

# Sectoral wage differentials: Four countries compared

**Maarten van Klaveren**, [m.vanklaveren@uva.nl](mailto:m.vanklaveren@uva.nl)

STZ consultancy & research, Eindhoven, University of Amsterdam / AIAS

**Kea Tijdens**, [k.g.tijdens@uva.nl](mailto:k.g.tijdens@uva.nl)

University of Amsterdam / AIAS

Amsterdam, NL, September 9, 2010

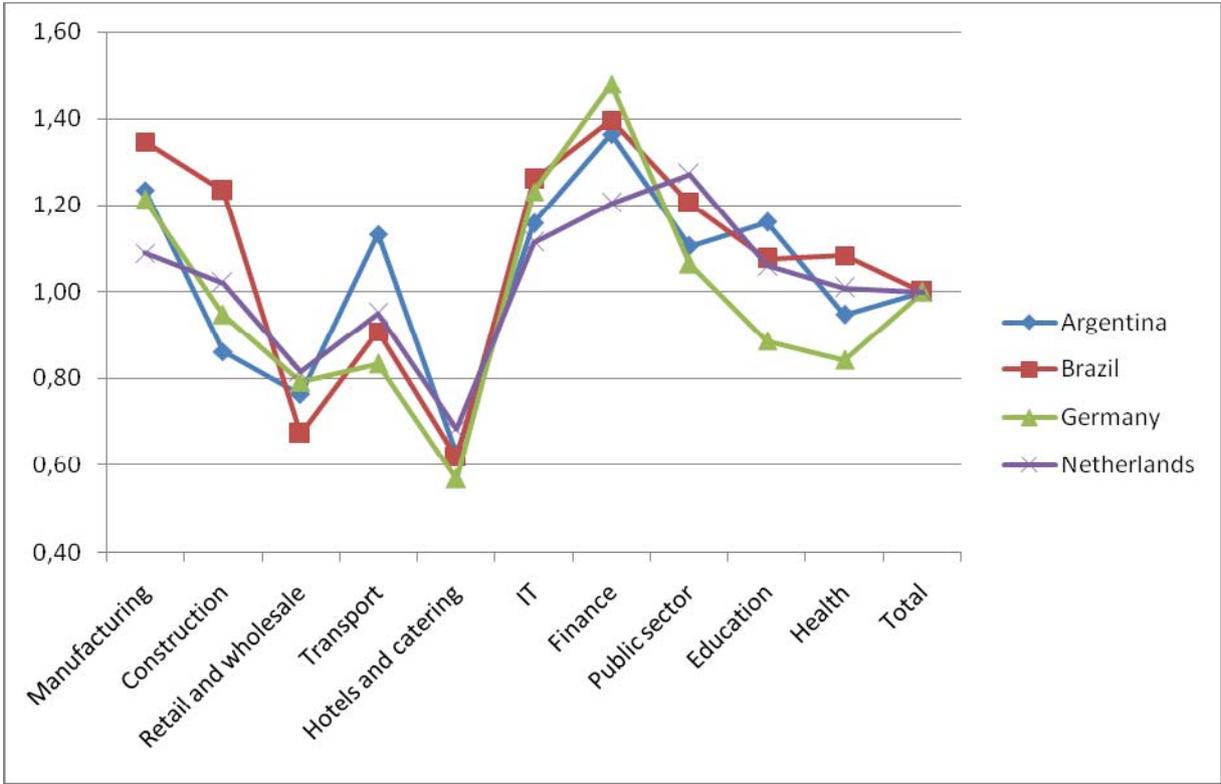
Earlier research we, jointly with others, carried out revealed that across sectors the retail and hotel and catering sectors in various European countries consistently showed up with the lowest average or median hourly wages. This was the case in the Netherlands, the UK, Germany, France, Denmark, and other EU member states. However, across countries there was more variation concerning the sectors with the highest wages. These outcomes were based on figures from 2002 to 2006. Building on this evidence, we now try to answer some questions based on *WageIndicator* data as of 2009. Does the rather fixed ranking of sectors according to wage still exist? And if so, does this ranking also exist outside Europe?

The graph shows across sectors the distance in 2009 between the median gross hourly wage and the national median gross hourly wage. The presentation includes the usual 10 sectors and four countries, two West European countries (the Netherlands and Germany) and two Latin American countries (Argentina and Brazil). The reader immediately grasps the similarities in wage patterns across sectors in the four countries. Again, wages in hotels and catering and in retailing and wholesale are ranked lowest: hotels and catering with the lowest median wage, and retail and wholesale with the second lowest median outcome. The pattern of top rankings is less unequivocal. In three of four countries, banking and insurance (the finance sector) pays the highest median hourly wages, with the exception of the Netherlands, where the public sector ranks first, followed by finance. In Argentina and Brazil manufacturing ranks second, followed by the IT sector, whereas in Germany the IT sector pays slightly better than manufacturing.

These international similarities are not that surprising. The wage rankings across sectors largely mirror the skill rankings of workers in those sectors, and these skills rankings do not differ widely

across countries. Besides skills, so-called institutional factors play a part, such as the presence of strong trade unions, the level of collective bargaining coverage, and the existence of a statutory minimum wage. Across countries, the incidence of these institutional factors varies more widely, and that may stronger influence the spread of wages between well-paid and low-paid sectors (wage dispersion) than the ranking as such. It is striking to note that the sectoral wage dispersion is largest in Germany: in that country, the median hourly wage in hotels and catering is 57% of the national median wage and the median in finance 148%, resulting in a major 91%points wage differential across sector. The Netherlands showed the smallest wage dispersion, with a gap of 59%points between the lowest median wage (horeca and catering, 68% of the national median) and the highest (public sector, 127%), whereas Argentina (74%points) and Brazil (78%points) end up with a position in between. We suggest that the incidence (or lack) of a statutory minimum wage may play an important role at this point. The national minimum wage regulations as existing in Argentina, Brazil and the Netherlands may likely be of help in keeping the distance between low-pay sectors and the average of the wage distribution –though judged by many as too large – smaller than in Germany. In spite of substantial trade union pressure, the economically most powerful country in the EU is still lacking a national minimum wage. Moreover, the share of workers that is no longer covered by collective agreement, is decreasing rather quickly in Germany, in particular in the retail trade and in hotels and catering.

Table: Median hourly wage per sector related to national median wage, national median = 1,00, ten sectors and four countries



Source: unweighted WageIndicator data, selection employees in Argentina, Brazil, the Netherlands, and Germany, January-December 2009(n per sector/country = 100 or more)

\*\*\*\*