Reply to Referee Report of August 13

August 14, 2007

Evaluation

I am quite happy, of course with what seems to me a rather positive evaluation.

Suggestions

- The suggestion to say a little more on wage compression is perhaps quite appropriate. I could actually provide an argument that wage compression would occur if firms were free to pay the mediocre and the prolific workers differently. I noted that in a footnote, but I would think that I can give the argument briefly in the text and explain more clearly why the argument given in the paper generalizes to the case of differential treatment.
- I think I should change the introduction and focus on the increasing importance of heterogeneity and skill latitude as the driving forces.
- ullet The point about the terminological problem regarding the qualification structure q is again well taken, and would like to revise that, perhaps by introducing another term.