Job Ladders and Wage Inequality

Abstract:

This paper studies how the organizational structure of the firm affects its wage setting policy. In the first part of the paper, we use ten years of Norwegian Employer-Employee data that allows us to observe workers switching occupations within firms and to classify firms by their internal labor markets.
We find that firms fill almost half of their jobs internally, and this rate is growing with the occupational wage.
We further document that the typical firm consists of several unconnected components that differ along several observable worker-characteristics.
We then ask whether firms share their rent equally across these distinct internal labor markets.
To answer this question we estimate AKM-type wage decomposition models with firm-component and worker-fixed effects. Our evidence shows that firms' wage policies do not differentiate between those components, which suggests that wages are negotiated at the firm level.

The paper is joint work with Andreas Kostol and Jan Nimczik

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