Wage inequality, business strategy and productivity: evidence from Portugal

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Miguel Portela obtained his PhD from Tinbergen Institute/University of Amsterdam, in 2007. He is also affiliated with NIPE/University Minho and IZA, Bonn. His research interests' lie in the areas of labour economics, economics of education and applied econometrics. He counts 17 papers, and four book chapters, and has been published in Econometrica, Scandinavian Journal of Economics, Regional Studies, The World Economy and Studies in Higher Education. He has on-going research collaborations across different countries, leads and integrates research teams working in financed projects and has written policy oriented reports on Minimum Wage, Education and Employment on the Portuguese labour market. He has also consultancy experience, both for private as well as public institutions.

[Abstract] Using longitudinal linked employer-employee data we estimate firm- and worker-effects in wages using AKM methods of analysis. We then select different groups of firms, associated to different productivity levels and HRM profiles, and identify differences across the groups both in terms the observed composition of the work-force and in terms of the estimated unobserved factors. Additionally, we decompose wage inequality by the subgroups of firms. Between group inequality explains a very small fraction of wage inequality. We follow up and analyze the contribution of the estimated effects of observed and unobserved characteristics of workers and firms to within group wage inequality. We conclude that time invariant unmeasured human capital is the major source of inequality within groups of firms, yet differences in compensation policies across firms (net of industry effects) are also a relevant factor.

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