

## Big firms pay better, but workers not more skilled – study

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Big firms offer better pay, but their employees aren't necessarily more skilled, new research says.

A study of large and small private sector firms, looking at 12,000 workers in nine countries, including 1 700 New Zealand workers, found bigger firms paid more – the "big firm premium" – but there was no evidence that workers at the bigger firms were better educated or more skilled.

The study, by Steven Stillman, of Motu Economic and Public Policy Research, and Waikato University's Professor John Gibson, found that workers at bigger firms in New Zealand, the United Kingdom, the United States and Ireland earned between 16 and 31 per cent more than their counterparts at smaller firms.

The biggest big firm premium was seen in Canada where workers at the biggest firms earned an average 72 per cent more than those at the smallest firms.

The researchers used workers' scores on literacy tests in the International Adult Literacy Survey and found no correlation between literacy levels and big firm premiums.

The findings, published in Harvard journal *The Review of Economics and Statistics*, put the spotlight on other explanations for the big firm premium, Prof Gibson said.

The researchers said wages may reflect productivity or market power, which could be tested by further research.

– NZPA

