

(2007) employ import and export prices, immigration, offshoring, and trade openness (measured as export plus imports as a ratio to value added) as measures of globalisation and find all of them to have the expected negative effect on the wage share. However, there is a difference in the interpretation of the results depending on the country group used.

Publications focusing on within sector wage shares find mixed results. Country-level analysis always faces the question as to whether the decline in the wage share captures changes in sectoral composition rather than a simultaneous decline of the wage share in all sectors; therefore, in order to abstract from mere reallocation effect and focus on a distributional analysis it is crucial to isolate the within sector development of the wage share. This can be illustrated simply by writing the aggregate wage share as a function of weighted sectoral wage shares (EC, 2009):

$$WS_t^C = \frac{LC_t^C}{VA_t^C} = \sum_{i=1}^n \frac{VA_{i,t}}{VA_t^C} * \frac{LC_{i,t}}{VA_{i,t}} \quad \text{Equation (1)}$$

where i stands for the sector and t for the year. WS_t^C stands for the aggregate wage share of country C , which is defined by labour compensation LC_t^C as a ratio to total domestic value added (VA_t^C) or GDP, and can be expressed as the sum of within sector wage shares $\frac{LC_{i,t}}{VA_{i,t}}$ weighted by the sectors' contribution to total value added $\frac{VA_{i,t}}{VA_t^C}$. Consequently a change in the aggregate wage share can result from changes in the sectoral composition, referred to as the between component, or changes in the sectoral wage shares, referred to as the within component.

$$\Delta WS_t^C = \sum_{i=1}^n \Delta \left(\frac{VA_{i,t}}{VA_t^C} \right) * \frac{LC_{i,t}}{VA_{i,t}} + \Delta \left(\frac{LC_{i,t}}{VA_{i,t}} \right) * \frac{VA_{i,t}}{VA_t^C} \quad \text{Equation (2)}$$