

Technological Change, Labour Demand and Income Distribution in European Union Countries

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Abstract

This paper provides empirical evidence of the link between technological change in different technology intensive sectors and overall income (and not simply earnings) inequality in some EU eastern and western countries. In a first step, the skill-biased technological change hypothesis is tested distinguishing various technology intensive sectors. Results confirm the presence of skill-complementary technologies and stress the prevailing skill-replacing character of investment flows. The second step places the evolutions of sector skilled-labour demand among other traditional determinants of income inequality. Our findings reveal a non linear relationship between skill-biased technological change and inequality in five out of the eight sectors considered, suggesting a inverted U-shaped pattern that can be explained by stages and time patterns of labour demand and supply adjustments.

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