

Macro Roundup Article

Headline: [The Slow Diffusion of Earnings Inequality](#)

Article Link: <https://www.nber.org/papers/w30977>

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Tweet: A new @NBERpubs paper shows that newer firms have more earnings dispersion than older firms, and that this pattern accounts for a large fraction of the aggregate rise in between-firm earnings inequality. @WallskogMelanie

Summary: We plot the between-firm variance of earnings within a cohort over time. We find two striking patterns. First, within a cohort, between-firm earnings inequality declines as the cohort ages. Second, each subsequent cohort of firms enters with a higher level of between-firm earnings inequality before declining on a path approximately parallel to previous cohorts. We find that between-firm pay dispersion declines within a cohort. Second, there are striking cohort patterns: more recent cohorts are more dispersed than older cohorts. This pattern accounts for a large fraction of the aggregate rise in between-firm earnings inequality. As older cohorts are replaced with cohorts with inequality “technology” of the more recent vintage, we expect inequality to continue to rise, even without a change in that underlying technology.

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Primary Topic: High vs Low Skill

Topics: Academic paper, Database, High vs Low Skill, Importance, Inequality, Productivity, Workforce, Workforce Reorganization

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