Earnings Inequality and non-Standard Employment on Three Continents

By Ira N. <u>Gang</u> (Rutgers University) and Myeong-Su <u>Yun</u> (Inha University)

Ira N. Gang, Economics Department, Rutgers University, 75 Hamilton St, New Brunswick NJ 08901-1248 USA. Email: gang@economics.rutgers.edu. Tel : +1 848-932-8648. Fax : +1 732-932-7416. http://econweb.rutgers.edu/gang/

Myeong-Su Yun, Department of Economics, College of Economics and International Trade, Inha University, 100 Inharo, Nam-gu Incheon 22212, Korea. Email: <u>msyun@inha.ac.kr</u>. Tel: +82 32-860-7779. Fax: +83 32-860-7772. <u>http://www.tulane.edu/~msyun/</u>

[236 words] It is well-known that earnings inequality has risen while non-standard employment has expanded. We use several countries data from the CNEF (including the SOEP and the PSID) to study the sources of changing earnings inequality, focusing on the role played by non-standard employment. Utilizing the information contained in standard earnings equation estimations and measuring changes in earnings inequality in terms of variance of log-wages, our approach is to implement the decomposition method introduced by Yun (2006). The method explains changes in earnings inequality in terms of the effects of characteristics, coefficients and residuals. This is similar to the Blinder-Oaxaca decomposition for wage growth, allowing us to produce not only aggregate coefficient and characteristics effects estimates, but also to distinguish these effects for each variable or groups of variables. Thus we are able to measure the extent to which the changes in earnings inequality were the result of changes associated with the distributions of personal and workplace characteristics of workers or the earnings differences associated with those characteristics. This allows us to clearly see not only how much of the change in earnings inequality is due to changing job structure (standard vs. non-standard jobs) and to changing returns to the types of jobs, but also to measure the impact relative to other factors such as education, gender, industry, etc, and their interactions. Furthermore, we are able to examine how these effects differ from one country to another.

Yun, M.-S. (2006), "Earnings Inequality in USA, 1969-1999: Comparing Inequality Using Earnings Equations," *Review of Income and Wealth*, 52(1), 127-144