QUALITY SORTING AND METHOD OF PAY

Abstract

MICHAEL CURME, WILLIAM EVEN, and MICHAEL MONESTERO*

Using data from the National Longitudinal Survey of Youth (NLSY), the authors examine the degree to which better workers sort into jobs offering individual incentive pay. AFQT score and worker individual effects obtained from a fixed-effects wage model are both used as proxies for worker quality. The results suggest that while better workers are likely to have higher earnings on all jobs, workers with higher AFQT scores and individual effects are still significantly more likely to be found in jobs offering individual incentive pay. The results also indicate that AFQT scores and individual