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Titolo: The Evolution of Wage Inequality in Italy: Firms, Workers and Institutions

Italian wage inequality has increased at a relatively fast pace from the mid-1980s until the early 2000s, while it has followed a flat trend since then. We analyze this trend focusing on the period of most rapid growth in pay dispersion. By accounting for worker and firm fixed effects, it is shown that workers' heterogeneity has been a major determinant of increased wage inequalities. The growth in pay dispersion among workers has almost entirely occurred between *livelli di inquadramento*, job titles defined by national industry-wide collective bargaining institutions, for which specific minimum wages apply. We also document that, while wage inequality has increased both within and between firms, this is not due to raising heterogeneity in firms' wage policies. Indeed, the relation between workers' wages and firm-level productivity (rent-sharing) has become somewhat weaker in more recent years. On the contrary, the assortative matching of highly paid-workers into more productive firms has slightly intensified over time. Overall, we interpret these findings as evidence that the underlying market forces determining wage inequality have been largely channeled into the tight tracks set by the (largely unreformed) Italian system of centralized industrial relations.