

Labor Market Tightness, Wage Inequality and Workplace Amenities

Tuesday, 27 May 2025, 14:00–15:15 at Gormannstraße 22, 10119 Berlin

The **RFBerlin Applied Economics Seminar** series, organized by the ROCKWOOL Foundation Berlin, brings distinguished researchers in labor economics and applied microeconomics to Berlin to share their work and engage in discussion.

This time invite you to a seminar with **Attila Lindner on 27 May**, where he will present his work *"Labor Market Tightness, Wage Inequality and Workplace Amenities"*

Attila Lindner

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Abstract

Workplace-specific pay premiums and their dispersion increases with labor market tightness. We study the role of compensating wage differentials in explaining this relationship: as competition for workers intensifies, firms are compelled to pay higher compensation for poor job attributes. We directly measure job attributes by estimating workplace-specific injury rates using a model with additive worker and firm effects. We find that while workplace-specific injury rates remain largely unaffected by labor market tightness, firm-specific wage premium paid in compensation for hazardous working conditions does respond: a 10 percentage points decrease in the unemployment rate leads to 2.2 percent higher wages at high-risk firms. The additional compensation for workplace-specific injuries accounts for around 7 percent of the increase in wage dispersion. Interestingly, despite offering higher wages, firms with poor amenities struggle to retain workers as market tightness increases. We interpret these findings through the lens of a model of imperfect competition, in which firms offer lower compensating differentials when labor market slackness reduces workers' outside opportunities. Our results underscore how labor market tightness can amplify compensating wage differentials, contributing to increased wage inequality.

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