Is Bigger Still Better?

The Decline of the Wage Premium at Large Firms

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Abstract

This study shows that the wage premium paid by large firms fell over the past 20 years and that the decline in the size premium has been most pronounced among the least educated work force. Empirical evidence supports several explanations for the decline in the size premium. First, there has been a convergence in the returns to worker characteristics at large and small firms over time. Second, there has been a convergence in the types of workers employed at small and large firms. Particularly important have been changes in the distribution of workers across industries and the greater rate of decline in unionism at large firms.

March 2009