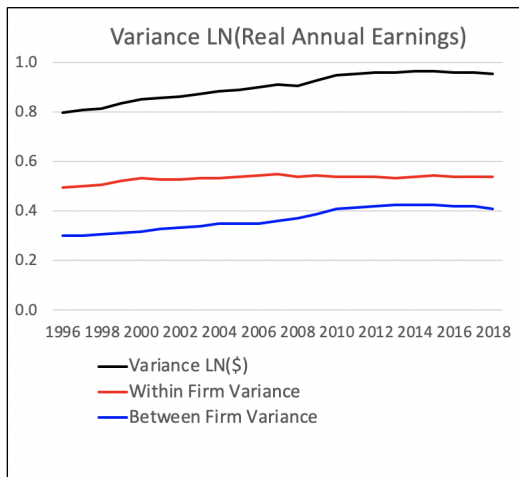


Discussion of
“Industries and Increasing Inequality”
by
John Haltiwanger, Henry Hyatt and James R.
Spletzer

Christina Patterson

ASSA Conference, January 2021

Motivating fact: Stark Rise in Earnings Inequality



Key Takeaway from Paper: Important Between-Industry Differences

- Confirm earlier findings demonstrating importance of between-firm dispersion in earnings
 - Rising between-firm dispersion driven by worker **sorting** and **segregation**
- This paper: majority of rise in between-firm inequality driven by rising inequality **across industries**
 - Between-industry movements account for about 70% of rising between-firm inequality
 - Between-industry shifts driven by changing composition of workers across industries
 - Time series patterns driven by small subset of industries

Outline for Discussion

- 1 How do these results change our understanding of the sources of inequality?
- 2 Potential link to large (superstar) firms
- 3 Smaller comments on measurement

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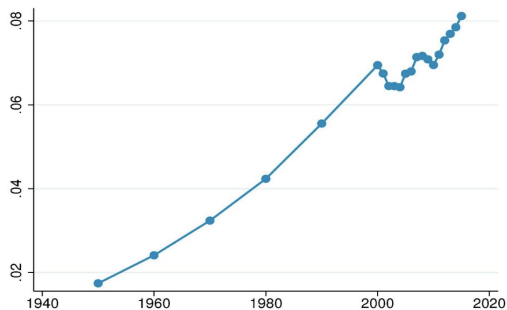
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- Highlights potential importance of outsourcing
 - Many of the top 10 industries look like outsourced industries (e.g. Restaurants, Employment services)

Growth in domestically outsourced labor

Figure 1: The Fraction of Workers working in Business Services



Note: The figure shows the fraction of all workers in the US working for business service firms. The fraction is calculated using IPUMS Decennial Census data from 1950 to 2000 and the American Community Survey data from 2000 to 2015. Business service firms are defined as firms with 1950 IPUMS industry codes for trucking (ind1950=526), warehouse (ind1950=527) industries or miscellaneous business services (ind1950=808).

Source: Dorn, Schmeider and Spletzer 2018

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- 2 Highlights potential importance of outsourcing
 - Many of the top 10 industries look like outsourced industries (e.g. Restaurants, Employment services)
- 3 Nuanced interpretation of the changing return to skill
 - Perhaps changing return is concentrated in some industries

Comment 2: Potential Importance of Large Firms

- **Casual Observation:** The "top 10" industries are also those with some of the biggest firms

<u>Industry</u>	<u>Fraction workers at firms with at least 500 Emp.</u>
Grocery Stores	0.75
Software Publishers	0.71
Employment Services	0.85
Top 10	0.66
All others	0.47

Source: 2017 SUSB

- *Does this suggest that the growth of big firms (e.g. walmart) is contributing to these cross-industry patterns?*

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 - 1996-2018 not a period of sharply rising female labor force participation
 - Do changes in gender composition across industries/firms contribute to between/within effects?

- 1 **Importance of Gender:** why estimate separately? Conclusions are similar
 - 1996-2018 not a period of sharply rising female labor force participation
 - Do changes in gender composition across industries/firms contribute to between/within effects?
- 2 **Industry of Firm (EIN) vs Establishment (SEIN):** Is this a consequential decision?
 - Perhaps something could be learned from between-industry, within-firm patterns

Conclusion

- Fascinating big new fact about the rise of earnings inequality: industries matter
- Suggests several interesting paths for future research