CEET Workshop Discussant

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Paper 1:

Firms' Initial Responses to the Covid-19 Shock and Post-Pandemic Performance: Insights from France

Askenazy, P., Courtioux, P., Erhel, C., Mofakhami, M.

Overview

- Medium-run wage and growth ‘impacts’ of initial COVID responses
- Typology of responses comes from earlier paper
- Linked to administrative data on firm productivity and wages
- Teleworking strategies performed best

Initial “strategic choice”

- Non-random selection into initial choice
  - Omitted variables might drive both initial choice and subsequent performance e.g. strategies are endogenous reflecting on-going trends in performance

- Were all choices available to all firms – or is the choice constrained and if so by what?

- What theory is there regarding the value of the various options as short-term responses to COVID?

- Are the options exhaustive or are there others?

Theory

- What expectations do we have about the performance effects of initial choices?
    - What's the theory?
    - Perhaps 'internal' versus 'external' fit implying heterogeneous returns to various strategies based on other factors
- Are the 'choices' substitutes or complementary?
- Can we extrapolate to other circumstances or are results specific to French context?

Empirics

- Whether to place lagged dependent variable on RHS and estimate levels in 2022?
- Are employment strategic choices correlated with other margins of adjustment that are unobserved, e.g. product and process innovation?
    - Eg. Norway - Barth, E., Bryson, A. and Dale-Olsen, H. (2025) "Creative Disruption – Technology Innovation, Labour Demand and the Pandemic", *Economica*, https://doi.org/10.1111/ecca.70025
- Value matching firms on their pre-COVID wages/productivity growth?
    - Need to control for otherwise unobserved differences in performance trends at the time that strategies were adopted
    - Wage and productivity data go back to 2019 so a year or so before strategy adoption
- Would a matching estimator help? eg. by identifying possible common support issues?

Other Thoughts

- Interpretation
  - Paper suggests teleworking entailed organizational restructuring, so important to be clear what the 'treatment' is
  - Some do find positive productivity effects of WfH (Bloom et al, 2015 QJE)
    - Linked in part to improved worker wellbeing

- Data queries
  - Nature of labour productivity metric
    - Sales?
    - If observed at firm level need to apportion across workplaces?
  - N lost in data matching process
  - Removed outliers?

- Is there heterogeneity by collective bargaining?
  - Collective bargaining also likely to impact initial strategies?

Paper 2:

Is there a trade-off between employment and productivity? An analysis of the link between labor productivity and employment levels within firms

Mauchaussée, M., Rouzade, H. and Petit, H.

Overview

- What is the relationship between productivity growth and employment growth at firm level, 2018–2023?

- Focus on heterogeneity using Bailey (1996) 4 quadrants
  - (e + p +), (e + p –), (e– p+), (e– p–)

- Decomposes growth trajectories and their contribution to overall productivity change

Theory

- Not really a ‘trade off’ between employment and productivity for a profit maximising firm

- In competitive markets firms grow/shrink according to the added value of the marginal worker -> no impact on change in productivity

- Much less certain in a non-competitive market e.g. in monopsony

- If can produce more with smaller labour input due to capital intensification there will be a negative correlation between productivity growth and employment growth
    - At least in the short term until worker reallocation

- The above point is currently debated with respect to AI

Data and Empirics

- Nice administrative data for large N firms
  - Plant level worker flows aggregated to firm level and matched to firm level accounting data on performance

- Dependent variables capture change in productivity and employment between base period (2018/19) and subsequent period (2022/23)

- Balanced panel of surviving firms with 10+ employees and no intervening negative growth

- First decomposition of productivity growth

- Then regressions to predict which quadrant

Thoughts

- Why assess the contribution of productivity growth by the 4 quadrants
  - How much do we really learn and how are we to interpret the results?
  - I'd dispense with this classification and focus on firm-level productivity and/or profitability and the role played by employment strategies

- Establishing 'quadrant' destinations as function of initial (2018) conditions is somewhat informative but….
  - Discussion of theoretical expectations would help with interpretation
  - Value in accounting for firm survival

- Concerns about regression to the mean
  - Use all of the annual data to observe patterns descriptively and regression adjusted in key variables of interest

Thoughts

- Really want to know how dynamics in firm performance varied pre- and post-COVID

- What did COVID do to labour flows and firm performance?
  - How much productive worker reallocation was there compared to expectations?
  - Did job flows (entry, exit) change over the course of the period?

- How much firm-level heterogeneity was there?
  - Use firm identifiers

- What is it that characterises the most (least) successful firms?
  - Can this be emulated (avoided) elsewhere in future?