



Economic Review

Dissecting Wage Dispersion

by: José Mustre-del-Río and San Cannon

August 22, 2017

“Where you work” contributes more to residual wage dispersion than “who you are.”

At any time, wages differ dramatically across U.S. workers. Some differences in the wages workers earn may be due to differences in characteristics such as age, race, or education level. But wages are substantially dispersed across individuals even after accounting for these differences, suggesting additional factors may play a role.

San Cannon and José Mustre-del-Río investigate the sources of wage dispersion for different demographic groups as well as how these sources have changed over time. They find that “where you work”—also known as the match-specific component of residual wages—accounts for a substantial portion of residual wage differences across individuals. Moreover, they find that the sources of wage dispersion are similar across sexes and education levels.

Publication information: Third Quarter 2017

DOI: 10.18651/ER/3q17CannonMustredelrio

Author



José Mustre-del-Río

Research and Policy Officer

José Mustre-del-Río is a Research and Policy Officer at the Federal Reserve Bank of Kansas City. He joined the Economic Research Department in August 2011. Prior to joining the department, José received B.S. degrees in economics and applied mathematics from Ohio State University, and M.A. and Ph.D. degrees in economics from the University of Rochester. José's main areas of research are in macroeconomics, labor economics and computational economics.
