

tion paid by employers to employees, is a better measure of primary market distribution since it excludes secondary distribution.

### 5.3 Country-level variables

With regard to the control variables, union density has a positive effect on the wage share in specification (3) – indeed it is highly significant and renders the effect of intermediate import penetration insignificant. The effect of union density is however not robust at the 1-digit level in specification (6).<sup>57</sup> The result is confirmed for sub-pools of manufacturing industries. However, given that the variable is measured at the country level, the reliability of the estimation results by sub-pools is questionable. In order to obtain at least indicative results with union density measured at the sectoral level we performed robustness tests with union density measured at the sector level regardless of our concerns about its reliability as mentioned in section 3. In general results for sectoral union density confirm the results for country-level union density. The positive but not robust impact of union density is generally driven by all sector and skill groups. Furthermore, we experimented with adjusted bargaining as an alternative measure for workers bargaining power. However, given that bargaining coverage stayed at a constant level since the 1970s in Austria the variable created multicollinearity with our fixed effects and we had to drop it.

Social government spending turns out to be insignificant or positive for almost all specifications with the exception of estimations for the high skilled manufacturing sectors only where we find an unexpected negative sign for specifications (7) and (8). Nevertheless, like union density, social government spending becomes insignificant for most estimations in first differences, while it is positive for service sectors.

Since there are no measures of financialisation at the sectoral level we can only use country-level variables among which household debt and financial payments appear to have a robust negative effect, albeit mostly for estimations in first differences. This finding is robust to the application of different samples, although the highest statistical significance is achieved for the high-skilled manufacturing sector. Similarly we find a negative effect of household debt for the manufacturing sector for the estimations in levels, in both low and high skilled manufacturing sectors alike. Given that lower income workers might be credit constrained and that the recent surge in household debt was mainly driven by the upper-middle class this result seems plausible. It is not entirely clear, however, why workers in the high-skilled manufacturing sector should be stronger affected by household debt than workers in the high skilled service sector.

Our specification (8) reflects the argument that personal income inequality is an indicator of the command over resources and power relations,

hence we include the Gini coefficient in our set of explanatory variables. We find no statistically significant effect, however, we consider the income share of the top 1% to be a better measure for personal income distribution than the Gini coefficient, because it captures the tail of the distribution where most of the increase in income inequality happened, while the Gini coefficient is rather in-sensitive to changes in the tails. Furthermore, we have less concern in the case of the income share of the top 1% with regard to endogeneity that naturally arises between a measure of functional and personal income distribution that captures the whole population like the Gini coefficient. Unfortunately there is no data on the income share of the top 1% for Austria in The World Wealth and Income Database which is why we revert to using the Gini for Austria, while we experiment with top income shares for the remaining countries in our sample.

#### 5.4 After tax wage share

Our estimation result for the after tax wage share as the dependent variable strongly confirms our initial results for our main variables, although the statistical significance of household debt is increased.<sup>58</sup> Intermediate imports, outward FDI and union density have the same effect across different samples. This implies that the effect of intermediate imports, outward FDI and union density is similarly relevant for after tax wage share as for the before tax wage share.

#### 5.5 Economic effects

Finally, we report the economic significance of our variables for a specification including intermediate import penetration and union density (specification [3]) as well as a specification including all other variables (specification [8]) in Table 2. More precisely, we calculate the predicted change in the dependent variable based on individual covariates by multiplying the estimation coefficient of the respective explanatory variable with the cross-sectional average change of that variable over the sample period and dividing by the change in the wage share.<sup>59, 60</sup>

The decline in the wage share, taken as an average over the two specifications, is 8.7 percentage points, similar to the decline in the country level wage share which constituted 6.6 percentage points. Based on the estimation with union density (specification [3]) we find that union density had the strongest impact in Austria, explaining 85.1 percent of the average decline of the wage share. Increasing imports of capital and consumption goods and the increase in capital intensity have had a sizeable positive effects. Capital intensity had the second highest positive impact, predicting 16.5 of the change in the wage share. Based on specification (8) we find a sizeable negative effect of household debt and, albeit much smaller in size, of ICT