

Review of "Within-establishment wage inequality and satisfaction".

The paper provides evidence on the relationship between the wage distribution within establishments and pay satisfaction. The results show that, *ceteris paribus* and under certain incomplete information assumptions, workers tend to be better off the higher the gap with those earning less (prestige) and the smaller the gap with those above (envy). Given that the former effect is stronger, the author concludes that satisfaction is positively correlated with inequality. The results are robust to a change in the reference group.

General comment.

In my view, the main limitation of the paper comes from data restrictions. The fact that the author uses a cross-section allows her to control only for establishment effects, but not for worker effects and, thus, for individual unobservables that could be playing an important role here. The fact that the information on workers' and establishments' wages are given in arbitrary intervals, forces her to impose very ad-hoc assumptions about incomplete information about wages.

Most results are consistent with those previously found in the literature, being the novelty of the paper to highlight the positive correlation between satisfaction and inequality, given the magnitude of the coefficients for downward and upward comparisons. Although these results might be affected by the data restrictions, they deserve to be further investigated and, for that reason, the paper is a useful piece of research in this growing literature. However, I would recommend the author to be more cautious when describing the contribution of the paper.

Specific points.

I would be concerned about the estimations if there were a high correlation between the main variables of interest: wage, upward and downwards comparisons.

It should be clear that the assumption of incomplete information about others' wages is imposed by data availability (at least the way it is implemented). The sentence in page 7 in which the author claims that this data limitation is not a problem in this framework is unfortunate.

Figure 1 is a histogram rather than a density because a uniform distribution of workers along each wage interval is imposed. The description of figures 1 and 2 is a bit weird. The shape of the histogram is affected by the arbitrary definition of wage boundaries, especially at the top of the wage distribution.