

Research Statement - Matthew Nibloe

My research examines the determinants of earnings inequality, with particular emphasis on the roles of labour-market institutions and government policy. Situated at the intersection of labour economics, public economics, and international trade, my work combines high-quality administrative data with original datasets and rigorous microeconomic methods to address questions of both academic and policy relevance. My future research will deepen these themes, while extending my analysis of inequality towards market forces such as technological change.

Trade Disintegration

The first strand of my research examines how workers' earnings and employment prospects respond to increasingly common episodes of trade disintegration. My job market paper, **“Trade Disintegration and Local Labour Markets: Evidence from Brexit”**, asks whether the costs of diminished access to imported inputs from the EU and export markets following the UK's exit from the EU outweighed the benefits of reduced import competition. Co-authored with Jan Knuf and Aaron Tang, the paper brings the principal trade-related economic arguments for and against Brexit into a unified empirical framework. We find that the imported-input channel was the primary driver of earnings losses, while reduced import competition did little to generate new opportunities for workers. Reduced access to EU export markets also had little effect on earnings, as firms redirected exports towards the rest of the world.

At the aggregate level, workers' earnings losses arose primarily through lower wages: regional employment did not adjust to Brexit through any of the channels we examine. Taken together, our estimates suggest that Brexit reduced annual earnings by 2% and increased the regional wage gap between southern England—including London—and the rest of the country.

Drawing on administrative data covering hundreds of thousands of firms, we show that these null regional employment effects conceal substantial reallocation across employers. Firms most exposed to Brexit shed considerable numbers of workers, who were absorbed by less exposed firms. However, these receiving firms were smaller and less productive and paid lower wages. At a time of renewed support for protectionism, these findings show that the labour market benefits of reduced import competition can be outweighed by the costs of disrupted access to imported inputs, with adjustment shifting workers towards less productive, lower-paying firms.

Public Sector Pay

A second strand of my research examines how public-sector pay-setting institutions shape earnings inequality and the provision of public services. My paper **“The Distributional Consequences of Public Pay Caps”** (submitted) studies the UK's post-financial-crisis policy of public-sector pay restraint, which capped annual nominal pay growth at 1% for much of the upper half of the public-sector earnings distribution for seven years. Using a novel counterfactual method that compares public- and private-sector wage growth across the earnings distribution, I show that the policy was the principal driver of the decline in upper-tail earnings inequality between 2010 and 2017, more than accounting for the observed reduction. However, because women and workers outside London are disproportionately represented in the public sector, the policy also widened gender and regional pay gaps.

This policy raises a broader question about whether sustained pay restraint changes the com-

position of workers entering the public sector and, ultimately, the quality of public services. In joint work with Clara von Bismarck-Osten, **“Who Goes Public?”**, we use linked administrative records to show that public-sector entry among graduates from highly selective universities remained remarkably resilient to substantial declines in its value relative to their outside options. Building on this work, my current project, **“Capping Student Outcomes: The Long-Run Consequences of Teacher Pay Restraint”**, investigates whether pay restraint affects public-sector productivity through its consequences for pupils. I compare schools in labour markets where teachers’ outside-option wages declined by different amounts and examine how exposure affected school value added, university enrolment, and pupils’ subsequent earnings. Together, these projects will shed light on whether policies that compress public-sector wages generate longer-run costs through worker selection and service quality, contributing to the wider debate over stagnant public-sector productivity in the UK.

Broader Perspectives on Inequality

My work also broadens the study of inequality beyond earnings at a single point in time. In **“Early Skills, Environments and Life-Cycle Profiles of Earnings and Health”**, co-authored with Sarah Cattan and Pedro Carneiro, we use multi-channel sequence analysis to study inequalities in earnings and health within the 1958 British birth cohort. We identify a group comprising 7% of the cohort that experiences persistent deprivation, ranking near the bottom of both distributions throughout life. Skills and environments measured by age 16 identify 59% of persistently deprived men and 52% of persistently deprived women, rising to 70% and 65%, respectively, when basic labour-market information at age 23 is included. For policy debates that often assess disadvantage using snapshots of income or health, these findings demonstrate the importance of viewing deprivation as a persistent, multidimensional condition whose roots are already visible in childhood.

I also examine inequality from a comparative perspective. In **“Low-Wage Work and Labour-Market Policies: A European Cross-Country Study”**, joint work with the OECD and the LinkEED 2.0 network that has been invited for publication in *Fiscal Studies*, we investigate how minimum wages and transfer systems shape the trajectories of low-paid workers across Europe. We show that low-wage employment is more strongly associated with individual characteristics than employment at other points in the wage distribution. Across countries, however, we find little evidence that either minimum wages or in-work tax credits affect long-run wage growth or job-to-job mobility. In current debates over how to improve the prospects of low-paid workers, these findings suggest that such policies, while potentially supporting current incomes, are not sufficient on their own to create sustained routes out of low-wage employment.

Future Research

My future research will broaden this agenda by examining technological change as a driver of earnings inequality, allowing me to assess the relative roles of market forces and institutions in shaping the wage distribution. Together with Peter Nunez, Joern-Onken, and Allen Shen, I have taken the first steps in this direction through our work in progress, **“Technological Innovations and Worker Skills”**. Whereas the existing literature has largely focused on automation and firms’ labour-demand decisions, we shift attention to how workers anticipate and adapt to technological change. We use textual analysis of the universe of patents indexed by Google Patents to construct a time series of technological innovations that complement or displace skills defined in O*NET, and then map these innovations to occupations using occupational descriptions. Linking this novel

measure to longitudinal worker data from Understanding Society will allow us to examine whether workers respond to technological shocks by acquiring new skills, moving into more specialised occupations, or pre-emptively leaving occupations in which technological change is likely to reduce demand for their skills. The project will reveal whether these responses amplify or mitigate earnings inequality.