

## **Establishment Size-Wage Premium in 6 European Countries**

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### **Abstract**

This paper examines the relationship between the establishment size and individual wages across several European countries (Belgium, Denmark, Ireland, Italy, Spain and United Kingdom). We use matched employer-employee data sets (the 1995 ESES), which offer a continuous measure for the establishment size. A significant and positive size-wage premium remains after controlling for human capital, industrial affiliation, regional location, wage bargaining regime, working conditions and monitoring. Furthermore, our findings do not sustain the hypothesis that large employers match skilled workers together (Kremer and Maskin, 1996 ; Troske, 1999) but slightly reinforce their preference for a stable workforce. Finally, the size-wage differential tends to be, on average, significantly higher for blue-collar workers and within the manufacturing sector.

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