

# Worker churning and wage rigidity during the financial crisis: the role of firm quality

Discussion by  
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# Summary

- Analysis of job and worker flows and wage rigidity
- Portuguese social security data, 2000-2012
- Focus on "firm quality" dimension (size and wages)
- Conclusions: hirings are key in the business cycle, wages are flexible, wage rigidity does increase in downturns, bad firms take jobs in downturns

# Comments

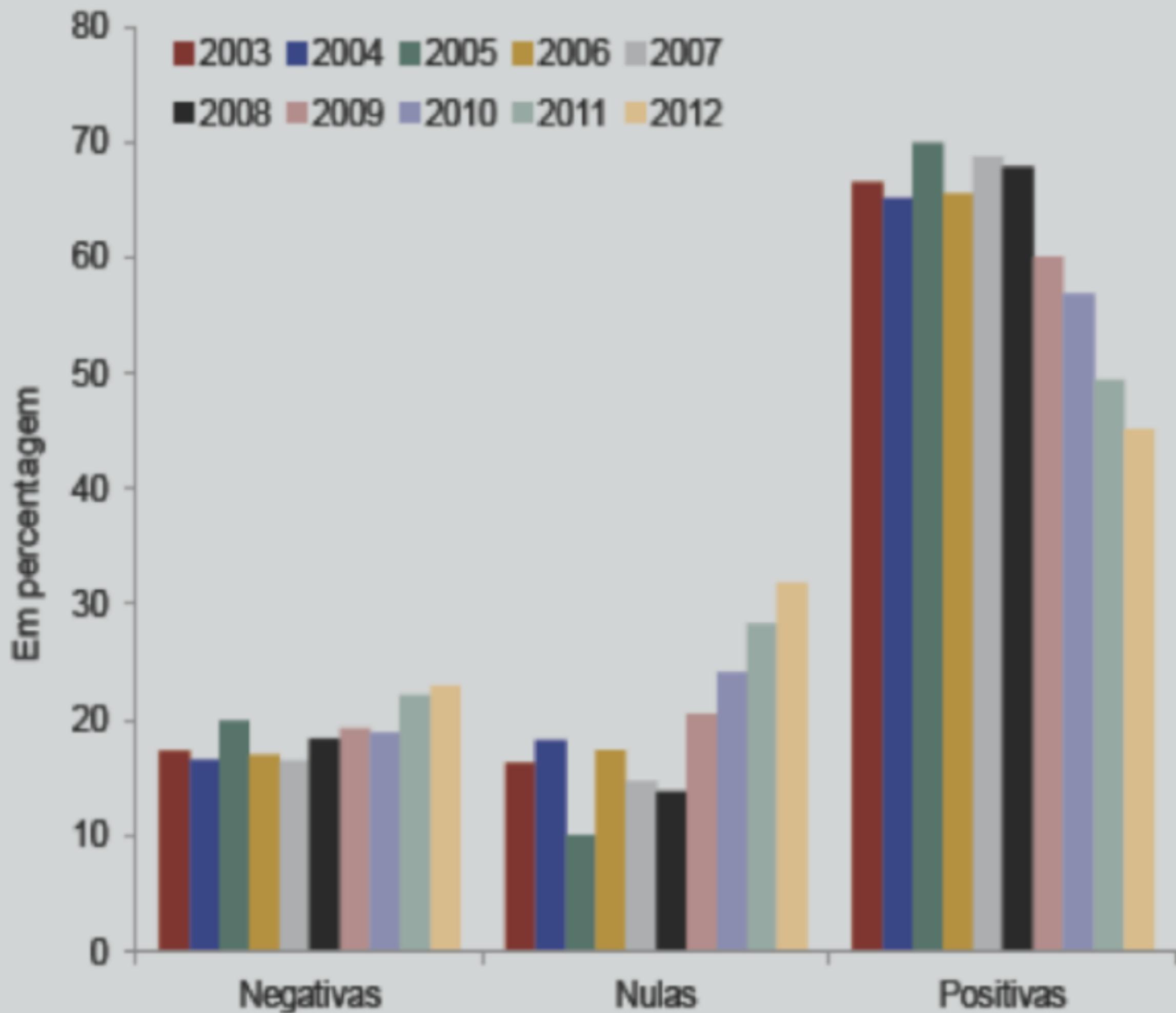
- Wage flexibility: definition and context
- Literature
- Data issues
- Regression results

# Wage flexibility

- Wage adjustments to prevent or minimise unemployment after negative shock
- UR in PT increased 6pp in two years (although less than SP and GR; also fell 3pp in last year)
- Perfect storm in 2011 (austerity, deleveraging, previous shocks, uncertainty, MW, external demand, EPL/severance, structural rebalancing)
- Wage vs employment tradeoff? Analysis of continuing workers
- Impact of reforms on flexibility analysis (severance, overtime, collective bargaining)
- MW excluded? 'Binding for a large fraction of workers'

# Literature

- The Contribution of Large and Small Employers to Job Creation in Times of High and Low Unemployment, AER 2012
- Several contributions on PT case should be acknowledged (RWC, MW, nominal wage rigidity, ...): controversies are good
- BoP box on wage changes



# Data

- Base wages vs variable pay components; total pay vs hourly pay
- Exclusion of firms with fewer than 20 workers; role of firm exit (especially smaller firms)
- Wage rigidity as ratio between zero changes and negative or zero changes in a firm
- Firm 'quality': how are two dimensions compressed into one?
- Quadros data: different results
- Replicability: more info on data work needed

# Regression results

- Firm quality indicators potentially endogenous
- If wages are very flexible, why do high-wage firms separate from low-wage workers (those more likely to hit constraints)?