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Macro Roundup Artcile

Headline: Within-Firm Pay Inequality and Productivity

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

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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: 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

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