

# Labor Market Tightness, Wage Inequality and Workplace Amenities

## **Abstract**

We study how compensating wage differentials vary with labor market tightness. Using administrative data from Hungary, we construct a firm-level measure of workplace injury risk as a proxy for job disamenities and estimate a marginal willingness to pay for this amenity of 5%. We show that compensation for workplace risk is strongly cyclical. As labor markets tighten, the wage premium at high-injury firms rises significantly. A five percentage point decline in the unemployment rate increases compensation by 1.1%, equivalent to about 20% of the marginal willingness to pay. Despite this, high-injury firms experience persistently higher turnover, indicating that workers are undercompensated in slack labor markets and reallocate toward safer jobs as labor market tighten.