defined, but encompasses the “increased role of financial activity and rising prominence of financial institutions”.[18] Financialisation gained momentum since the 1980s. Similar to globalisation, it has increased the “exit options” for capital which can now be invested in real as well as financial assets.[19] Furthermore, it has been argued that financialisation changed industrial relations and led to a “shareholder value orientation” as a consequence of hostile takeovers of listed companies.[20] Financialised firms adopt a “downsize and distribute” strategy, which reduces prospects for labour to agree on a beneficial compromise. Similarly, the self-perception of workers changed due to financialisation, resulting in an emergence of “investor identities”.[21] The main indicators of financialisation applied are financial globalisation calculated as foreign assets plus liabilities,[22] current account openness,[23] and dividend and interest payments and income.[24] Interestingly, all studies obtain a significant negative effect of at least one of those variables. Kohler, Guschanski and Stockhammer (2016) offer a systematic analysis of different channels through which financialisation affects the wage share including all of these measure and augmenting them by variables measuring the competition on capital markets (stock market turnover ratio) and household debt. They find the latter variable to be most significant for the determination of the wage share among all financialisation variables as well as control variables. The only study on within sector wage shares including a measure of financialisation is Lin and Tomaskovic-Devey (2013) who account for the ratio of financial receipts of non-financial corporations (including interest, dividend and capital gains) to business receipts for the case of the US. The only paper, to the best of our knowledge, investigating the effect of financialisation on the wage share using firm level data is Alvarez (2015) who includes net financial income and interest payments as explanatory variables in his analysis of France.

Summing up, the research based on a political economy approach uses aggregate country level panel data, which does not differentiate the results across skill groups and industries. Within the mainstream literature, which argues the primacy of technological change, Bassanini and Manfredi (2012) and Karabarbounis and Neiman (2012) use sectoral as well as country panel data; however they do not explicitly control for variables which would reflect the bargaining power of labour and labour market institutions, welfare state retrenchment or financialisation. IMF (2007) attempts to distinguish the effects on the wage share of the workers in the skilled and unskilled industries; however the study claims that the income share of skilled workers rose by focusing on the share of wage bill in the industries using predominantly skilled labour as a ratio to the economy wide value added, rather than the share of wages in the skilled sectors as a ratio to the value added in those sectors, which is also mentioned in a figure in the paper. According to the latter indicator, which is reported but not dis-