

MOTIVATION

Isolate the impact of the *Great Recession*, distinguishing the **specific productivity transmission mechanism to salaries in each sector**, and incorporating also the **territorial dimension**.

METHODS

-**Stationarity and Cointegration Analysis for panel data**: KARAVIAS & TZAVALIS (2014), WESTERLUND (2007), CHUDIK & PESARAN (2015).

-**Common Correlated Effects Mean Group (CCEMG) estimation**: heterogeneous error correction model for panel data [GEGENBACH, URBAIN & WESTERLUND (2015)]

w_{it} → real salaries (dep. variable).

π_{it} → labour productivity (sectoral factors).

wa_{it} → alternative salary (exogene lab. market factors).

α_0 → error correction term

$$\Delta w_{it} = \alpha_0(w_{it} - \beta_1 \pi_{it} - \beta_2 wa_{it}) + \beta_3 \Delta \pi_{it} + \beta_4 \Delta wa_{it} + \varepsilon_t$$

OBJECTIVES

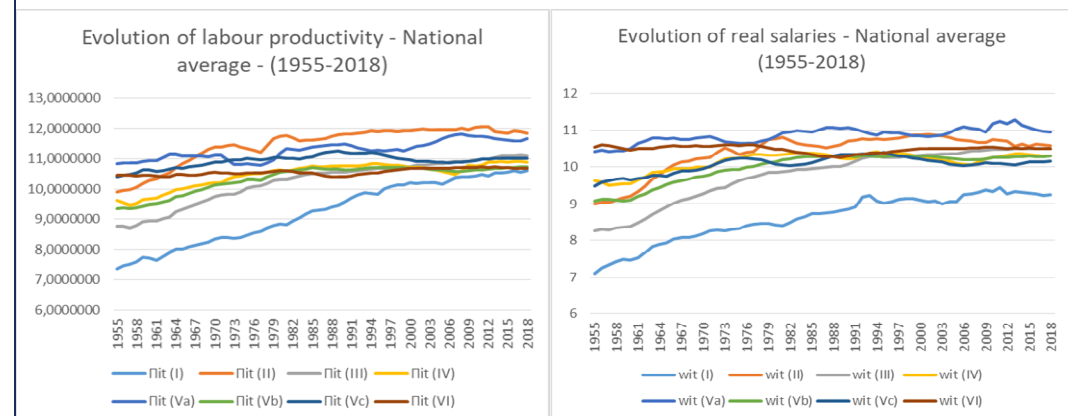
- Identify the existing **wage determination mechanism in Spain**, taking into account both **the territorial** (17 autonomous communities) **and sectoral** (8 sectors according with *RegData Sect*) **dimensions**, and the leading role played in this process by **collective bargaining** on working conditions.

- Form **two groups of regions for each sector**, depending on whether **productivity growth is above or below national average**.

- Observe the **differences in productivity-salary relationship** between **dynamic and retarded regions and sectors**.

MAIN RESULTS

- Evidence of **"imitation effect"** in **dynamic sectors**.
- Closer linkage between salaries and evolution of labour productivity in retarded sectors**.
- Prevailing dynamics in wage formation keep on preventing productivity gains from being translated into increases in employment levels. **Little have changed after the *Great Rec.***



MAIN REFERENCES

- BANDE, R., FERNÁNDEZ, M. & MONTUENGA, V. (2007). "Regional Disparities in the Unemployment Rate: The Role of Wage-setting Mechanism in Spain, 1987-92". *Regional Studies*, vol. 41.2, pp. 235-251.
- DE LA FUENTE, A. & RUIZ AGUIRRE, P. (2020). "Series largas de VAB y empleo regional por sectores, 1955-2018. RegData Sect FEDEA-BBVA (v5.0 1955-2018)". *Estudios sobre la Economía Española* 2020/08. FEDEA.

