

employment explains only 30% of the decrease in the wage share of low skilled service sectors, while employment in high skilled manufacturing and services increased and even more than doubled for high skill service sectors.

The dynamics of the other countries in our sample are very diverse.<sup>37</sup> The wage share in France exhibits the strongest skill bias amongst the four countries. However, the only sector group characterised by a slightly increasing wage share is high skilled manufacturing, while other sectors have lost out in comparison to their own position in the 1980s. In Germany the wage share appears to be quite stable until the early 2000s, which marks the implementation of the Hartz reforms – one of the most drastic labour market policy packages to be implemented in Germany. Thereafter all sector groups besides high skilled services exhibit a strong decline in the wage share. In the UK low skilled services experienced a steady reduction in the wage share since the mid-1990s, while low skilled manufacturing sectors have increased their wage share in the same period, although they still lost out in relation to their position in the early 1980s. Turning to high skilled sectors, services show the most steady wage share, which experienced a sharp decline by 9 percentage-points between 1984 and 1994 and afterwards stabilised at a lower level.

Looking at the crisis year shows some interesting dynamics. Unfortunately, our data quality is worse for those years given that we are employing an unbalanced panel and thereby face the risk of sectors dropping out of our sample at the beginning and end of the time period. Nevertheless we can observe some interesting dynamics. Historically, the wage share tends to rise during recessions as companies hold on to workers and productivity falls more than real wages, then the wage share falls back in a recovery. But during the 2008 recession the labour share did the opposite in some countries: it fell soon after the initial year of the recession, and when the recovery began the aggregate wage share kept falling in most countries. This trend can clearly be observed in in the US, Austria, France and Germany. Unfortunately our sectoral data for the UK is limited and ends in 2009, but nevertheless we can observe a decline for manufacturing sectors in the last years of the sample while service sectors exhibit an increase between 2008 and 2009; also the data for the aggregate economy which is available until 2015 confirms these trends.

Summing up, despite the diversity of wage share dynamics across countries and sector groups, there are no sectors which seem to be exempt from the rise in inequality in functional income distribution across countries, an observation which cast doubt on two most commonly used explanations to account for the decrease in the country-level wage share in the mainstream analysis. On the one hand, there is reason to question the argument of skill-biased technological change as the main driver of func-