General Discussion of 'Wage Growth Distribution and Decline among Individuals: 2001-2017'

The paper provided some evidence that wages growth is tied to an individual's sense of financial distress. A major topic of discussion was whether the level or rate of growth of wages matters more for financial distress. One participant argued that individuals on low incomes are more likely to experience financial distress, regardless of the level of wages growth they experience. Others suggested that this idea was consistent with the authors' finding that the effect of wages growth on financial distress differed across income quintiles, with wages growth mattering less for individuals at either end of the income spectrum than those in the middle.

Shifting the focus from income to skills, a participant pointed out that one cause of low wages growth internationally has been advances in technology that reduced the need for labour in some middle-skilled jobs. In particular, economies such as the United States have seen a 'hollowing out of the middle', where routine cognitive jobs have been replaced by technological alternatives. The author highlighted that this was not the focus of the paper, which was on the individual characteristics not specific industries. Participants noted that the paper's focus on individual characteristics did not provide scope to examine whether a similar trend has emerged in Australia. However, several participants agreed that similar analysis at the occupation level would be of interest.

Much of the discussion related to the measurement of wages growth, sample selection and model specification used in the paper. Participants noted that the level of wages growth found in the paper is significantly higher than other aggregate measures. This made it difficult to interpret the findings of the paper. One participant suggested the higher level of wages growth in the paper could be due to the inclusion of bonuses and promotions in the HILDA data (which was used in the analysis), as these tend to be excluded from aggregate measures. Another participant, familiar with the HILDA data, suggested that this pattern was not surprising as aggregated measures often have different adjustments and criteria. However, several others speculated that these differences were unlikely to be significant enough to explain all of the discrepancy and posited that the HILDA sample might be unrepresentative of the true population of workers. Another participant highlighted that the paper effectively models real wages growth because the time fixed effects should absorb aggregate inflation over time.

Some participants also expressed concern about the sample selection process underpinning the paper's analysis. In particular, it was noted that by limiting the sample to full-time workers, the analysis excludes the workers that are more likely to be adversely affected by low wages growth – casual and part-time workers, and workers who have recently experienced a period of unemployment. However, the author responded that even within full-time workers they still identify the effects of having different employment type.

Participants agreed that it is useful to examine how individual characteristics affect wages growth. One participant suggested it would be useful to decompose the relative importance of individual characteristics, such as education or skill level, in contributing to aggregate wages growth. There was also some debate about the specific modelling choices.