

Abstract

This paper investigates the effect of employers concentration in the labour market on firms' average compensation and compliance with minimum wage set in collective agreements. We proxy firm's monopsony power with employment concentration in the local labour market within the industry the firm is operating. Using data on the universe of Italian firms merged with balance sheet data, we specify and estimate a firm-level wage equation using exogenous variation in employers' concentration to assess the effects on wages. We find that employers' concentration has sizeable negative effect on firms' average wages, and on the probability that a firm signs a collective agreement with non-representative social partners.