Discussion of the paper

“What drives wages in CEE EU countries? A comparative Phillips curve approach from a macro and micro perspective”

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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*