Research Statement

My research lies at the intersection of labor and organizational economics. Focusing on firm organization, market structure and institutions, I analyze workers' and firms' decisions and their impact on wages, worker welfare, wage inequality and firm performance. My work uses methods from applied microeconomics and theoretical frameworks to answer three three sets of questions. The first set of questions is about firms' internal organization: how does the distribution of control rights affect a firms' wage distribution? How does it affect its productivity, profitability and investment? The second set of questions relates to market structure. For example, how does job creation by large manufacturing firms impact employment in the local labor market? The third set of questions is about the role of institutions on working conditions, especially for migrant workers. For example: does the regularization of migrant workers improve their working conditions? If so, do improvements come about because of geographical or sectoral mobility?

How does the distribution of control rights affect firms' wage distribution?

In my Job Market Paper (Benveniste, 2024) I address this question by studying worker buyouts (WBOs, for short), cases in which workers take over the firm that employs them and transform it into a labor-managed firm (LMF, for short). I compare WBO firms to very similar firms that also undergo a restructuring but remain conventionally owned. Unlike a conventional, investor-owned firm, LMFs are owned and controlled by workers, with all workers having equal control rights. I find that labor management does not lower average wages, but it makes the firms' wage distribution more egalitarian. In part, this is because high-wage workers, for example managers, are more likely to leave the firm when it is labor managed. However, the reduction in inequality happens also within stayers, that is workers who remain at the firm after the transition. Hence, labor management reduces wage inequality by changing the firms' wage policies. Clarifying this mechanism is important to assess whether labor management decreases overall inequality, or only within firm by inducing exit of high-wage workers.

With the help of a theoretical framework, I show that this finding is consistent with a model where conventional firms maximize profits, whereas LMFs maximize the utility of the median worker by deciding the level of profit sharing. If the median worker earns less than the average, she will prefer to redistribute some profits, which reduces inequality.

How does the distribution of control rights affect firm performance?

In a second part of the paper, I ask whether labor management affects productivity. On the one hand, direct participation could motivate workers to increase effort and mutual co-monitoring. On the other hand, collective ownership could cause free riding. Also, the fact that the wage distribution is more egalitarian can push high-earning managers out of the firm, potentially leading to worse management. My results show that on average LMFs and conventional firms are not different in terms of value added per worker, which is a common measure of labor productivity. There are also no differences in the level of profitability (measured using EBITDA or net profits) and investment. LMFs are less hierarchical: they are 33% more likely to have no managers at all. However, this does not hurt their productivity.

In the theoretical model, both types of firms can be inefficient. Conventional firms depress effort because they impose a markdown on wages, whereas LMFs depress effort because they redistribute a share of the profits. The relationship between the markdown and the rate of redistribution determines which type of firms are more productive. Recovering key parameters from the data and the literature, the model predicts LMFs to be equally productive than conventional firms, but more egalitarian.

How does job creation in the manufacturing sector affect employment in the same local labor market?

There is a consensus among development scholars, governments and international organizations that industrialization is a key step of economic development, as exemplified by China. Many poor countries have laid out policies to attract foreign investment and develop their manufacturing sectors. However, while productivity has grown, employment in high-productivity firms has stagnated. Instead, employment has grown in small, informal firms.

We explain this fact by borrowing methods from the urban economics literature. We show that there is a complementarity between jobs in large and productive manufacturing firms, and employment at small, informal firms in manufacturing and services. Using survey data on micro and small manufacturing enterprises and a Bartik-type identification strategy, we find that each additional industrial job creates approximately 0.1 jobs and leads to higher wages at small informal firms in the same location. Most of these jobs are in the food and beverage sector. The size of this local multiplier varies widely across industries, reaching up to 3.83 for jobs in furniture making. Industrial jobs also increase employment in the services sector, particularly in informal activities.

Future Work

My work has provided novel empirical evidence on fundamental questions about the relationship between worker representation in the firm, wage inequality and firm performance. My findings have also opened up several questions I hope to further explore. Here, I provide two such examples motivated by the findings in my job market paper.

First, my findings show that labor management improves equality without efficiency costs. If more equality is socially desirable, and does not affect aggregate productivity, are there market failures that prevent more creation of LMFs. More generally, is worker representation in firms inefficiently low? There are two sources of inefficiency that are particularly worth exploring. First, workers may be insufficiently informed on the possibility of forming a LMF, either from scratch or through the conversion of existing businesses. Second, financial frictions may be preventing workers from obtaining the capital they need to start a labor-managed firm. Studying these two channels could provide recommendations to policy makers that are interested in reducing wage inequality in a decentralized way by promoting more egalitarian firm types.

Second, what are the aggregate effects on employer market power and wage inequality of increased worker representation in firms? My paper provides micro evidence on the role of increased worker representation on firms. Previous papers have also studied the micro implications of increased worker representation, like co-determination in Germany. However, we have limited evidence on the effect of increased worker representation on local labor markets. Theory suggests that increased worker representation in at one employer should have spillover effects into the labor market power of other employers competing in the same labor market. Is this true empirically? This question can be answered by using available matched employer-employee and firm balance sheet datasets.