

Posted Compensation Inequality

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Abstract

This paper studies the supply of non-wage compensations across different types of firms and jobs, as well as their impact on wage determination. Taking advantage of the data from a Chinese online job board where most firms document pecuniary and nonpecuniary amenities to attract applicants, we extract a large set of non-wage compensations that employers and jobseekers recognize as essential for their matching in the labor market. We find that different firms in different jobs also provide different non-wage compensations in a systematic way. In particular, high wage-premium firms sorted with high skill jobs also more likely provide advanced insurance packages, backloading wage and stock options, professional coworkers, and flexible work-time, and such amenities are positively correlated with posted wage. In contrast, low wage-premium firms sorted with low skill jobs more likely to offer weekend, holiday, and regular work-time, and such amenities are strongly subject to compensating differential. To account for these findings, we propose a new theory that combines the compensating differential with two new forces: efficiency compensation and (productivity-based) firm-worker sorting. This framework not only reconciles the inconsistency between our data and the incumbent theories but also offers important general insights into the labor market inequalities.