

Discussion of: The Decline of Labor Market Power in Spain by J. Azar and J. Sanz-Espin

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Motivation:

- Product markets and markups (difference between price and marginal cost). The higher the market power (goods market) of a firm the higher the markups.
- Labor markets and markdowns (ratio between the marginal revenue product of labor and wages). The higher the market power (labor market) of a firm the higher the markdown.
- **In a perfectly competitive product markets and labor market, markups should be 0 and markdowns should be equal to 1. If we find positive markups and markdowns above 1 (positive log of markdowns) it is a sign of firms having market power.**

Motivation and Research Question:

- This study does two main things:
 - **Descriptive:** Measures **markdowns** for Spanish firms using BdE (balance sheet data over the period 1997-2021), using a revenue-production function approach.
 - **Event study: 2012 Labor market liberalization** allowed **firms to negotiate their own agreements** instead of being bound by the sectoral agreements.
 - Control group: firms at sectorxCCAA with no union coverage in 2011.
 - Treatment group: the rest of the firms.
 - Study the effects of the labor market liberalization on: employment, wages, markdowns, TFRP, MRPL and share of temporary employment.

Research Questions and Results:

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 - Firms have market power (log of markdowns $\gg 0$) but **market power (markdowns and HHI) in labor markets shows a decreasing trend over (1997-2021)**.

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 - **Increase in markdowns.**
 - Heterogeneous effects by firm size and pre-reform markdown size.

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- Results: (Why) is Spain different? The trend in other countries seems to have the opposite sign.
- Results on the heterogeneity by autonomous regions: any common characteristics across autonomous regions or patterns in the findings that can help explaining the heterogenous effects?

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 - Heterogeneous results based on firm size and pre-reform markdown size: interpret those effects. Which ones are expected/surprising?
 - An outcome of interest? If anything, we would expect the gender wage gap to increase with the labor market liberalization. You could potentially test for this effect comparing firms with a higher/lower share of female labor. (Biasi and Sarsons, 2022).