

Discussion of *Insurance Between Firms: The Role of Internal Labor Markets*  
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Labor markets: Growth, Productivity and Inequality

16.6.2016

- Do firms use internal labor markets (ILM)?
- ILM may help reduce labor market frictions.
- Particularly useful with idiosyncratic shocks.

- Firms use ILM.
- ILM activity intensify after negative shock.  
Reallocation to efficient and growing.
- ILM activity intensify after positive shock.
- ILM intensity linked to:  
Diversification  
Employment protection

# Questions regarding JTJ transitions

- How are JTJ transitions defined?
- How are recalls treated?
- How are firm spin-offs treated?

$$\gamma_{c,j,t} = \frac{\sum E_{i,c,j,t} BG_{i,j,t}}{\sum BG_{i,j,t}} - \frac{\sum E_{i,c,j,t} (1 - BG_{i,j,t})}{\sum (1 - BG_{i,j,t})}$$

- Regional clustering.
- Why exclude  $UE_{c,j,t}$ ?
- What about firms with  $\sum BG_{i,j,t} = 0$  or  $\sum (1 - BG_{i,j,t}) = 0$ ?

- What explains ILM:

Employment growth, size, sector, unemployment.

- ILM used for efficient reallocation:

Firms should equalize labor's revenue productivity.

Transitory vs permanent shocks.

$$f_{i,j,t} = [\dots] + \phi c_{i,t} \text{SameBG}_{i,j,t} + \epsilon_{i,j,t}$$

- As baseline, does  $f_{i,t}$  change around closure.
- Why the focus on closure? You have TFP, employment growth...

- Positive shocks: Why be so restrictive?
- What happens after reallocation?
  - Persistence.
  - Wage effects.
- Can you link ILM to regional unemployment rates?
- How are gains of ILM shared?