
Reply to Referee#3: The referee’s report begins with “The article investigates the effect of single-employer collective agreements on wage inequality within firms. This is a relevant topic...”

We thank the referee for her/his insightful comments and overall positive judgement of our work. Since most (essentially all) the reviewer’s comment actually match considerations shared by the other referees and the editor, we organize this reply in two parts. We first present a list of major changes implemented in response to comments shared by referees and the editor. Detailed reply to reviewer#3’s major points follow further below.

Summary of major changes

An overall reading of all comments signaled that the previously submitted version of the article:

- was too much relying on theories originating in economics only, while other frameworks from sociologist and organizational research, could help better positioning the paper;
- suffered from a very underdeveloped theoretical framework, while some more effort to provide at least tentative hypotheses on possible effects of FLB was worth, in order to guide the reader and also usefull to improve the discussion of results we set out in the conclusion;
- did not sufficiently emphasize, in the hypotheses and the interpretation of results, the cross-country and the inter-temporal dimension of the analysis, while these could have been stressed more since particularly interesting for SER;
- was not completely clear concerning data structure and definition of some key variables, in turn creating doubts about interpretation and the possibility to employ different estimation methods.

While the core empirical analysis (strategy, estimates and comments to coefficient patterns) is essentially unchanged in the revised version, we undertook a substantial rewriting of the introduction, of Section 2 and of the conclusion to variously tackle the above points. Summarizing the changes, we have:

- completely rewritten the Introduction. We now better clarify how our study is placed in line with recent trends placing the workplace as the key locus of inequality creation, referring to a wider set of literature and mechanisms that may help explaining within-firm inequality. Also, we are now more precise and explicit about the questions we ask. On the one hand, we are more carefull to clarify that we only look at firms that do apply some form of collective bargaining, whereas previous version was a bit cnfusing, talking about decentralization and perhaps creating the expectation that we were also talking about firms that do not apply any bargaining. On the other hand, previous version was mostly stressing the addition of the occupational wage-gap as the key element of our analysis. We now are more clearly stating that also cross-country comparisons and inter-temporal patterns are part of our research questions, providing an important contribution, especially if we link our analysis to broad tendencies relating to the great depression and the evolution of varieties of capitalism. At the same time, we made an effort to shape some hypotheses concerning what we could expect from the analysis, or at least to clarify which mechanisms may be underlying contrasting results that may emerge from the estimates. Hopefully, all these changes would provide a better

guidance to interpret our results later on in the concluding section, somewhat preparing the reader for the pretty pattern-less findings.

- reorganised and extended Section 2. In the previous version, this section was a bit underdeveloped, just providing basic descriptions of the wage-bargaining models in different countries. We made an effort in a twofold direction. First, we expanded the presentation of each country to also include some predictions about what one could expect in terms of our main research question, starting from the specificities of each country. Second, we recognise that despite we stress heterogeneities of wage-bargaining models across countries, one could also a priori think that some common patterns may be expected, both over time and across more similar countries, evoking some sort of varieties of capitalism reasoning, or at least referring to some attempts in the literature to create taxonomies of wage bargaining regimes.
- undertake a substantial rewriting of the conclusion, reflecting the changes made to the introduction and Section 2. In the previous version, the concluding remarks were essentially just a summary of the results. We tried to give more structure, in relation to the now more clearly stated research questions, and vis a vis the hopefully richer discussion of underlying mechanisms and hypotheses. The core message remained similar to previous version, since empirical results did not change. However, it should now be easier to understand the implications of our much pattern-less results for theory: (a) heterogeneities across countries prevail over attempts to taxonomize; (b) different types of employees may differently participate/have power in the within-firm structure of inequality, as reflected by different patterns merging across our two measures of within-firm inequality; (c) offering the opportunity to bargain at the firm-level, on top of more centralised levels, although it may reduce bargaining power of workers, do not necessarily create inequalities.

Detailed replies to the referee

We follow the order of discussion in the referee report, dividing the comments in main points.

Comment: *“However, to speak frankly, I am a bit disappointed from the theoretical part of the paper. We do not learn much about why firm-level agreements would affect the inequality within firms. In the introduction, the authors list a bit superficially various well known theories of wage determination, only loosely ordered as identifying direct and indirect mechanisms which connect firm-level bargaining to wage inequality. Unfortunately, these mechanisms may enhance within-firm inequality or diminish it, so we do not have any indication of what would happen in the analyses.”*

As explained above, this comment has been fully taken on board in revising the introduction and Section 2: we ~~expand~~ the set of theories and try to formulate some hypotheses about what one could expect to observe, in general and also by country, over time. We do not push this to the extreme of formulating a **single, one-size-fits-all hypotheses** stating that - say - FLB should always have a positive coefficient. **We rather “prepare” the reader to have a clue about the** many heterogeneities at work.

Comment: *“A similar objection concerns the second section of the paper. Here, the authors describe the collective bargaining regimes in the countries under study. The idea behind this pre-*

sensation seems to be that the different types of bargaining regimes shape the meaning, hence the impact, of firm-level bargaining for the wage setting process. However, we do not learn much about the question which type of bargaining regime would lead to an inequality-increasing effect of firm-level agreements, ...”

Again, we seriously tried to follow the referee suggestion in revising Section 2 (see comment above and presentation of major changes). Specifically, we tried to provide a prediction of what one could expect in each country, and a reference to “wage bargaining regimes” and varieties of capitalism as cross-cutting taxonomies that may also provide some suggestions of expected results based on theoretical grounds.

Comment: *“Thus, the paper remains mainly descriptive. This becomes obvious in the results part of the paper, which verbalises the coefficients of the the tables, only very loosely building connections to the theoretical part of the paper. So we learn (in the conclusions section) that ...”*

Yes, we agree, the previous version of the conclusions was a bit naive. Hopefully, new version does a better job in relating expected patterns and the empirical results, making the interpretations more insightful.