

Wage Growth of Less Educated Workers: the importance of social skills*

Philippe Aghion Antonin Bergeaud Richard Blundell Rachel Griffith

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Abstract

We use matched employee–employer data from the UK to investigate the importance of social skills, in particular teamwork and communication with co-workers, as a driver of wage growth for workers with lower formal education. We find that in social skill tasks, a significant fraction of less-educated workers enjoy wage progression with tenure, and higher returns in firms with more educated co-workers. We rationalize these dynamics through a model in which social skills—initially opaque to both employee and employer—become increasingly apparent over time through complementarity with firm assets.

JEL classification: J31, J24, L25

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*Aghion (Collège de France, INSEAD, LSE, CEPR, p.aghion@lse.ac.uk); Bergeaud (HEC Paris, CEP, CEPR, bergeaud@hec.fr); Blundell (UCL, IFS, TSE, CEPR, r.blundell@ucl.ac.uk); Griffith (Univ. of Manchester, IFS, CEPR, rgriffith@ifs.org.uk). We thank Nick Bloom, Alex Bryson, John Forth, Juan Jimeno, Francis Kramarz, Attila Lindner, Arnaud Maurel, Steve Pischke, Carl Singleton, Stefanie Stantcheva, and seminar participants at TSE, Yale, LSE, IoE for helpful comments. We acknowledge support from ESRC (CPP at IFS, ES/M010147/1; UKRI SPF, ES/W010453/1). Analysis was carried out in the ONS Secure Research Service. Statistical data © Crown Copyright; the ONS bears no responsibility for interpretation or analysis.