Intra- and Intersectoral Growth of Industrial Wage in the World Economic Context*

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ABSTRACT

This paper presents intra- and intersectoral growth of industrial wage as two distinct dynamics of industrial wage change at the national level. The intra- and intersectoral growth rates of industrial wage computed for 47 countries during 1971-81 suggest that industrial workers in MDCs most rapidly improved wage levels both within industrial sectors and through their shift into better-paying sectors. LDCs showed the lowest level of intrasectoral growth although their intersectoral growth was slightly faster than that of socialist countries. The analysis of industrial wage determinants shows that international economic factors were conducive to both intra- and intersectoral growth of industrial wage in MDCs, but only to intrasectoral growth in LDCs. For LDCs, dependent development appears to be a limited option in bringing about the industrial restructuring into advanced sectors.

While industrialization has long been regarded as the essence of national development, the recent experiences of many countries appear to call for a scrutiny of its actual consequences for industrial workers. For less developed economies (LDCs) in the Third World, their partial accomplishment of this eluding project has usually resulted in a structural subordination to the global economic forces controlled by

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Western capital. The so-called "dependent development" (Evans 1979; Cardoso and Faletto 1979; Lim 1985) is a process by which LDCs achieve industrial build-up by increasing their dependence on Western capital, technology, and market. In the course of dependent development, labor is not a major participant in the bargaining process for global economic transactions; state elites, domestic industrialists, and foreign capital all are motivated to keep wage levels low as a rational economic choice (Evans 1979; Portes and Walton 1981; Deyo 1989). While abundant and cheap labor is widely recognized as a Lewisian economic development factor (see Lewis 1954), it is not at all clear how the desired consequences of development reaches labor.

Even for many advanced capitalist economies (MDCs), the rapid industrial restructuring, often effected by active economic interpenetration among them as well as by a "new international division of labor" with LDCs, appears to make the economic status of industrial workers (in particular, unskilled or semi-skilled ones) increasingly unstable (Goldstein 1976). Industrial development in a globalized context seems to have a structural limit not only in creating well-to-do modern labor from Third World masses but also in improving the welfare of Western workers. Under this circumstance, we are confronted with a pressing need for systematically reevaluating industrial wage changes and their determinants.

One of the major problems in meeting this research need is that previous studies have failed to distinguish between two distinct dynamics of industrial wage change at the national level. That is, between wage change within each industrial sector (intrasectoral change) and wage change based on the shifting composition of high- and low-wage industrial sectors (intersectoral change). Whereas intrasectoral change of industrial wage may occur due to the changing labor demand-supply situations in each industry, intersectoral wage change requires labor force movement across different industries, very often into newly created industries. This distinction has not been properly addressed in the conventional market explanation of wage change which proposes a hypothetical situation of "equilibrium" in the demand and supply of labor. Under equilibrium, intra- and intersectoral wage change do not have independent dynamics since any change in the labor demand-supply balance in an industry is supposed to be counteracted by changes in other industries until a new moment of equilibrium is achieved in the entire labor market.

However, as intersectoral wage change usually accompanies a long-term historical process of industrial restructuring, the short-term equilibrium between labor demand and supply does not seem to provide a proper explanatory framework. Market equilibrium is simply unlikely in the process by which various external and internal demands for new modes or forces of production are incorporated into the industrial structure of an economy (Hirschman 1958; Gregory 1986). It implies not only that intra- and intersectoral wage changes need to be conceptually distinguished but also that different types of determinants may exist for the two dynamics of wage change. These issues will be briefly addressed in this research note which, using a modified version of standardization technique and regression analysis, presents intra- and intersectoral wage changes and their determinants for 47 countries between 1971 and 1981.¹

**Intra- and Intersectoral Growth of Industrial Wage**

Based on the above-presented conceptual differentiation between intra- and intersectoral wage changes, two hypothetical situations can be compared for a certain period (t₁-t₂): one in which wage levels within industries have changed but with no