Inter-sectoral Labor Reallocation and Sectoral Wage Inequality

Salim Nuhu Ahmed

Michigan State University

***

United Nations Economic and Social Council for the Pacific (UNESCAP) and UNU-WIDER Conference in Bangkok, Thailand

August 31, 2019
This paper examines the effect of inter-sectoral labor reallocation on inter-sectoral wage gap.
Highlights

This paper examines the effect of inter-sectoral labor reallocation on inter-sectoral wage gap

- Specifically we decompose productivity growth into two parts: technical change and a structural change

Salim Nuhu Ahmed
Michigan State University
August 31, 2019
This paper examines the effect of inter-sectoral labor reallocation on inter-sectoral wage gap

- Specifically we decompose productivity growth into two parts: technical change and a structural change
- The structural change component is the share of productivity growth resulting from the inter-sectoral reallocation of labor
This paper examines the effect of inter-sectoral labor reallocation on inter-sectoral wage gap.

- Specifically we decompose productivity growth into two parts: technical change and a structural change.
- The structural change component is the share of productivity growth resulting from the inter-sectoral reallocation of labor.
- Technical change is the endogenous growth that is generated within the sector.
This paper examines the effect of inter-sectoral labor reallocation on inter-sectoral wage gap

- Specifically we decompose productivity growth into two parts: technical change and a structural change
- The structural change component is the share of productivity growth resulting from the inter-sectoral reallocation of labor
- Technical change is the endogenous growth that is generated within the sector
- We find labor reallocation in Asia has mostly been associated with productivity growth while in Sub-Saharan Africa the converse is true.
This paper examines the effect of inter-sectoral labor reallocation on inter-sectoral wage gap

- Specifically we decompose productivity growth into two parts: technical change and a structural change
- The structural change component is the share of productivity growth resulting from the inter-sectoral reallocation of labor
- Technical change is the endogenous growth that is generated within the sector
- We find labor reallocation in Asia has mostly been associated with productivity growth while in Sub-Saharan Africa the converse is true.
- We also find the structural change component to be industrial-wage inequality reducing
Rapid changes in the structure of developing countries has led to a renewed interest in studying the dynamics of structural change.
Rapid changes in the structure of developing countries has led to a renewed interest in studying the dynamics of structural change. Structural change results from the reallocation of labor among sectors within an economy.
Introduction

- Rapid changes in the structure of developing countries has led to a renewed interest in studying the dynamics of structural change.
- Structural change results from the reallocation of labor among sectors within an economy.
- Allocative inefficiencies provide rooms for growth even in the absence of endogenous or capital-induced growth.
Rapid changes in the structure of developing countries has led to a renewed interest in studying the dynamics of structural change. Structural change results from the reallocation of labor among sectors within an economy. Allocative inefficiencies provide rooms for growth even in the absence of endogenous or capital-induced growth. This is true when labor moves from less to more productive sectors.
Rapid changes in the structure of developing countries has led to a renewed interest in studying the dynamics of structural change. Structural change results from the reallocation of labor among sectors within an economy. Allocative inefficiencies provide rooms for growth even in the absence of endogenous or capital-induced growth. This is true when labor moves from less to more productive sectors. In theory, improvement in allocative inefficiencies should result in increased marginal product of labor.
Rapid changes in the structure of developing countries has led to a renewed interest in studying the dynamics of structural change.

Structural change results from the reallocation of labor among sectors within an economy.

Allocative inefficiencies provide rooms for growth even in the absence of endogenous or capital-induced growth.

This is true when labor moves from less to more productive sectors.

In theory, improvement in allocative inefficiencies should result in increased marginal product of labor.

In particular, it should be income inequality-reducing.
Rapid changes in the structure of developing countries has led to a renewed interest in studying the dynamics of structural change. Structural change results from the reallocation of labor among sectors within an economy. Allocative inefficiencies provide rooms for growth even in the absence of endogenous or capital-induced growth. This is true when labor moves from less to more productive sectors. In theory, improvement in allocative inefficiencies should result in increased marginal product of labor. In particular, it should be income inequality-reducing.
While the determinants of structural change share in productivity has been studied, its effects have not been studied.
Introduction

While the determinants of structural change share in productivity has been studied, its effects have not been studied.

In this paper, we examine the effect of structural change-induced productivity (SCIP) on industrial wage inequality.
While the determinants of structural change share in productivity has been studied, its effects have not been studied. In this paper, we examine the effect of structural change-induced productivity (SCIP) on industrial wage inequality. To do this, we use non-parametric shift-share decomposition to extract the SCIP, following Mcmillan and Rodrik (2011).
While the determinants of structural change share in productivity has been studied, its effects have not been studied.

In this paper, we examine the effect of structural change-induced productivity (SCIP) on industrial wage inequality.

To do this, we use non-parametric shift-share decomposition to extract the SCIP, following Mcmillan and Rodrik (2011).

And exploit the within-country variation in the SCIP to identify its effect on industrial wage inequality.
McMillan and Rodrik (2011) explored factors that determine favorable structural change contribution to productivity.
McMillan and Rodrik (2011) explored factors that determine favorable structural change contribution to productivity. They identified labor market flexibility, high agricultural employment share and undervalued exchange rates as favorable factors.

Fagerberg (2000) finds that in Africa and Latin America, structural change has not been conducive to productivity growth. Fagerberg (2000) attributes this to the movement of labor from more productive to less productive sectors. The findings of McMillan and Rodrik (2011) support this argument.

Laitner (2000) examines the effect of structural change through the lens of Engel's law.
McMillan and Rodrik (2011) explored factors that determine favorable structural change contribution to productivity. They identified labor market flexibility, high agricultural employment share and undervalued exchange rates as favorable factors. Fagerberg (2000) finds that in Africa and Latin America, structural change has not been conducive to productivity growth.
McMillan and Rodrik (2011) explored factors that determine favorable structural change contribution to productivity.

They identified labor market flexibility, high agricultural employment share and undervalued exchange rates as favorable factors.

Fagerberg (2000) finds that in Africa and Latin America, structural change has not been conducive to productivity growth.

Fagerberg (2000) attributes this to the movement of labor from more productive to less productive sectors.
McMillan and Rodrik (2011) explored factors that determine favorable structural change contribution to productivity. They identified labor market flexibility, high agricultural employment share and undervalued exchange rates as favorable factors. Fagerberg (2000) finds that in Africa and Latin America, structural change has not been conducive to productivity growth. Fagerberg (2000) attributes this to the movement of labor from more productive to less productive sectors. The findings of McMillan and Rodrik (2011) support this argument.
McMillan and Rodrik (2011) explored factors that determine favorable structural change contribution to productivity. They identified labor market flexibility, high agricultural employment share and undervalued exchange rates as favorable factors. Fagerberg (2000) finds that in Africa and Latin America, structural change has not been conducive to productivity growth. Fagerberg (2000) attributes this to the movement of labor from more productive to less productive sectors. The findings of McMillan and Rodrik (2011) support this argument. Laitner (2000) examines the effect of structural change through the lens of Engel’s law.
The literature has also examined the effect of structural transformation on income inequality and economic growth:
The literature has also examined the effect of structural transformation on income inequality and economic growth:

- Andersson and Palacio (2017) find an improvement in agricultural productivity in Latin America to be inequality reducing.
The literature has also examined the effect of structural transformation on income inequality and economic growth:

- Andersson and Palacio (2017) find improvement in agricultural productivity in Latin America to be inequality reducing.
- Hillbom and Bolt (2015) find that increases in share of agricultural and manufacturing employment tend to reduce income inequality.
The literature has also examined the effect of structural transformation on income inequality and economic growth:

Andersson and Palacio (2017) find an improvement in agricultural productivity in Latin America to be inequality reducing.

Hillbom and Bolt (2015) find that increases in share of agricultural and manufacturing employment tend to reduce income inequality.

Wan et al. (2016) argue that changes in inequality could be linked to structural transformation resulting from technological, cultural and institutional changes.
In this paper,

...we examine the effect of structural change contribution to productivity, on industrial wage inequality.
Research Question

In this paper,

...we examine the effect of structural change contribution to productivity, on industrial wage inequality

- Focus on structural change contribution to productivity growth distinguishes this paper from others,
In this paper, we examine the effect of structural change contribution to productivity, on industrial wage inequality.

- Focus on structural change contribution to productivity growth distinguishes this paper from others.
- Structural change is not always growth enhancing and even when it is, may not be inequality-reducing.
In this paper,

...we examine the effect of structural change contribution to productivity, on industrial wage inequality

- Focus on structural change contribution to productivity growth distinguishes this paper from others,
- Structural change is not always growth enhancing and even when it is, may not be inequality-reducing
- Specifically, when labor increasingly move to low-productivity sectors, with low wages, inequality may arise.
- Andersson and Palacio(2017) make this assertion but do not demonstrate
In this paper, we examine the effect of structural change contribution to productivity, on industrial wage inequality.

- Focus on structural change contribution to productivity growth distinguishes this paper from others,
- Structural change is not always growth enhancing and even when it is, may not be inequality-reducing,
- Specifically, when labor increasingly move to low-productivity sectors, with low wages, inequality may arise.
- Andersson and Palacio (2017) make this assertion but do not demonstrate
- Our paper makes an attempt to investigate this hypothesis.
In this paper, we examine the effect of structural change contribution to productivity, on industrial wage inequality.

- Focus on structural change contribution to productivity growth distinguishes this paper from others,
- Structural change is not always growth enhancing and even when it is, may not be inequality-reducing
- Specifically, when labor increasingly move to low-productivity sectors, with low wages, inequality may arise.
- Andersson and Palacio (2017) make this assertion but do not demonstrate
- Our paper makes an attempt to investigate this hypothesis
Define as $y_{it}$, gross value added in sector $i$ at time $t$, the output of a sector less intermediate inputs.
Decomposing Labor Productivity

- Define as $y_{it}$, gross value added in sector $i$ at time $t$, the output of a sector less intermediate inputs.
- Let $l_{it}$, the employment share of sector $i$ at time $t$ be all persons employed.
Decomposing Labor Productivity

- Define as $y_{it}$, gross value added in sector $i$ at time $t$, the output of a sector less intermediate inputs.
- Let $l_{it}$, the employment share of sector $i$ at time $t$ be all persons employed.
- Such aggregations obscure heterogeneity in labor input.
- Labor productivity in sector $i$ at time $t$, then is defined as $Y_{it} = \frac{y_{it}}{l_{it}}$. 
Define as $y_{it}$, gross value added in sector $i$ at time $t$, the output of a sector less intermediate inputs.

Let $l_{it}$, the employment share of sector $i$ at time $t$ be all persons employed.

Such aggregations obscure heterogeneity in labor input.

Labor productivity in sector $i$ at time $t$, then is defined as $Y_{it} = \frac{y_{it}}{l_{it}}$. 
Decomposing Labor Productivity

Shift-share decomposition

\[
\Delta Y_{it} = \sum_{i} \delta_{it} \Delta y_{it} + \sum_{i} y_{it} \Delta \delta_{it}
\]
Decomposing Labor Productivity

Shift-share decomposition

\[ \Delta Y_{it} = \sum_{i} \delta_{it} \Delta y_{it} + \sum_{i} y_{it} \Delta \delta_{it} \]  

- Structural change thus measures changes in employment share weighted by end period productivity level
Decomposing Labor Productivity

### Shift-share decomposition

\[
\Delta Y_{it} = \sum_{\delta_{it}} \Delta y_{it} + \sum_{i} y_{it} \Delta \delta_{it}
\]

- Structural change thus measures changes in employment share weighted by end period productivity level.
- The unexplained component in other measures is spread over the two components in equation (1).
### Shift-share decomposition

<table>
<thead>
<tr>
<th>Sectoral productivity growth</th>
<th>Productive efficiency</th>
<th>Structural change component</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\Delta Y_{it}$</td>
<td>[ \sum_{i} \delta_{it} \Delta y_{it} ]</td>
<td>[ \sum_{i} y_{it} \Delta \delta_{it} ]</td>
</tr>
</tbody>
</table>

\[
\Delta Y_{it} = \sum_{i} \delta_{it} \Delta y_{it} + \sum_{i} y_{it} \Delta \delta_{it}
\] (1)

- Structural change thus measures changes in employment share weighted by end period productivity level.
- The unexplained component in other measures is spread over the two components in equation (1).
We use data from three sources:

- Data on employment shares and value added: The Groningen Growth and Development Center (GGDC) 10-sector database.
- Industrial wage inequality: University of Texas Inequality Project (UTIP).
- Country level covariates: World Bank Development Indicators (WDI) database.
We use data from three sources:

1. Data on employment shares and value added → The Groningen Growth and Development Center (GGDC) 10-sector database

2. Industrial wage inequality → University of Texas Inequality Project (UTIP)

3. Country level covariates → World Bank Development Indicators (WDI) database
Data Sources

- We use data from three sources:
  1. Data on employment shares and value added → The Groningen Growth and Development Center (GGDC) 10-sector database
  2. Industrial wage inequality → University of Texas Inequality Project (UTIP)
We use data from three sources:

1. Data on employment shares and value added → The Groningen Growth and Development Center (GGDC) 10-sector database
2. Industrial wage inequality → University of Texas Inequality Project (UTIP)
3. Country level covariates → World Bank Development Indicators (WDI) database
Data description

- 10 sectors: Agriculture, mining, manufacturing, public utilities, construction, wholesale and retail trade, transportation and communications, finance, insurance and real estate, community, social, personal and government services
10 sectors: Agriculture, mining, manufacturing, public utilities, construction, wholesale and retail trade, transportation and communications, finance, insurance and real estate, community, social, personal and government services

30 countries: Asia, SSA, MENA, North America, Europe and LAC

The UTIP- UNIDO computes the industrial pay-inequality measures for 151 countries from 1963-2015
Regression Framework

- From equation (1) the share of structural change in productivity is given by:
  \[ \frac{\sum^n_i y_i \Delta \delta_i}{\Delta Y} \]
- The empirical specification then is given by:

**Empirical Specification**

\[ y_{it} = \alpha + \frac{\sum^n_i y_i \Delta \delta_i}{\Delta Y} \beta_1 + X_{it} \beta_2 + \gamma_i + \epsilon_{it} \] (2)

- \( y_{it} \rightarrow \) industrial wage inequality
- \( X_{it} \rightarrow NT \times K \) matrix of macroeconomic covariates
- \( \gamma_i \rightarrow \) unobserved time-invariant country-level heterogeneity
<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min.</th>
<th>Max.</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inequality index</td>
<td>0.043</td>
<td>0.033</td>
<td>0.001</td>
<td>0.2</td>
<td>1071</td>
</tr>
<tr>
<td>Share of structural change</td>
<td>0.013</td>
<td>0.17</td>
<td>-2.469</td>
<td>1.844</td>
<td>1097</td>
</tr>
<tr>
<td>Structural - Technical Change</td>
<td>0.003</td>
<td>0.29</td>
<td>-2.57</td>
<td>6.043</td>
<td>1097</td>
</tr>
<tr>
<td>Inflation</td>
<td>17.195</td>
<td>129.245</td>
<td>-9.809</td>
<td>2947.733</td>
<td>1054</td>
</tr>
<tr>
<td>Globalization</td>
<td>56.694</td>
<td>34.392</td>
<td>6.32</td>
<td>220.407</td>
<td>1024</td>
</tr>
<tr>
<td>Ag share in employment</td>
<td>0.35</td>
<td>0.291</td>
<td>0.014</td>
<td>0.948</td>
<td>1097</td>
</tr>
<tr>
<td>Secondary school enrollment</td>
<td>66.407</td>
<td>34.213</td>
<td>2.654</td>
<td>156.551</td>
<td>829</td>
</tr>
<tr>
<td>Log income</td>
<td>9.159</td>
<td>1.261</td>
<td>6.244</td>
<td>10.84</td>
<td>529</td>
</tr>
</tbody>
</table>
Some Descriptives

Asia

Latin America

Africa

Sectoral wage inequality Fitted values

Salim Nuhu Ahmed
Michigan State University
August 31, 2019
Identification Strategy and Issues

- Identification explores country-level fixed effects to remove unobserved heterogeneity that may be correlated with the idiosyncratic error.
Identification explores country-level fixed effects to remove unobserved heterogeneity that may be correlated with the idiosyncratic error.

- Sufficient if no omitted variables are correlated with the errors.
- Still work in progress.
## Results: All Sample

<table>
<thead>
<tr>
<th>Sectoral Wage Inequality</th>
<th>(1) Pooled (2) Fixed Effects (3) Margins (4) Random Effects (5) Margins</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of structural change</td>
<td>-0.00016 (0.01296) -0.01320 (0.00187) -0.15371 (0.21606) -0.01201 (0.00166) -0.15530 (0.23958)</td>
</tr>
<tr>
<td>L. Share of structural change</td>
<td>0.00141 (0.00506) -0.00228 (0.00050) -0.00228 (0.00050) -0.00109 (0.00034) -0.00109 (0.00034)</td>
</tr>
<tr>
<td>2. EUR × Share of structural change</td>
<td>6.34630*** (1.27520) 0.15400 (0.46028) 0.18958 (0.60280)</td>
</tr>
<tr>
<td>3. LAM × Share of structural change</td>
<td>-0.24525*** (0.05256) 0.15787*** (0.02874) 0.08765*** (0.02368)</td>
</tr>
<tr>
<td>4. NAM × Share of structural change</td>
<td>-8.52240** (3.07265) -7.36193*** (1.65915) -8.6351*** (1.62314)</td>
</tr>
<tr>
<td>5. SSA × Share of structural change</td>
<td>-0.06156 (0.28405) 0.46888* (0.17501) 0.65041*** (0.19238)</td>
</tr>
<tr>
<td>Inflation</td>
<td>0.00001*** (0.00000) -0.00001*** (0.00000) -0.00001*** (0.00000) -0.00001*** (0.00000) -0.00001*** (0.00000)</td>
</tr>
<tr>
<td>Technical- Structural Change</td>
<td>0.00251 (0.00640) -0.00360*** (0.00106) -0.00381*** (0.00095) -0.00381*** (0.00095)</td>
</tr>
<tr>
<td>Lnincome</td>
<td>-0.06044 (0.02979) 0.07402 (0.06538) -0.00792 (0.00668) -0.02159** (0.00969)</td>
</tr>
<tr>
<td>Lnincome × Lnincome</td>
<td>0.00178 (0.00147) -0.00440 (0.00358) -0.00267 (0.00313)</td>
</tr>
<tr>
<td>Globalization</td>
<td>-0.00015*** (0.00002) 0.00008 (0.00010) 0.00008 (0.00010) 0.00009 (0.00009) 0.00009 (0.00009)</td>
</tr>
<tr>
<td>Ag share in employment</td>
<td>-0.03404 (0.02102) -0.12184*** (0.03337) -0.12184*** (0.03337) -0.08470 (0.04324) -0.08470 (0.04324)</td>
</tr>
<tr>
<td>2. EUR</td>
<td>0.00172 (0.00514) 0.00212 (0.00674)</td>
</tr>
<tr>
<td>3. LAM</td>
<td>0.00176*** (0.00032) 0.00098*** (0.00026)</td>
</tr>
<tr>
<td>4. NAM</td>
<td>-0.08229*** (0.01855) -0.09650*** (0.01814)</td>
</tr>
<tr>
<td>5. SSA</td>
<td>0.00524** (0.00196) 0.00727*** (0.00215)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.47347*** (0.15315) -0.22752 (0.29457) 0.03635 (0.28860)</td>
</tr>
</tbody>
</table>

**N** 458

Year FE Yes Yes Yes Yes Yes

Standard errors in parentheses

* p < 0.10, ** p < 0.05, *** p < 0.001

Salim Nuhu Ahmed

Michigan State University

August 31, 2019
### SSA Sub-sample

<table>
<thead>
<tr>
<th>Sectoral Wage Inequality</th>
<th>(1) Pooled estimates</th>
<th>(2) Fixed Effects</th>
<th>(3) Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural change</td>
<td>-0.00268</td>
<td>0.00247**</td>
<td>0.00270**</td>
</tr>
<tr>
<td></td>
<td>(0.00175)</td>
<td>(0.00102)</td>
<td>(0.00116)</td>
</tr>
<tr>
<td>L.Structural change</td>
<td>-0.00143</td>
<td>0.00416**</td>
<td>0.00430***</td>
</tr>
<tr>
<td></td>
<td>(0.00146)</td>
<td>(0.00127)</td>
<td>(0.00117)</td>
</tr>
<tr>
<td>Inflation</td>
<td>0.00011</td>
<td>0.00031</td>
<td>0.00029*</td>
</tr>
<tr>
<td></td>
<td>(0.00024)</td>
<td>(0.00018)</td>
<td>(0.00017)</td>
</tr>
<tr>
<td>Technical- Structural Change</td>
<td>-0.05735</td>
<td>-0.14909</td>
<td>-0.20476**</td>
</tr>
<tr>
<td></td>
<td>(0.19948)</td>
<td>(0.09687)</td>
<td>(0.09460)</td>
</tr>
<tr>
<td>lnincome</td>
<td>-0.40800***</td>
<td>0.46461**</td>
<td>0.34328***</td>
</tr>
<tr>
<td></td>
<td>(0.06217)</td>
<td>(0.15201)</td>
<td>(0.08448)</td>
</tr>
<tr>
<td>lnincome × lnincome</td>
<td>0.02330***</td>
<td>-0.02616**</td>
<td>-0.02000***</td>
</tr>
<tr>
<td></td>
<td>(0.00376)</td>
<td>(0.00816)</td>
<td>(0.00488)</td>
</tr>
<tr>
<td>Globalization</td>
<td>-0.00014**</td>
<td>-0.00013</td>
<td>-0.00017*</td>
</tr>
<tr>
<td></td>
<td>(0.00006)</td>
<td>(0.00012)</td>
<td>(0.00010)</td>
</tr>
<tr>
<td>Ag share in employment</td>
<td>-0.02830</td>
<td>-0.11494**</td>
<td>-0.12357***</td>
</tr>
<tr>
<td></td>
<td>(0.03526)</td>
<td>(0.02661)</td>
<td>(0.02194)</td>
</tr>
<tr>
<td>Constant</td>
<td>1.85082***</td>
<td>-1.88873**</td>
<td>-1.31342***</td>
</tr>
<tr>
<td></td>
<td>(0.26371)</td>
<td>(0.69622)</td>
<td>(0.35043)</td>
</tr>
<tr>
<td>N</td>
<td>131</td>
<td>131</td>
<td>131</td>
</tr>
<tr>
<td>Year FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Standard errors in parentheses
* p < 0.10, ** p < 0.05, *** p < 0.001
<table>
<thead>
<tr>
<th>Sectoral Wage Inequality</th>
<th>(1) Pooled</th>
<th>(2) Fixed Effects</th>
<th>(3) Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural change</td>
<td>0.00762</td>
<td>-0.01680</td>
<td>0.00762</td>
</tr>
<tr>
<td></td>
<td>(0.03670)</td>
<td>(0.04500)</td>
<td>(0.04287)</td>
</tr>
<tr>
<td>L. Structural change</td>
<td>-0.01679**</td>
<td>-0.04115***</td>
<td>-0.01679**</td>
</tr>
<tr>
<td></td>
<td>(0.00713)</td>
<td>(0.00439)</td>
<td>(0.00836)</td>
</tr>
<tr>
<td>Inflation</td>
<td>0.00107***</td>
<td>0.00076*</td>
<td>0.00107**</td>
</tr>
<tr>
<td></td>
<td>(0.00021)</td>
<td>(0.00031)</td>
<td>(0.00046)</td>
</tr>
<tr>
<td>Technical- Structural Change</td>
<td>0.00165</td>
<td>0.00240**</td>
<td>0.00165**</td>
</tr>
<tr>
<td></td>
<td>(0.00225)</td>
<td>(0.00092)</td>
<td>(0.00075)</td>
</tr>
<tr>
<td>Inincome</td>
<td>-0.13022**</td>
<td>0.01006</td>
<td>-0.13022</td>
</tr>
<tr>
<td></td>
<td>(0.05864)</td>
<td>(0.14357)</td>
<td>(0.11525)</td>
</tr>
<tr>
<td>Inincome × Inincome</td>
<td>0.00708**</td>
<td>-0.00112</td>
<td>0.00708</td>
</tr>
<tr>
<td></td>
<td>(0.00320)</td>
<td>(0.00869)</td>
<td>(0.00634)</td>
</tr>
<tr>
<td>Globalization</td>
<td>-0.00014***</td>
<td>0.00005</td>
<td>-0.00014**</td>
</tr>
<tr>
<td></td>
<td>(0.00003)</td>
<td>(0.00009)</td>
<td>(0.00006)</td>
</tr>
<tr>
<td>Ag share in employment</td>
<td>0.02508</td>
<td>-0.14519</td>
<td>0.02508</td>
</tr>
<tr>
<td></td>
<td>(0.02186)</td>
<td>(0.13132)</td>
<td>(0.03237)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.64560**</td>
<td>0.09969</td>
<td>0.64560</td>
</tr>
<tr>
<td></td>
<td>(0.26556)</td>
<td>(0.59242)</td>
<td>(0.51326)</td>
</tr>
<tr>
<td>N</td>
<td>120</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Year FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Standard errors in parentheses
* p < 0.10, ** p < 0.05, *** p < 0.001
Possible Mechanisms

- Structural change has been generally growth-enhancing in Asia as compared to SSA.
Possible Mechanisms

- Structural change has been generally growth-enhancing in Asia as compared to SSA.
- Labor has moved in the right direction: from low to high productive sectors in Asia.
Possible Mechanisms

- Structural change has been generally growth-enhancing in Asia as compared to SSA.
- Labor has moved in the right direction: from low to high productive sectors in Asia.

- In SSA pre-mature deindustrialization has moved lots of labor to low-wage retail and services, further widening the wage gap.
Possible Mechanisms

Structural change has been generally growth-enhancing in Asia as compared to SSA.

Labor has moved in the right direction: from low to high productive sectors in Asia.

In SSA pre-mature deindustrialization has moved lots of labor to low-wage retail and services, further widening the wage gap.

Institutions and labor market rigidity.
We attempt to estimate the effect of productivity growth induced by structural change, on industrial wage inequality with special focus on Africa and Asia.
We attempt to estimate the effect of productivity growth induced by structural change, on industrial wage inequality with special focus on Africa and Asia.

We find structural change share in productivity growth to be sectoral wage inequality enhancing.
Conclusion

We attempt to estimate the effect of productivity growth induced by structural change, on industrial wage inequality with special focus on Africa and Asia.

We find structural change share in productivity growth to be sectoral wage inequality enhancing.

This is driven by the fact that structural change has not been growth enhancing in SSA.
We attempt to estimate the effect of productivity growth induced by structural change, on industrial wage inequality with special focus on Africa and Asia.

We find structural change share in productivity growth to be sectoral wage inequality enhancing.

This is driven by the fact that structural change has not been growth enhancing in SSA.

Supports calls for policies targeted at enhanced re-industrialization of Africa, and providing 'good-wage' opportunities for all.