

# **Explaining Cohort Wage Inequality at Firm Level**

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*Abstract :*

This project investigates how workers and firms match on the labor market when workers' skills are complementary. I build a matching model where firm total output depends not only on firms' and workers' interactions, but also on interactions between workers within the firm. The model accounts for changes in the distribution of workers and firms, and hence provides a framework to measure the added value of a worker to total firm output. My goal is to explore the mechanisms at firm level behind the decrease in returns to education for young cohorts in Portugal between 1986 and 2017.