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Wages and Risks at the Workplace: Evidence from Linked Firm-Worker Data

Abstract:

One of the oldest views on wage determination holds that wage differences reflect compensation for hedonic aspects of jobs such as the risk of injuries and occupational diseases.

This paper studies the importance of such compensating wage differentials using longitudinal information on workers and firms. This data allows us to disentangle the wage and risk components that are attached to the worker from the wage and risk components that are specific to the firm. Results indicate first that there is a strong positive correlation between wages and the risk of workplace accidents as has been observed in the previous literature. Second, we find a compensating wage differential that is roughly equal to the one obtained in the standard cross-sectional wage regression when we correlate the firm-specific wage component with the firm-specific risk component. Third, we find no evidence in favor of the hypothesis that more productive workers sort themselves into more secure jobs.