

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.⁵⁸ 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.^{59, 60}

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

capital intensity. Results indicate that migration had a strong positive effect on the wage share.

Table 2: Economic significance of coefficients for selected specifications for Austria

Method	Δ explanatory var*coeff	Δ explanatory var*coeff
Specification	Based on Table 1, Specification (3)	Based on Table 1, Specification (8)
growth	-0.002	-0.005
capital stock	0.017	
int. imports	-0.008	
other imports	0.006	
social government		0.001
total union density	-0.093	
ICT capital		-0.023
non-ICT capital		-0.009
outward FDI		-0.0003
household debt		-0.102
fin. Income		-0.017
fin. payments		-0.009
migration		0.122
gini		0.001
Period	1996-2007	1996-2007
Δ Wage Share	-0.106	-0.068

Notes: Columns 2 and 4 report coefficients for our sample based on estimates from specification (3) and (8) in Table 1 respectively multiplied by the change in the variable. Columns 3 and 5 report the predicted change in the wage share for the change in our explanatory variables over our sample period based on estimates from specification (3) and (8) in Table 1 respectively. A negative (positive) sign in columns 3 and 5 indicates that the variable had a negative (positive) impact on the wage share. The last two rows reports the change in percentage points for the estimations indicated in the top row.

5.6 Comparison with results for selected OECD countries

We obtain considerable differences when comparing the results for Austria with estimation results for the other countries in our sample.⁶¹ We find that globalisation had a strong impact on the wage share in all countries. The effect of globalisation on the wage share was least strong in Denmark. In Austria, Germany and, less robust, in the UK, the effect is due to outward FDI as well as intermediate import penetration which reflects the impact of international outsourcing practices. Intermediate imports penetration had no significant impact in Spain while FDI played a smaller role in France and the US.