

Macro Roundup Article

Headline: [Within-Firm Pay Inequality and Productivity](#)

Article Link: <https://www.nber.org/papers/w32240>

Author(s)	Melanie Wallskog, Nicholas Bloom, Scott Ohlmacher and Cristina Tello-Trillo
Publication	National Bureau of Economic Research
Publication Date	March 22, 2024

Tweet: Increases in firm-level productivity disproportionately raise wages for top earners, and since 1980 have driven 40% of the rise in within-firm inequality as measured by the CEO/median pay ratio. @I_Am_NickBloom @WallskogMelanie @tellotri

Summary: We find that employees at more productive firms and firms with more structured management practices have substantially higher pay. This pay-performance relationship is particularly strong amongst top-paid executives, with a doubling of firm productivity associated with 15% more pay for the highest-paid employee (likely the CEO) compared to 7% for the median worker. The highest-paid worker sees a 19% pay increase in public firms but only an 11% pay increase in private firms for a doubling of productivity. More productive firms have higher within-firm inequality. The magnitude of this pay-performance slope suggests rising productivity can explain 40% of the rise in within-firm inequality since 1980.

Related Articles: Why Do Wages Grow Faster for Educated Workers? and Multidimensional Human Capital and the Wage Structure and The Economics of Inequality in High-Wage Economies

Primary Topic: Inequality

Topics: Academic paper, Database, High vs Low Skill, Important!, Inequality, Productivity, Wages/Income, Weekly, Workforce, Workforce Reorganization

PDF File URL: <https://www.edwardconard.com/wp-content/uploads/2024/03/within-firm-pay-inequality-and-productivity.pdf>

Permalink: <https://www.edwardconard.com/macro-roundup/increases-in-firm-level-productivity-disproportionately-raise-wages-for-top-earners-and-since-1980-have-driven-40-of-the-rise-in-within-firm-inequality-as-measured-by-the-ceo-median-pay-ratio-i-am/?view=detail>

Featured Image Link: <https://www.edwardconard.com/wp-content/uploads/2024/03/Pay-Increases-Are-More-Correlated-With-Productivity-Increases-For-Top-Earners.png>