

Employment Protection and Firm-level Job Reallocation Marzinotto and Wintr

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Conclusions of Paper

- Firms below EPL exemption threshold are discouraged from adding jobs
- A firm-size adjusted measure of EPL is shown to impact labor reallocation
- Adjusted-EPL decreases share of firms that move to larger size group
- No evidence is found of EPL preventing job shedding
- EPL on individual dismissal increases share move to smaller size group

Augmenting CompNet data with own indicators

- Cross-country panel potentially provides identification
 - Policies vary across countries and over time
 - Policy impact could also vary across agents
 - Rajan-Zingales assume how impact could vary, eg across industries
- In this paper, nice data collection on how EPL rules vary by firm size (and country, time)
- Merging coverage-adjusted EPL with granular micro-aggregated firm moments makes study feasible

Using CompNet data

- Papers should refer to CompNet version
- Users should read the associated documentation and probably also the code that generates the CompNet files
- In the most recent code (v7), the 3-yr transition files refer to switches between quintile of the size distribution, not size class
- As with any dataset, users should 'poke around' in the data and ask lots of questions:
 - What happens to firm entry/exit (out of and into sample)? In computing shares of upsizers, do you normalize by number of firms in cell in $t-3$ or number of firms that exist in t and $t-3$.
 - What is the mean/median size of firms in each cell of the transition matrix?
 - How do data features differ/change across countries, industries, and time

Impacts of EPL

- Theory on impact of EPL often makes use of models with heterogeneous firms and dynamic factor adjustment
- Impact of EPL on employment mostly dependant on labor supply
- Impact of EPL (or firing costs), interacted with idiosyncratic shocks on hiring and firing decisions is dependent on state of firm and size of shocks.
 - Coefficient of EPL in upsizing or downsizing regression cannot disentangle the two effects. (see p. 24)
 - see e.g. Bartelsman, Lopez-Garcia and Presidente (2018) on defining downstream demand shock. EPL is seen to reduce productivity enhancing reallocation.
- EPL can also affect structural choice of firm (e.g. choice of industry/technology/optimal-size)
 - see eg Bartelsman, Gautier and de Wind (2016) who find that EPL reduces employment growth in risky, high-tech sectors
 - see eg Garicano et al. on 'holes' in firm-size distribution around policy thresholds

Using Future CompNet Research Infrastructure

- Design of research must interact with availability and features of CompNet datasets
- H2020 project Microprod is working on an 'infrastructure' to provide researchers with remote execution of their programs on the firm-level data
- The EPL data, with country specific size thresholds can be used to define proper transition categories in each country
- EPL indicator can be created to match country, industry, year *and* size-class
- Study can be designed to distinguish between effect of stringent and less stringent EPL in different locations of the size distribution, but also on the effect the threshold has on firms' willingness to cross the threshold (ie holes in different spots of size distribution across countries)