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Wage Dispersion and Decentralization of Wage Bargaining

by Christian M. Dahl, Daniel le Maire, Jakob R. Munch
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Abstract:

This paper studies how decentralization of wage bargaining from sector to firm-level influences wage levels and wage dispersion. We use detailed panel data covering a period of decentralization in the Danish labor market. The decentralization process provides variation in the individual worker's wage-setting system that facilitates identification of the effects of decentralization. We find a wage premium associated with firm-level bargaining relative to sector-level bargaining, and that the return to skills is higher under the more decentralized wage-setting systems. Using quantile regression, we also find that wages are more dispersed under firm-level bargaining compared to more centralized wage-setting systems.

Text: See [Discussion Paper No. 6176](#)

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