Discussion of
"Marginal Jobs and Job Surplus: A Test of the Efficiency of Separations"

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Are Separations Efficient?

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- Efficient separation if the **joint job surplus** is negative:

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▶ Problem: J_i, U_i, W_i are **unobserved**

Revealed Preference Test

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- Surprising abolition in 1993

- Quasi-experiment with double difference design (control regions and control age group)

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- Indeed, 11 pp higher cumulative separation rate in T vs C

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- Potential explanations:
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    - Separations inefficient due to rigid wages:
      $\Rightarrow$ Firm surplus $S_i^F = J_i - W_i$ identically distributed in T and C
      (if J_i and U_i are uncorrelated across workers)
      $\Rightarrow$ Firm-level shocks (to J_i) affect T and C alike

Praise

- Very polished and elaborate paper

- New approach using temporary policy changes to test the efficiency of separations

- Methodological contributions: Complier analysis in diff-in-diff settings

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- ▶ Heterogeneous sensitivity to treatment based on pension entitlement, proxied by lifetime earnings, experience ... (instead of exposure to risk of job loss)?

- ▶ J_i and U_i likely positively correlated: Workers in high productivity firms/industries also have high option values of retirement.

- ▶ With rigid wages, T survivors have higher $W_i - U_i$ and lower $J_i - W_i$ than C workers $\Rightarrow$ Separations (induced by firm shocks) **higher in T**

Comment II: Are wages rigid in Austria?

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Of course!

Union density ■   Collective bargaining coverage ■
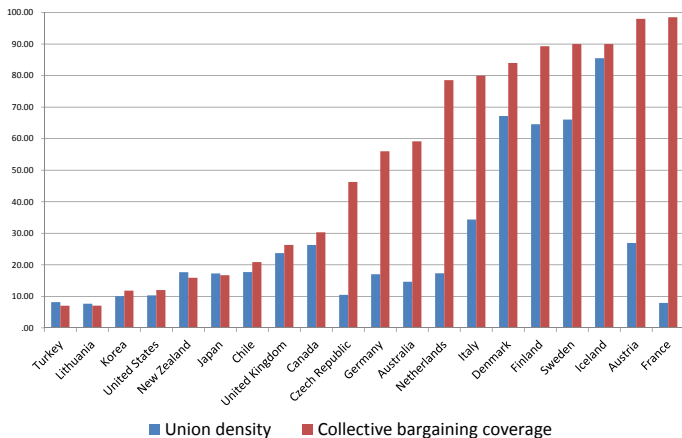
Occupation & experience specific (nominal) minimum wages
⇒ Downward (nominal) wage rigidity

Rigid wages

- How many workers are at the minimum, how many above?

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- Test **flexible-wage predictions**:
  - During 1988-1993: More upward adjustments in T than in C?
  - After 1993: T-survivors should have higher wages compared to similar C workers. Thus, more downward adjustments in T than in C, and more upward adjustments in C than in T.