

Is there a country-specific trade-off between wage inequality and unemployment?

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Abstract: *In the economic literature, the increase in the demand for high-skilled labour that results from both globalisation and technical change is often seen as generating an inequality-unemployment trade-off (IUT) within advanced countries (the North). However, empirical evidence suggests that this trade-off is likely to significantly differ across countries. To explain this, we make a distinction between two types of Northern countries, i.e., those that were egalitarian and those that were inequality-oriented on the eve of both the ICT technological change and globalisation (early eighties). Estimations implemented for a panel of thirteen OECD countries over the period 1981-2003 suggest that: (i) globalisation and technical change generate an IUT that is uneven across countries, and (ii) globalisation results in a trade-off that is more intense for the countries that were initially egalitarian whereas the trade-off induced by technological change is more severe in the countries that were inequality-oriented.*

Keywords: Globalisation; Inequality-Unemployment Trade-off; Technical change.