns to autonomy

Robustness



Additional robustness checks

Different measures of autonomy

Variations of Mincer variables (experience, urbanisation, ...)

Time periods

1-digit occupation level

Alternative industry classification

Country exclusion

Industry exclusion

2. How are technology and institutions related to occupational wage growth differences?

Potential channels

Economic theory: technological change and institutions affect the relationship between autonomy and wages

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Institutions

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Institutions

- Decline in collective bargaining

Economic theory: technological change and institutions affect the relationship between autonomy and wages

Institutions

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Technological change A

Economic theory: technological change and institutions affect the relationship between autonomy and wages

Institutions

- Decline in collective bargaining

Technological change A

- ICT, computers \rightarrow monitoring (Skott and Guy 2007)

Economic theory: technological change and institutions affect the relationship between autonomy and wages

Institutions

- Decline in collective bargaining

Technological change A

- ICT, computers \rightarrow monitoring (Skott and Guy 2007)

Technological change B

Economic theory: technological change and institutions affect the relationship between autonomy and wages

Institutions

- Decline in collective bargaining

Technological change A

- ICT, computers → monitoring (Skott and Guy 2007)

Technological change B

- ICT, computers \rightarrow productivity (Katz and Murphy 1992)

Economic theory: technological change and institutions affect the relationship between autonomy and wages

Institutions

- Decline in collective bargaining

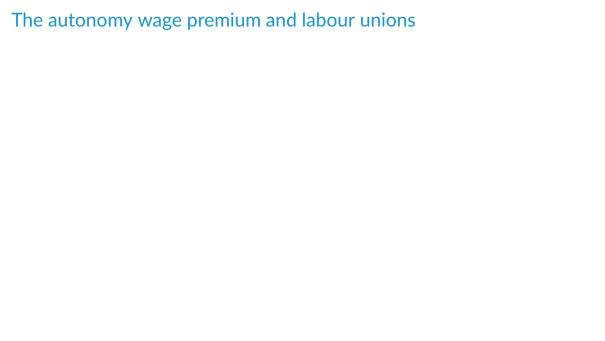
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- ICT, computers → monitoring (Skott and Guy 2007)

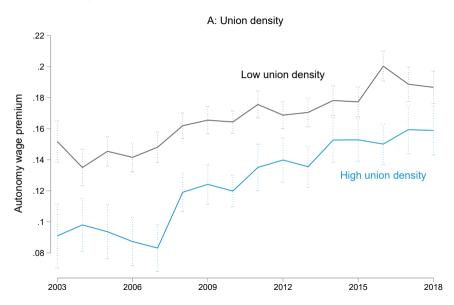
Technological change B

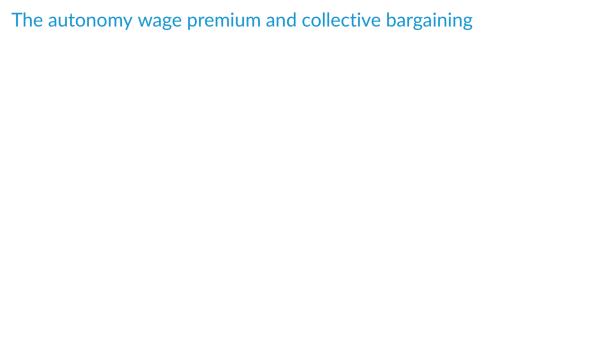
- ICT, computers \rightarrow productivity (Katz and Murphy 1992)

Data: European Social Survey, European Working Conditions Survey, European Company Survey, KLEMS database

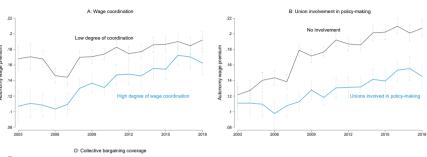


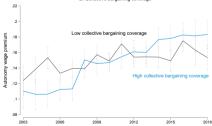
The autonomy wage premium and labour unions



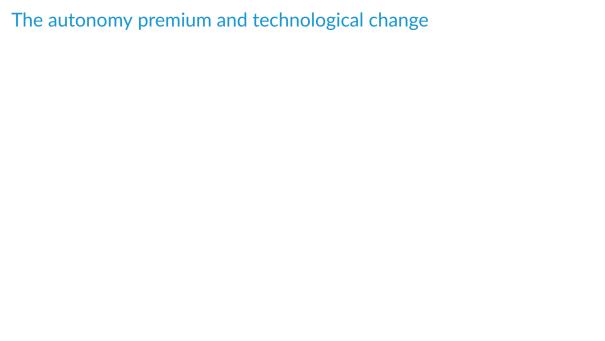


The autonomy wage premium and collective bargaining

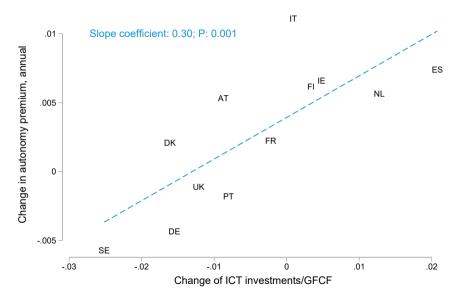




Source: EU SILC, own calculations



The autonomy premium and technological change



The autonomy premium and computer use

Table: Computer use and the autonomy wage premium

	(1) Δ Autonomy wage premium
Δ Computer use	0.0265** (0.0131)
Observations r2 Country FE	90 0.2911 Yes

Standard errors in parentheses

^{*} p < 0.10, ** p < 0.05, *** p < 0.01

Higher occupational autonomy is related to higher wage growth

Higher occupational autonomy is related to higher wage growth

ightarrow Wage inequality increases

Higher occupational autonomy is related to higher wage growth

 $\rightarrow \text{Wage inequality increases}$

Collective bargaining: lower autonomy premium

Higher occupational autonomy is related to higher wage growth

 \rightarrow Wage inequality increases

Collective bargaining: lower autonomy premium

Technological change: rising autonomy premium

Implications Policy

Policy

Collective bargaining: Strengthen worker coordination across occupations

Policy

Collective bargaining: Strengthen worker coordination across occupations

Technology: re- and upskilling (but can everyone have a high-autonomy occupation?) \rightarrow direct tech change towards creating *good* jobs

Policy

Collective bargaining: Strengthen worker coordination across occupations

Technology: re- and upskilling (but can everyone have a high-autonomy occupation?) \rightarrow direct tech change towards creating *good* jobs

Research

Policy

Collective bargaining: Strengthen worker coordination across occupations

Technology: re- and upskilling (but can everyone have a high-autonomy occupation?) \rightarrow direct tech change towards creating *good* jobs

Research

Why do firms adopt digital technologies?

Policy

Collective bargaining: Strengthen worker coordination across occupations

Technology: re- and upskilling (but can everyone have a high-autonomy occupation?) \rightarrow direct tech change towards creating *good* jobs

Research

Why do firms adopt digital technologies?

Employee monitoring or productivity improvements?

Policy

Collective bargaining: Strengthen worker coordination across occupations

Technology: re- and upskilling (but can everyone have a high-autonomy occupation?) \rightarrow direct tech change towards creating *good* jobs

Research

Why do firms adopt digital technologies?

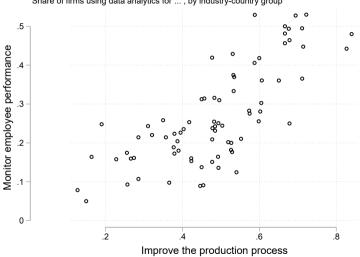
Employee monitoring or productivity improvements?

Why does the autonomy premium increase in high-bargaining countries?



Why do firms adapt digital technologies?

Firms use data analytics to improve the production process AND to monitor employees Share of firms using data analytics for ..., by industry-country group



Get in touch

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Appendix

Related literature

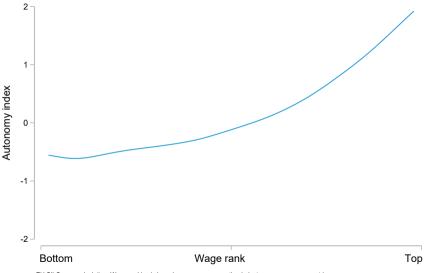
Occupations matter (Autor et al. 2003)

Focus on routinisation and offshoring (Acemoglu and Autor 2011, Firpo et al. 2011)

Increasing importance of worker autonomy for labour market outcomes (Blundell et al., 2022; Deming, 2021)

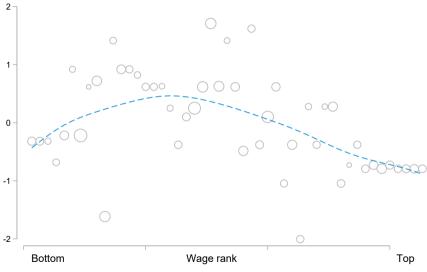
Collective bargaining as important determinant of the wage distribution (Farber et al., 2021)

High autonomy occupations are at the top of the wage distribution



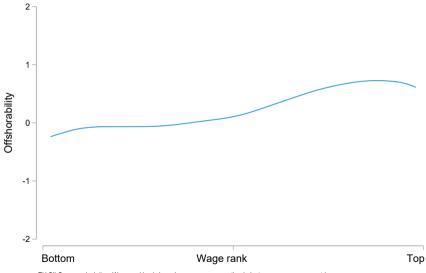
EU SILC, own calculation. Wage ranking is based on average occupation-industry wages across countries.

Routinisation index vs wage rank, lowess smooth



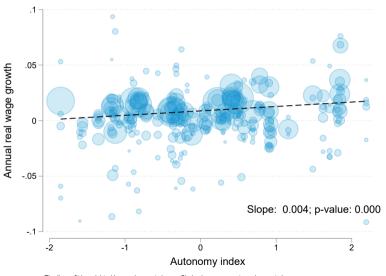
EU SILC, own calculation. Wage ranking is based on average occupation-industry wages across countries. Circle sizes reflect employment shares.

Offshoring index vs wage rank, lowess smooth



EU SILC, own calculation. Wage ranking is based on average occupation-industry wages across countries.

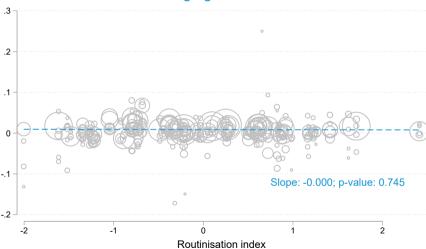
Annual wage growth vs autonomy index, 2003 - 2018



The linear fit is weighted by employment shares. Circle sizes represent employment shares.

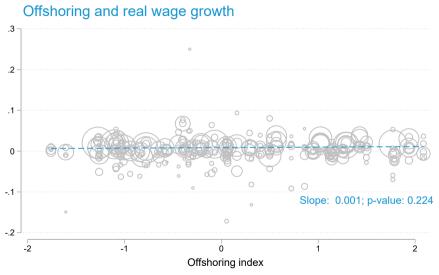
Annual wage growth vs routinisation index, 2003 - 2018





The linear fit is weighted by employment shares. Circle sizes represent employment shares

Annual wage growth vs offshoring index, 2003 - 2018



The linear fit is weighted by employment shares. Circle sizes represent employment shares

Alternative autonomy index I

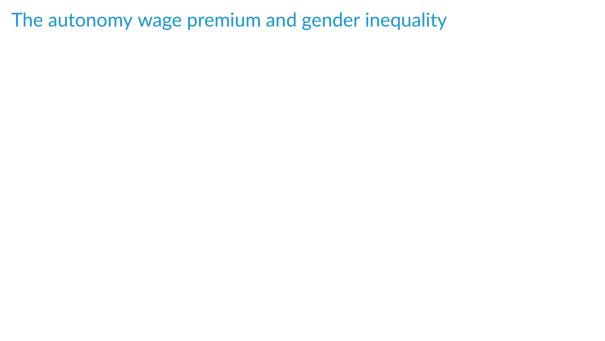
The decision-making index from Deming (2021) includes the following elements:

- 4.A.2.b.1 Making Decisions and Solving Problems
- 4.A.2.b.4 Developing Objectives and Strategies
- 4.A.2.b.6 (Organizing), Planning and Prioritizing Work

Alternative autonomy index II

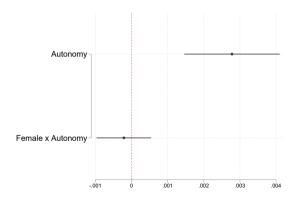
The extended autonomy index includes the following nine elements:

- 4.A.2.b.1 Making Decisions and Solving Problems
- 4.A.2.b.2 Thinking Creatively
- 4.A.2.b.4 Developing Objectives and Strategies
- 4.C.3.a.2.b Frequency of Decision Making
- 4.A.2.b.6 Organizing, Planning and Prioritizing Work
- 2.A.2.a Critical Thinking
- 2.A.2.d Monitoring
- 4.C.3.d.3 Pace determined by Speed of Equipment (reversed)
- 4.C.3.a.4 Freedom to make decisions



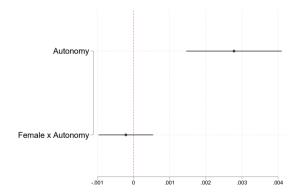
The autonomy wage premium does not affect women and men differently

The autonomy wage premium does not affect women and men differently



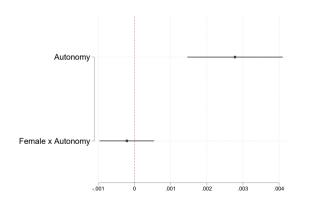
The autonomy wage premium does not affect women and men differently

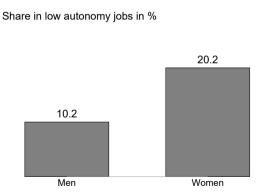
But women are more often employed in low-autonomy occupations



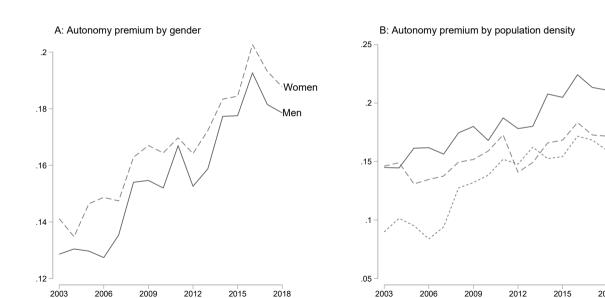
The autonomy wage premium does not affect women and men differently

But women are more often employed in low-autonomy occupations

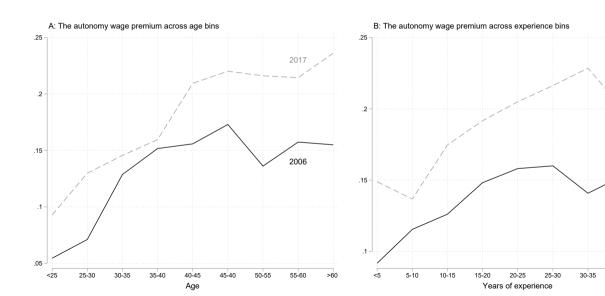




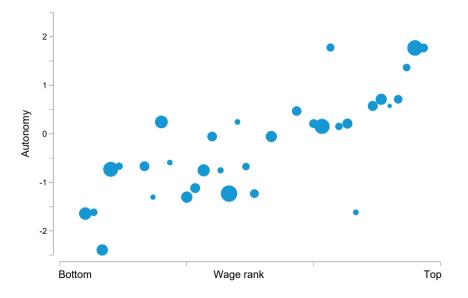
The autonomy premium over time for gender and population density



The autonomy premium along age and experience



High autonomy occupations are at the top of the wage distribution



High autonomy occupations are at the top of the wage distribution

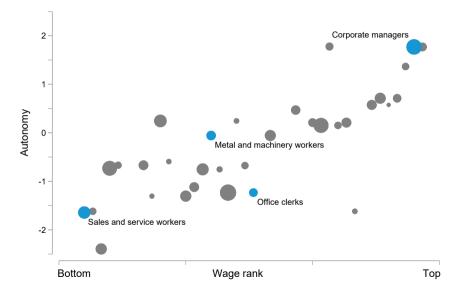


Table: Robustness 1

	(1) excl. Rou and Off	(2) Return to education	(3) Cognitive anal.
Autonomy	0.0025*** (0.0005)	0.0029*** (0.0007)	0.0042*** (0.0010)
Routinisation		0.0003 (0.0006)	
Offshoring		0.0004 (0.0004)	
College return		$-0.0006^{st} \ (0.0003)$	
Cognitive analytical (AA)			$-0.0019^{**} \ (0.0009)$
Women	$-0.1919^{***} \ (0.0035)$	-0.1918*** (0.0035)	$-0.1919^{***} \ (0.0035)$
Lower sec. educ.	0.0720*** (0.0071)	$0.0764^{***} \ (0.0074)$	0.0719*** (0.0071)
	0.1704***	0.1706***	0.1700***

Autonomy (EWCS)

Decision-making (Deming)

Autonomy altern. index

Supervisory tasks

Routinisation

Offshoring

(1)

Autonomy (EWCS)

0.0047*** (0.0010)

0.0001

(0.0006)

-0.0010**

(0.0005)

Table: Robustness 2: Alternative measures

(2)

Decision (Deming)

0.0027***

(0.0006)

0.0004

(0.0006)

0.0003

(0.0004)

(3)

Autonomy alternative

0.0032***

(0.0008)

0.0010

(0.0007)

-0.0003

(0.0004)

(4)

0.0025***

-0.0004

(0.0005)

0.0003

(0.0004)

Supervisory ta