

## **Organizations, Skills, and Wage Inequality**

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We extend an on-the-job search framework in order to allow firms to hire workers with different skills and skills to interact with firm's total factor Productivity (TFP). Skills impact not only workers' productivity but how likely they are able to adapt to changing tasks. Consequently, firms' skill composition also impact labor turnover. Moreover, the model allows us to discuss not only within-firm and between-firm wage inequality, but also within-skill and between-skill wage inequality. We calibrate the model using five educational attainment levels as proxies for skills and estimate non-parametrically firm-skill productivity from the wage distributions for different educational levels. We calibrate the model for two periods in time (1980 and 2009) and consider three counter-factual economies in which we evaluate how the wage distribution would have evolved if we kept one of the following key characteristics at its 1980's levels: firm-skill productivity distribution, labor market frictions, and skill distribution. Our preliminary results show that most of the differences between the 1980's and 2009's distributions are mostly due to changes in firm-skill productivity.