

**Firm-provided social concerns -
just another non-wage compensation story?**

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In this paper I look at social concerns provided by Danish firms towards their employees. Using a survey from The Danish Social Research Institute on more than 2000 firms, linked with administrative data for each employee in the firms, I am able to analyse two important effects of the level of social concern in the firm: first, the effect on the labour force composition, i.e., do certain concerns seem to attract certain kind of employees? Second, the effect on the wage level within the firm, i.e., do firm-provided social concerns seem to substitute cash wages, or are they provided as additionally compensation? Two competing theories, non-wage compensation theory and corporate social responsibility (CSR), aiming to explain the use of social concerns toward employees are compared.

To control for endogeneity of the concern indexes the IV-model is applied. I find indications in favour of the non-wage compensation theory for manual workers, i.e. social concerns towards this employee group seem to substitute money wages. For white-collar workers the findings are, however, not as clear. Hence, high-cost concerns have a positive effect on wages, and the negative effect of concerns toward older employees is stronger for young employees than for employees above 50. The difference between the OLS and the IV estimates seem to indicate that there exist unobserved effects that at the same time tend to increase hourly wages and the level of concerns within the firm.

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