

**Intra-firm Wage Dispersion and Firm Productivity:
Evidence from Linked Employer-employee Data**

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This paper examines the relationship between intra-firm wage dispersion and firm productivity in large Belgian firms using matched employer-employee data. On the basis of the Winter-Ebmer and Zweimüller's (1999) methodology, we find a positive and significant relationship between intra-firm wage dispersion and value added per capita, even when controlling for individual and firm characteristics and addressing potential simultaneity problems. Results also suggest that the intensity of this relationship is stronger for blue-collar workers and within firms with a high degree of monitoring. These findings are more in line with the 'tournament' models than with the 'fairness, morale and cohesiveness' models.

Keywords: Wage dispersion, Personnel economics, Matched employer-employee data.
JEL-Classification: J31, J32, M5

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