

Networks and Manager Pay: Evidence from Time-Varying Exogenous Metrics

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¹The analysis, opinions, and findings represent the views of the authors, they are not necessarily those of Banco de Portugal or the Eurosystem.

Introduction

- Interesting topic, great data, nice identification strategy
- Progress:
 - ▶ Different data. Allow to exploit the time dimension
 - ▶ Different definition of network, that “protects” more from endogeneity concerns
 - ▶ Some insights on what is going on: larger network means higher manager (i) productivity vs. (ii) quality, (iii) bargaining power

Experience matters

Related paper that offers ideas for the future:

*Mion, Giordano & Opromolla, Luca David & Ottaviano, Gianmarco, 2020.
"Dream Jobs," CEPR Discussion Papers 15027*

- They show that experience in internationally-active firms provides more opportunities for managers to learn and apply their knowledge. This maps into faster wage growth
- You could check if a more international network matters more in terms of wage levels, especially if the manager you focus on is in an internationally-active firm. International network could mean distinguishing between contacts that are managers for internationally-active firms vs. domestic firms

Social interaction matters

Related paper that offers ideas for the future:

*Jarosch, Gregor, Ezra Oberfield, and Esteban Rossi-Hansberg. 2020.
"Learning from coworkers." Econometrica, forthcoming*

- They show that having more highly paid coworkers is strongly associated with future wage growth. Results are strongly suggestive of significant learning from coworkers, particularly from workers that earn more
- You could check if this learning from “coworkers” extends outside the boundaries of the firm, though the network of contacts of a manager

Space for improvement

- Construction of the sample.
 - ▶ In general, provide, in the appendix, many more details on how you construct the sample.
 - ▶ A specific concern is about firm size.
 - ★ In your sample the mean (1035.26) and median (37) firm size are quite large for Portuguese standards, even for firm that do have managers.
 - ★ Braguinsky et al. “The Incredible shrinking Portuguese firm” NBER WP 17265 find (Table 2) a mean firm size between 8 and 18.
 - ★ In my papers with Mion we also usually have smaller numbers. Definitions might be a bit different, but the difference is substantial.
 - ★ What am I missing? What creates such a (different) selection in your sample?

Space for improvement

- Description of network measures
 - ▶ I am not an expert of networks, so you lost me when you started talking about Betweenness Centrality. All I get is that it is another measure of centrality. Same for Pagerank.
 - ▶ More intuition is needed for people to appreciate the difference between Betweenness Centrality and Pagerank, and to appreciate some of your results (see next point).

Space for improvement

- Presentation of results
 - ▶ One strength of your paper relies in the network definition and the consequent identification strategy. Is it possible, to some extent, to reproduce the strategy used in other papers in order to better appreciate if the difference in the results is mostly due to the novel identification strategy or the data?
 - ▶ Buried insights. As you discuss at the beginning of the paper, a larger network may mean higher manager (i) productivity vs. (ii) quality, (iii) bargaining power. The comparison of different network metrics allows you to say something about this. But results are a bit buried. Since this is a key issue I would try to make a more systematic discussion of what you can and cannot conclude.

More

- 1 Did you try NOT weighting the network connections by firm size, time, etc.? It is difficult to compare weighting schemes so it would be nice to have the non-weighted results as a reference.
- 2 Do you check if at the moment of the meeting the two people were working in the same plant?
- 3 Did you experiment with different definitions of “manager”?
- 4 The formula and the definition of the weights for the Power measure are not entirely clear. Why do you talk of average? Is it an average over time, over firms managed (if more than one) at time t ? Why there is a j subindex in FirmSize and NumberManagers?
- 5 Why did you choose to use the profession instead of the hierarchical qualification level? Is there a specific advantage for the type of analysis you carry on?
- 6 Interact, among the Mincerian wage regression controls, education with age/experience