

# Catastrophic job destruction Carneiro, Portugal and Varejao A discussion

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# Outline

- 1 Summary of findings
- 2 Questions on findings
- 3 Proposals for extensions of the work

# Summary of findings - Descriptive

- 1 High unemployment rates driven mainly by increase in separation rates
- 2 The employment adjustment took place mainly through non-renewal of fixed-term contracts
- 3 Despite the depth of the recession, wages were rigid

# Summary of findings - Causal/Associations

- 1 Credit constraints lie behind the increase in separation rates
- 2 Wage rigidity associated with lower net job creation and higher failure rates of firms
- 3 The high share of employees on fixed-term contracts explains the increase in the separation rate

# Credit constraints lie behind the increase in separation rates

- ① Figure 8 - clearly illustrates the increased spread between Portugal and other countries even of the periphery
- ② The determinants of firm closure tabulated in Table 2
  - Failure more responsive to interest rate increases: do coefficients differ significantly from unity?
  - Failure more responsive to interest rate increases: coefficient for 2011 not presented, regression estimated up to 2010
- ③ Dynamic labor demand regression - Table 3
  - Is the coefficient on the lagged dependent variable not too low?
  - Does the increase of the coefficient on interest rates capture increased sensitivity of labor demand or lower expected demand for the firm's product?

# Impact of bargained and minimum wages on worker flows

- ① Endogeneity/efficiency wage issues in the results presented in Table 7 - higher bargained wage, lower separation rates
- ② Table 8 - minimum wages and worker flows
  - How do the results in Table 8 come through: through the time-dimension channel or the cross-sectional channel?
  - Why do minimum wages differ across firms?
- ③ Average real wages in surviving firms: what about skill composition?

# Flexibility through temporary contracts

- 1 V innovative presentation
- 2 Employment adjustment by contract type: could the results in Table 11 be capturing sectoral variation rather than contract type variation?

# Possible extensions?

- 1 A measure of expected demand
- 2 A measure of financial leverage



# Thank you

- 1 ... to Pedro for the paper - next paper - creative job destruction
- 2 ... to the audience for your attention