

The Great Compression in Construction

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Literature Review

- “Great Compression”. Goldin and Margo (1992).
- Jaworski and Niemesh (2018).
- Collins and Niemesh (2019).
- Katz and Murphy (1992), Katz and Autor (1999).
- Kuznets (1955).
- Milanović (2000).
- Piketty and Saez (2003).

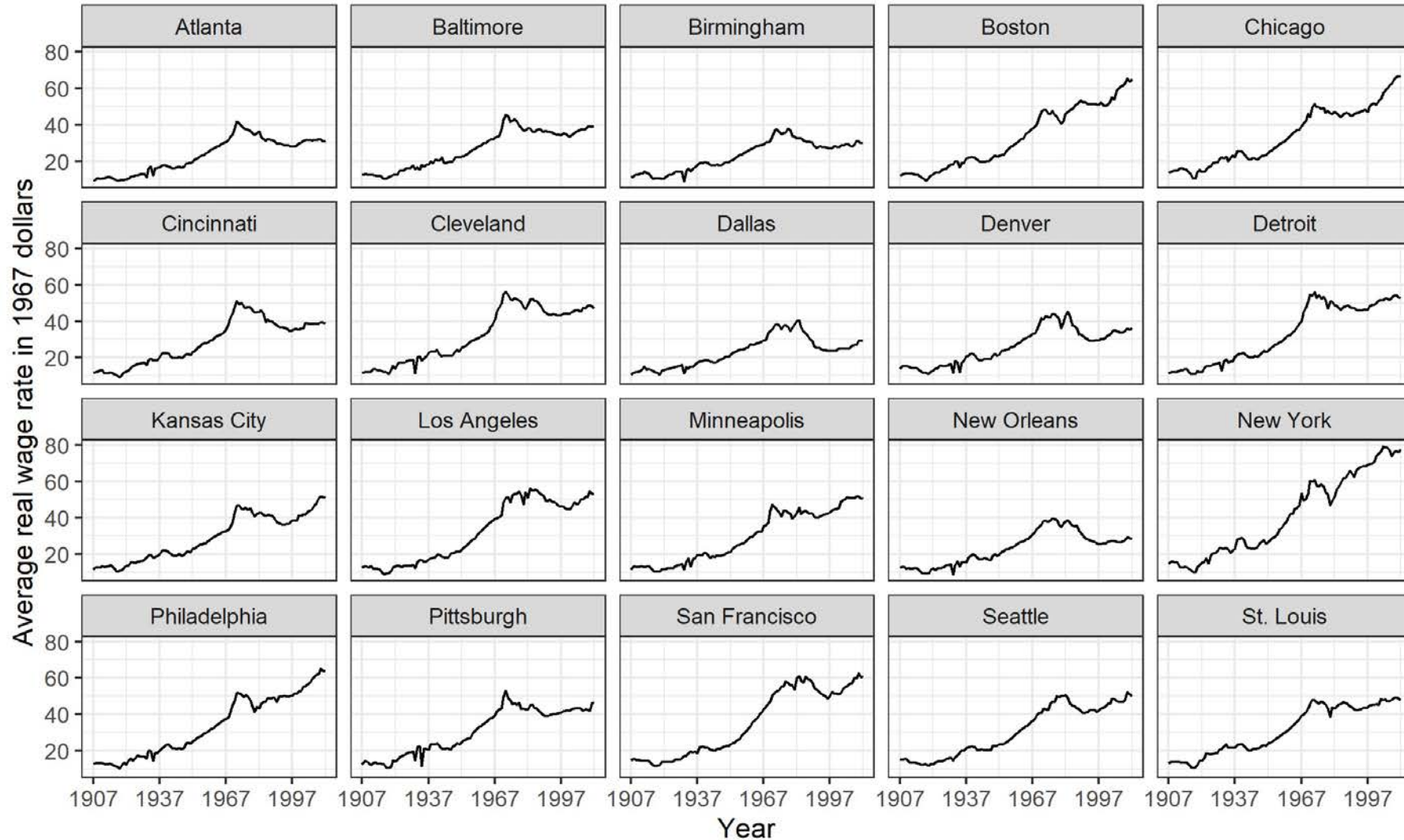
Our contribution

- Analyze US wage inequality from the perspective of the construction industry.
- Analyze inequality from a craft and city perspective.

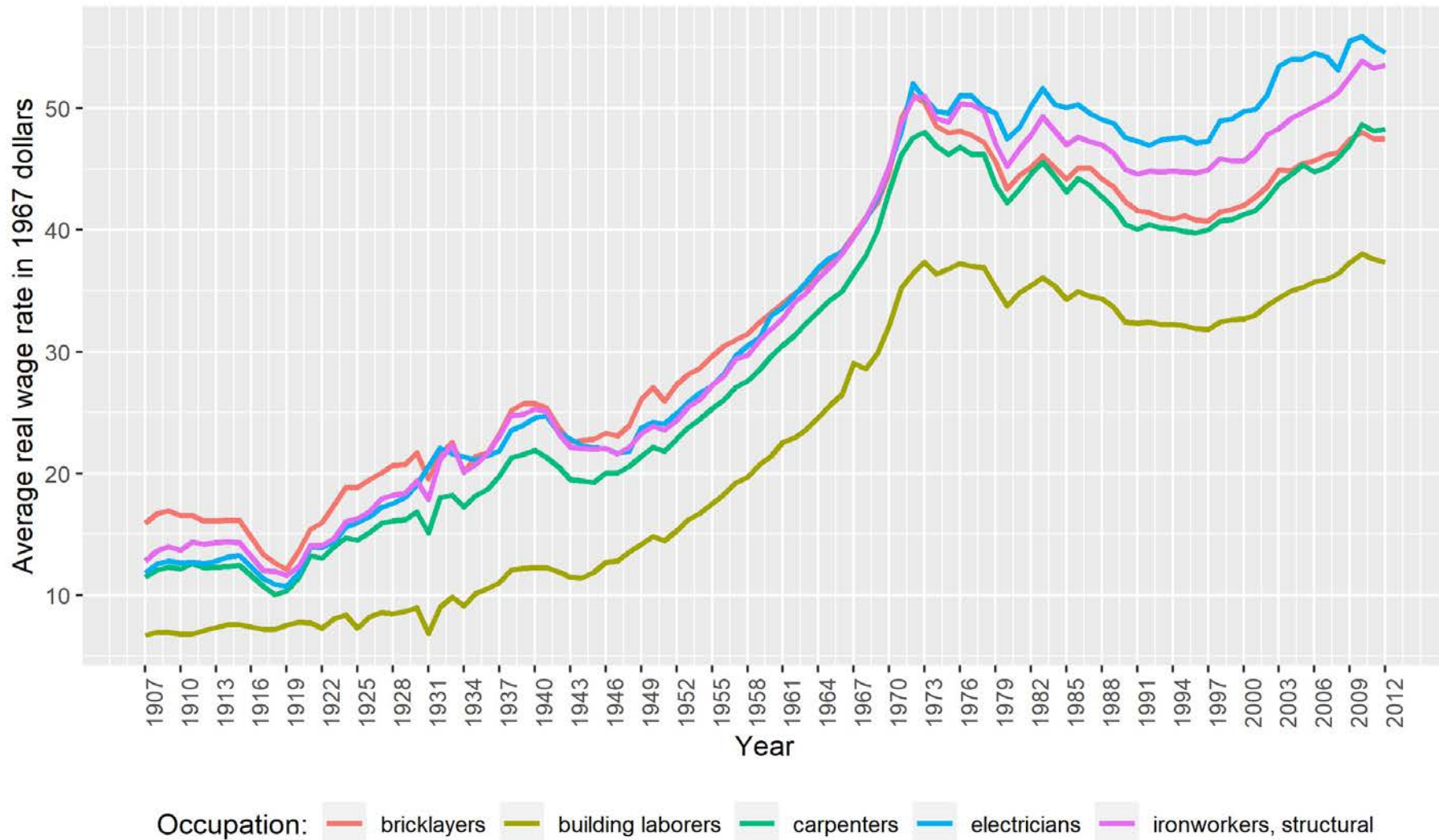
Data

- Hourly union wage rates from 1907 to 2012.
- Public and private sources.
- 5 occupations.
- 20 cities.
- Balanced panel (mostly).

Average real wage rates for cities.



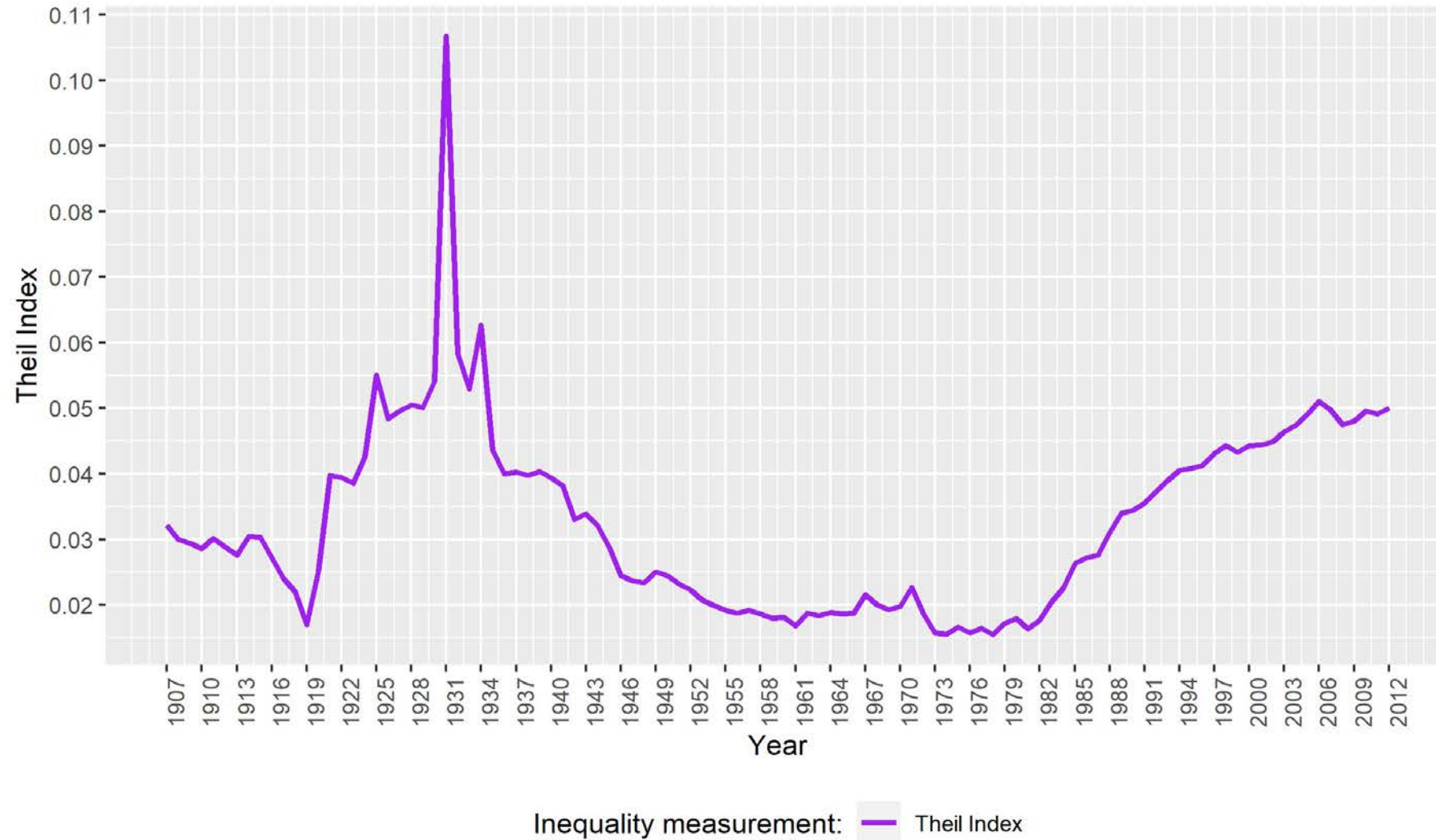
Average real wage rates for occupations.



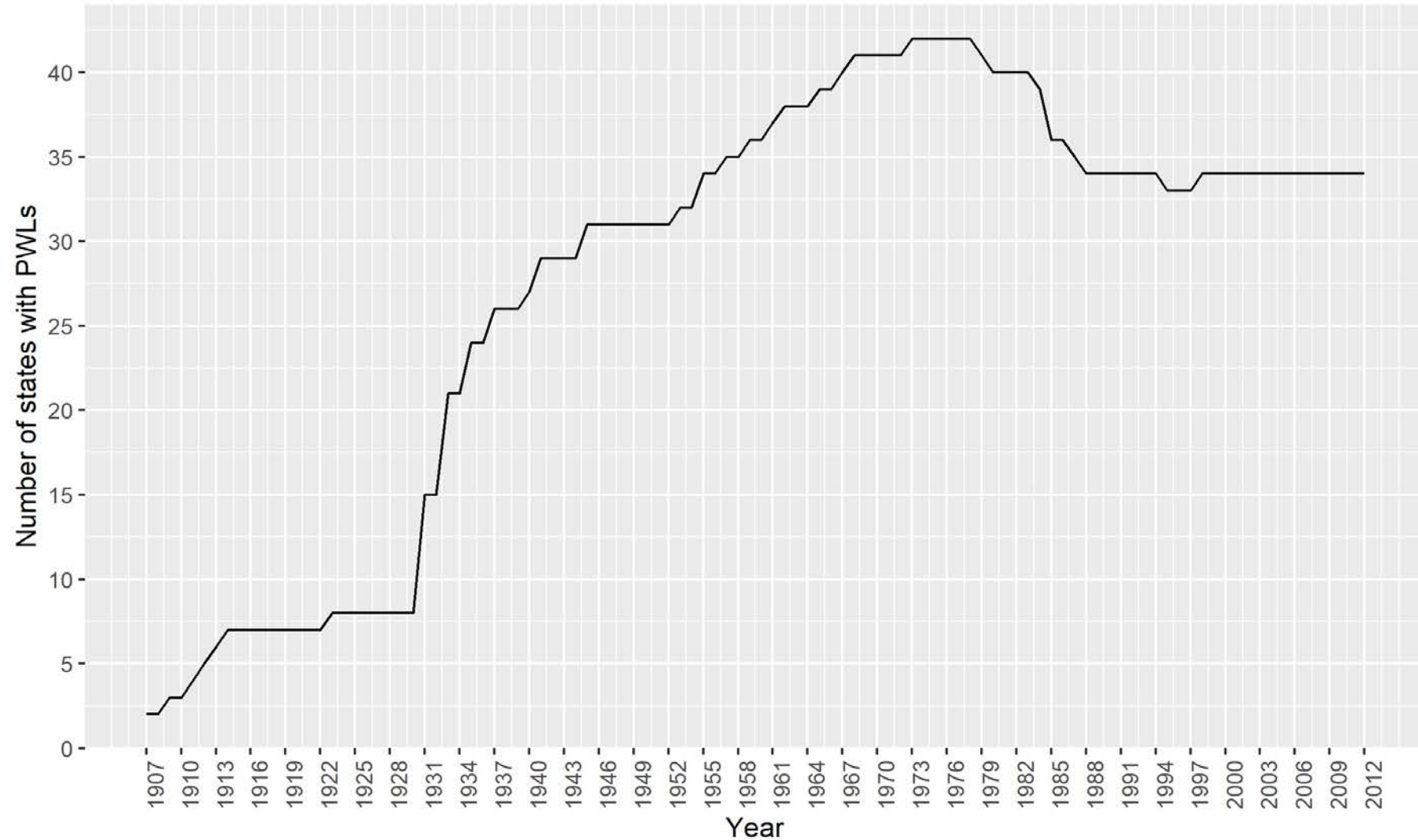
Methodology

- How to analyze inequality?
 - Need to account for the “transfer principle”.
 - Desire to take advantage of the data’s structure.
 - “Between” and “within”.
- Theil index!
 - Disadvantages:
 - Less intuitive.
 - Unbounded.

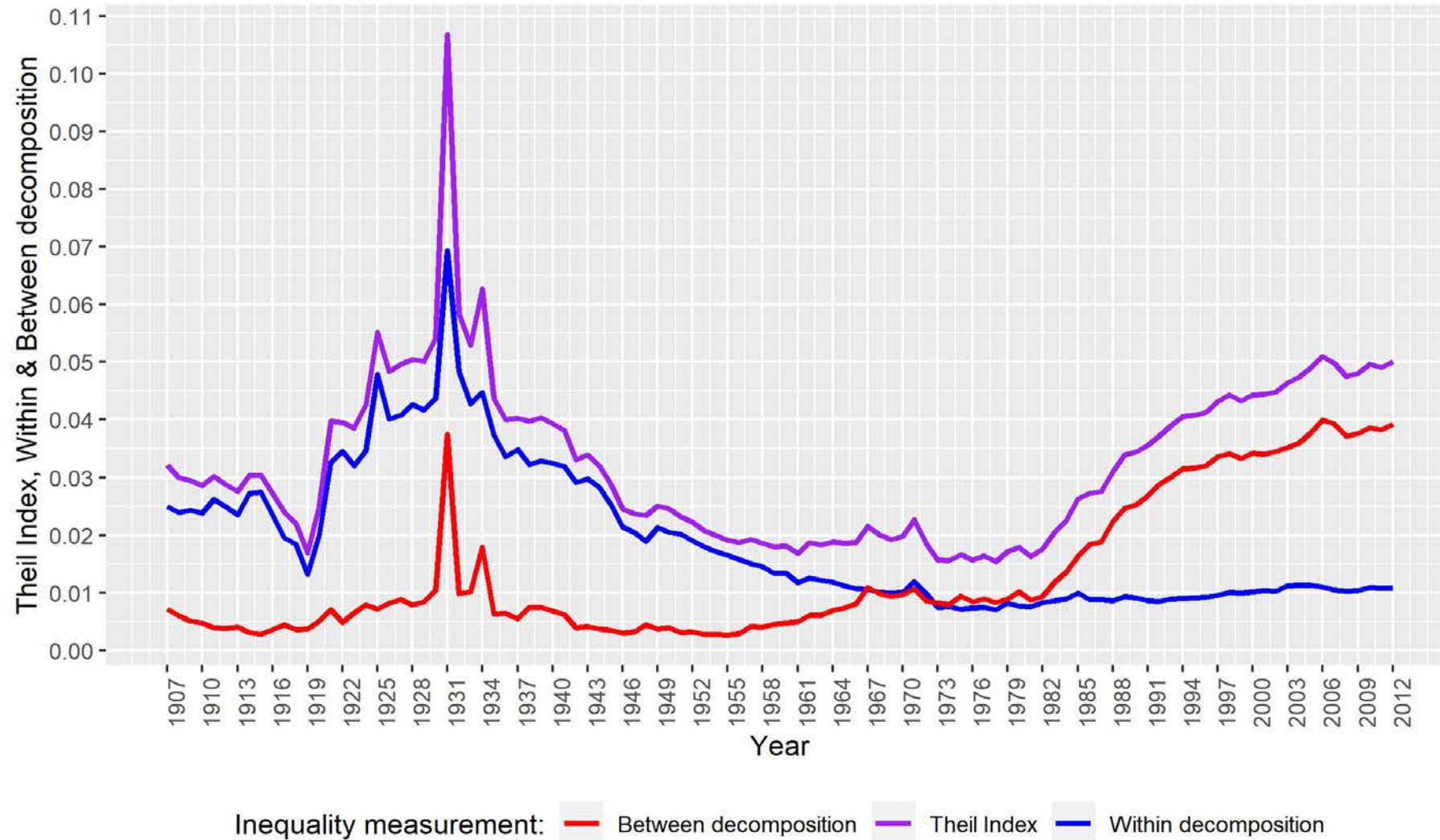
Yearly Theil Index.



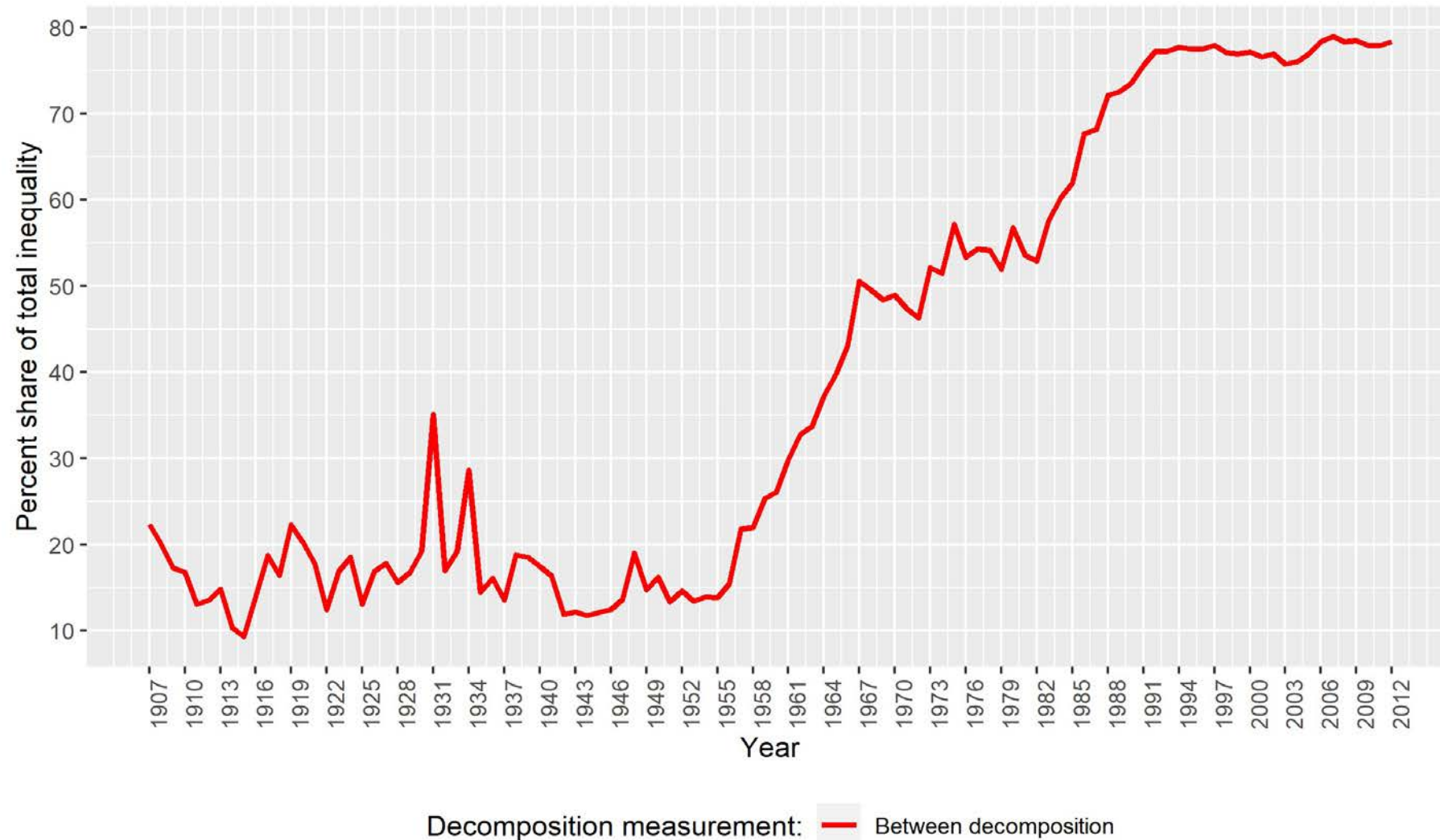
Number of states with PWLs.



Between and Within decompositions of the Theil Index.



Ratio of “between” component of the Theil Index over Theil Index.



Conclusions

- Wage inequality in the US is similar to construction wage inequality.
- PWLs reveals explain inequality between cities.
- Pattern bargaining explains the equality within cities (occupations).
- Skill-biased technological change?

Questions?

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