

A REASSESSMENT OF WAGE INEQUALITY IN ITALY

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Abstract

Empirical literature shows that wage inequality in Italy has been quite stable over the last decade. In this paper, we argue that this is mainly due to the fact that public and private sector have always been considered jointly. Actually, carrying out different analysis for the two sectors provide quite different patterns: wage inequality (the 90/10 ratio) increases in the public sector by 12.2% from 1993 to 2004, while it decreases by 8.7% in the private sector. Further, applying a quantile decomposition procedure we find out that the decrease of wage inequality in the private sector is driven by a negative coefficients component, related to falling educational wage premia, and to patterns of job compression. As for the public sector, the increase of wage inequality is mainly explained by an increase of the residual component in the upper tail of the wage distribution, which we relate to the reforms in the wage setting system introduced in 1993 and 1998.

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