

Sustainability Preferences of Talented Employees

(Preliminary and Incomplete)

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Abstract

Surveys indicate that high-skilled employees trade off wages to achieve work-life balance or sustainability goals and companies use such workplace amenities to compete for talent. At the same time, there is also a significant positive correlation in U.S. data between wages and sustainability due to firm size. To reconcile these findings, we propose a labor market model where companies compete for talent by offering wages and sustainability expenditure. More talented workers sort to bigger firms and receive higher wages and sustainability, with the mix determined by their preference. A larger preference weight on sustainability yields a more compressed wage (versus firm profit) distribution. Using this model-implied prediction, we estimate a sustainability weight of approximately 40%, thereby rejecting a purely pecuniary model.

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