obtain a negative impact of financial income in Denmark and of financial payments in Spain, albeit only for estimations applying the within estimator. However, in the UK, given the strong financial sector and the massive surge in household debt, financial payments and household debt both have a robust negative effect in all estimations using the within estimator, and these effects are mostly robust when estimated in first differences. All financialisation variables have a negative impact on the wage share in the US if the first difference estimator is applied.

County level inequality, measured by the Gini coefficient has a negative effect in the UK and Germany, while we find it to be insignificant in France, the US, Italy and Spain. We obtain a perverse positive coefficient in Denmark.

5.4 Estimation results for selected low wage countries

We conduct similar estimations for selected low wage countries (Brazil, China, Indonesia, India, Korea, Mexico, Taiwan, Turkey), albeit using a slightly different dataset and estimation technique (for estimation results and further details please refer to Guschanski and Onaran, 2016 forthcoming). While our data for FDI, union density, household debt, the Gini coefficient, and social government spending comes from the same sources, we rely on the World Input-Output Database (Timmer, et al., 2015) for data on the wage share, capital stock, as well as intermediate imports and exports. Data on other variables which were used for the estimations for ‘high-wage’ OECD countries are not available. There are also slight differences in terms of the estimation methodology since, with sufficient number of cross sections our preferred estimator is the two-step system General Method of Moments (GMM) estimator.

Despite large differences between the institutional settings of the ‘low-wage’ country group in comparison to our core sample, we confirm the negative impact of globalisation. While we fail to find a statistically significant effect of total intermediate exports, we find a robust negative impact of intra-industry intermediate exports which is driven by exports to high wage countries. This variable measures exports from a particular industry in a ‘low-wage’ country which are used by the same industry in a ‘high-wage’ country and thereby constitutes the other side of intra-industry ‘narrow’ outsourcing. Interestingly, this is at odds with standard trade theory, which suggests that while workers in ‘high-wage’, capital
abundant countries will lose out in relation to capital because of an intensification in trade while the opposite should hold for workers in labour abundant ‘low-wage’ countries. However, our results suggest that workers in ‘low-wage’ countries have equally lost out, and that this is particularly driven by their trade with the ‘high-wage’ countries. Additionally, outsourcing, measured as all intermediate imports used in the production process of an industry, has a strong negative impact on the wage share. However, the application of interaction dummies for Korea, Turkey, Mexico and Taiwan suggest that this effect is driven by outsourcing of these relatively higher income countries to Brazil, China, Indonesia, India, and the rest of the non-OECD countries (excluding Russia).

Data on FDI, union density, household debt, the Gini coefficient, and social government spending is very limited and, except for the Gini coefficient and household debt, only available for Korea, Mexico and Turkey. Estimations with inward FDI, union density and social government spending did not yield robust results and the variables appear to be statistically insignificant in most specifications. However, given the limited size of our sample, these estimations can only be seen as indicative. Furthermore, we obtain a negative impact of the Gini coefficient on the wage share, albeit only for Korea, Mexico and Turkey if we include all variables in the estimation. The Gini coefficient appears to be insignificant in estimations for the total ‘low-wage’ country pool.