



Discussion of the paper

**“What drives wages in CEE EU countries?
A comparative Phillips curve approach
from a macro and micro perspective”**
by D. Aglio, P. Lopez-Garcia, I. Pablos Nuevo and T. Zumer

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The research questions

- *Can the simple Phillips curve framework explain wage developments in CEE EU countries?*
- *How do CEE countries compare to the EA estimates?*
- *Was there an impact from the crisis on the CEE Phillips curves?*
- *How to reconcile macro- and micro-based evidence?*

The paper's approach(es)

- *Macro-level equation*
 - **Estimation of a standard reduced-form Phillips curve**
 - **Estimation of the long-run wage equation**
- *Sectoral equation*
 - **Wage equation with sectoral measures of labour market slack**

The paper's results

- *Instability of the Phillips curve pre/post crisis*
- *Steeper Phillips curve in the CEE compared to the rest of the EU*
- *No stable long-run relationship*
- *Wages in the CEE have more downward flexibility*
- *Role of « composition effect » in the decoupling of wages and productivity since the crisis*

General comments

- *An interesting paper that offers insight on the weak post-crisis wage growth*
- *Merging the macro and micro approaches adds insight to the traditional Phillips curve model*

BUT

- *Backward-looking Phillips curve*
- *Some possible weaknesses in the econometric approach*

Comments on methodology & results

- *Test for an unknown structural break*
 - **There's the crisis, but there is also EU Membership**
 - Banerjee and Carrion-i-Silvestre (2015)
- *A negative coefficient for inflation...why?*
- *No long-run equilibrium path found... why?*
 - **Prices might be I(2) (Juselius 2006): did you check? => real vs. nominal wages**
 - **Convergence in progress -> no LR equilibrium yet**
 - **A break that has not been accounted for**

Minor comments

- *Which data/countries do you use?*
 - **A « data » subsection would be useful. In different parts, you seem to use different sample groups (e.g. CEE countries in/out of CompNet)**
- *Comparison with EA/EU: maybe exclude the countries you are using to have a clearer distinction*
- *Check the spelling of « Phillips » across the paper*