

Wage Inequality in a global environment

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Abstract

This paper analyses the various channels through which wage inequality can be affected. Since 1965 global trade has increased at a larger pace than the size of the countries participating in trade. However, parallel to the increase in trade income inequality between countries and within countries has been increasing. Recent econometric studies have not found trade to have a large impact on wage inequality; hence it is only natural to search for channels through which trade affects technological change and labor market characteristics. It is suggested that recent research has not paid enough attention to the possible impact of technology diffusion on wage inequality and the relative levels of unemployment in countries across the world.

Keywords: Wage Inequality, International Trade, Skill-Biased Technical Change, Institutions, Specialization, Outsourcing

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