# Inflation Cues and Employee Wage Satisfaction: Evidence from Two Million Job Reviews Across Current and Former Employees *

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February 18, 2025

**Abstract**

Can high inflation distort employees' perception of their wages and thereby their wage satisfaction? Using data from 2 million U.S. employer-employee matched job reviews, we show that high inflation significantly dampens employees' wage satisfaction. Current employees report substantially lower wage satisfaction when faced with a high-inflation environment cue, defined as an annualized inflation rate above 3% in the month when they provide their ratings, compared to a low inflation environment cue with inflation rate around the Fed's 2% target (0-3%), even with their nominal or real wages held constant. The negative effect of a high-inflation environment cue on current employees' wage satisfaction is comparable to an $8,000 reduction in monthly wage expenses per employee for an average publicly listed firm in our sample, or to the satisfaction premium generated by a move from entry-level to junior-level up the job ladder for individual employees. This negative effect is more salient among current employees who have not experienced an inflationary period with average inflation rate above 3% during their tenure. For former employees, the negative effect of a high-inflation environment cue on their wage satisfaction with former firms is stronger compared to current employees, but is almost fully mitigated if they have experienced an inflationary period since leaving their former firms until providing their ratings. Additionally, we find that both current and former employees, at least partly, attribute the adverse effects of high inflation on their wages to seniors and CEOs within their firms.

**Keywords:** inflation, wage satisfaction, job review, experience effects, environment cue

**JEL Classification:** E24, E31, E70, G30, J30

*A complete draft will be ready by the end of March. Liu acknowledges financial support from National Natural Science Foundation of China (No.72403140). We remain responsible for all remaining errors.

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