My research interests lie at the intersection of labor and organizational economics. Focusing on firm organization, market structure and institutions, I analyze workers' and firms' decisions and their effect on wages, worker welfare, wage inequality and firm performance. I mostly use methods from applied microeconomics and theory. My research is driven broadly by 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 and institutions: if a manufacturing firm creates a new job, how many additional jobs does this create in the same local labor market? The third set of questions is about the role of institutions on working conditions, especially for migrant workers: does the regularization of migrant workers improve their working conditions? Do these improvements come about because of geographical or sectoral mobility?

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

In my Job Market Paper (Benveniste, 2024) I address this question by studying worker buyouts (WBOs), 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 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. I show that this finding is consistent with a model where conventional firms maximize profits, whereas LMFs maximize the utility of the median worker.

How does the distribution of control rights affect firm performance?s

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 poor management. My results show that on average there are no productivity differences between the two firm types, which I measure using value added per worker and net profits per worker. It is true that LMFs have fewer managers, but this does not seem to 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. Instead, LMFs depress effort because they share some of the profits. The relationship between the markdown and the rate of profit-sharing determine which type of firms are more productive.

Future Work

My work has provided novel empirical evidence on old and 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.