

Globalization and wage inequality: evidence from the Italian labour market

Abstract

There is a trend of growing wage inequality taking place in the last decades in both developed and developing countries. Among the many causes that have been analyzed there is the increased globalization. In fact, both trade and financial flows can potentially impact on the wage distribution. Trade models predict increasing inequality following trade liberalization in developed countries for the rise in demand for skilled labour. Heterogeneous firms models can imply increasing wage inequality within sectors either because of changing workforce composition between firms or because of labor market imperfections. Over the last few years, more studies have given attention to the regional labor markets. Autor et al. (2013) investigated the effects of import competition with China on U.S. local labor market. Their research found that the CZs more closely associated with China reduced manufacturing employment share, had higher unemployment and lower labor force participation. We estimate the impact of trade exposure and financial development on wage inequality for Italy in the period going from 1973 to 2016. We use INPS wage data on the universe of non-agricultural private sector Italian workers.