

## Workers, Firms and Life-Cycle Wage Dynamics

*by Lorenzo Cappellari, Università Cattolica Milan, Italia*

*joint work with Paul Bingley*

### Abstract

We use novel data on the population of Italian employers and employees to investigate the role of individual-specific, match-specific and firm-specific factors in driving the evolution of men's wage inequality over the life cycle. We develop a novel identification strategy for firm-related variance components using information on co-workers' wage covariances. Wage inequality grows considerably over the life cycle. Wage differentials at age 25 are almost entirely due to firm-related factors, induced by either idiosyncratic firm effects or workers' sorting into firms. Individual-specific factors account for much of the growth of life-cycle wage inequality. Idiosyncratic match effects are characterised by larger wage dispersion among young workers, consistent with the possibility that early employers face larger uncertainty on match quality. Sorting is more relevant than idiosyncratic firm effects in shaping overall wage inequality. For blue collar workers wage inequality is largely reflecting heterogeneity between firms, while among white collars ability matters more in shaping wage dynamics.

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THURSDAY, 17 May 2018

1:00 - 2:00 pm

### Location

162a, av. de la Faiënerie  
L-1511 Luxembourg  
Bâtiment des Sciences  
Room BS 104

### Language

English

### Registration

- Free seminar
- Registration to [crea@uni.lu](mailto:crea@uni.lu) (please specify full name and institution)
- Lunch is planned for registered participants

### Contact

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